

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your Shares in C&N Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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.

C&N Holdings Limited
春能控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8430)

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

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

ALTUS CAPITAL LIMITED

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

A letter from the Board is set out on pages 13 to 42 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 43 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 44 to 59 of this circular.

It should be noted that the Consolidated Shares will be dealt in on an ex-rights basis for the Rights Issue from Thursday, 5 January 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 19 January 2023 to Tuesday, 31 January 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 19 January 2023 to Tuesday, 31 January 2023 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at No 3 Soon Lee Street, #06-03 Pioneer Junction, Singapore 627606 at 11:00 a.m. on Friday, 30 December 2022 is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Union Registrars Limited, the branch share registrar of C&N Holdings Limited in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 11:00 a.m. on Wednesday, 28 December 2022, Hong Kong time) or any adjournment thereof.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that: (a) if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed; and (b) the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

* For identification purposes only

CHARACTERISTICS OF GEM

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

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

CONTENTS

	<i>Page</i>
DEFINITIONS	1
PRECAUTIONARY MEASURES FOR THE EGM	7
EXPECTED TIMETABLE	8
LETTER FROM THE BOARD	13
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	43
LETTER FROM INDEPENDENT FINANCIAL ADVISER	44
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP	II-1
APPENDIX III — GENERAL INFORMATION	III-1
NOTICE OF EGM	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 21 October 2022 in relation to, among other things, the Share Consolidation, Change in Board Lot Size and the Rights Issue
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday 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 hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares
“Company”	C&N Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8430)
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.26(2) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.2 each in the share capital of the Company immediately after the Share Consolidation becoming effective

DEFINITIONS

“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the proposed Share Consolidation and the Rights Issue, and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share(s)/Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“FRC”	The Financial Reporting Council of Hong Kong
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue

DEFINITIONS

“Independent Financial Adviser” or “Altus”	Altus Capital Limited, a corporation licensed to carry out Type 4 (Advising on Securities), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Last Trading Day”	21 October 2022, being the last trading day of the Existing Shares on the Stock Exchange immediately prior to the publishing of the Announcement
“Latest Placing Date”	16 February 2023 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares
“Latest Placing Time”	6:00 p.m. on the Latest Placing Date
“Latest Practicable Date”	6 December 2022, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 3 February 2023, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Long Stop Date”	1 March 2023 or such later date as may be agreed between the Placing Agent and the Company in writing
“Net Gain”	any premiums paid by the placees over the Subscription Price for the Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed

DEFINITIONS

“Optionholder’s Undertaking(s)”	the undertaking (s) executed on 21 October 2022 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the Record Date
“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Sorrento Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.26(2) of the GEM Listing Rules

DEFINITIONS

“Placing Agreement”	the placing agreement dated 21 October 2022 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as described in the section headed “The Placing Agreement” in this circular
“Placing Period”	a period commencing from the next Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Tuesday, 14 February 2023, and ending at the Latest Placing Time
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and PAL
“Prospectus Posting Date”	the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Monday, 16 January 2023 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the branch share registrar and transfer office of the Company in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents

DEFINITIONS

“Rights Share(s)”	up to 125,126,400 Consolidated Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme of the Company adopted on 25 September 2017
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Share Consolidation”	the consolidation of every twenty (20) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.2 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.26 per Rights Share
“substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Arrangements”	the placement of Unsubscribed Rights Shares by the Placing Agent pursuant to the terms of the Placing Agreement, details of which are set out in the section headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares, and the Compensatory Arrangements” in this circular
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

PRECAUTIONARY MEASURES FOR THE EGM

In view of the current Novel Coronavirus (“COVID-19”) epidemic situation and the safe management measures in Singapore, the Company will implement the following precautionary measures at the EGM to safeguard the health and safety of every attendee at the EGM:

- (i) Compulsory body temperature checks will be conducted for every Shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.
- (ii) Each attendee must wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.
- (iii) The seating distance inside the meeting venue will be widened so as to reduce interaction among attendees. As a result, only a limited number of seats will be provided.
- (iv) No refreshment will be served, and there will be no corporate gift.
- (v) Each attendee may be asked whether (a) he/she has travelled outside of Singapore within the 14-day period immediately before the AGM; and (b) he/she is subject to any Singapore Government prescribed quarantine or stay home notice. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

In addition, the Company reminds all Shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this circular.

If any Shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the Board, he/she is welcome to send such question or matter in writing to our head office and principal place of business in Hong Kong.

EXPECTED TIMETABLE

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

Event	Date and Time
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM.....	4:00 p.m. on Thursday, 22 December 2022
Closure of register of members of the Company for attending and voting at the EGM (both days inclusive)	Friday, 23 December 2022 to Friday, 30 December 2022
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Wednesday, 28 December 2022
Record date for determining attendance and voting at the EGM	Friday, 30 December 2022
Expected date and time of the EGM	11:00 a.m. on Friday, 30 December 2022
Announcement of poll results of the EGM	Friday, 30 December 2022
Register of members re-opens.....	Tuesday, 3 January 2023

EXPECTED TIMETABLE

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue.

Event	Date and Time
Effective date of the Share Consolidation.....	Wednesday, 4 January 2023
Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Wednesday, 4 January 2023
Original counter for trading in the Existing Shares, in board lots of 5,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 4 January 2023
Temporary counter for trading in the Consolidated Shares, in board lots of 250 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 4 January 2023
First day for the free exchange of existing share certificates of the Shares into new share certificates of the Consolidated Shares commences	Wednesday, 4 January 2023
Last day of dealings in the Consolidated Shares on a cum-rights basis for the Rights Issue	Wednesday, 4 January 2023
First day of dealings in Consolidated Shares on an ex-rights basis for the Rights Issue	Thursday, 5 January 2023
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to qualify for the Rights Issue.....	4:00 p.m. on Friday, 6 January 2023
Closure of register of members of the Company for the Rights Issue (both days inclusive).....	Monday, 9 January 2023 to Monday, 16 January 2023
Record Date for determining entitlements to the Rights Issue	Monday, 16 January 2023
Register of members of the Company re-opens.....	Tuesday, 17 January 2023
Despatch of Prospectus Documents for the Rights Issue	Tuesday, 17 January 2023

EXPECTED TIMETABLE

Event	Date and Time
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Wednesday, 18 January 2023
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Wednesday, 18 January 2023
Designated broker starts to stand in the market to provide matching services for the sale and purchase of odd lots of the Consolidated Shares.....	9:00 a.m. on Wednesday, 18 January 2023
First day of dealings in nil-paid Rights Shares	Thursday, 19 January 2023
Latest time for splitting of PAL.....	4:00 p.m. on Thursday, 26 January 2023
Last day of dealings in nil-paid Rights Shares	Tuesday, 31 January 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any).....	4:00 p.m. on Friday, 3 February 2023
Latest time for acceptance of and payment for the Rights Shares.....	4:00 p.m. on Friday, 3 February 2023
Last day for the designated broker to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Friday, 10 February 2023
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends.....	4:10 p.m. on Friday, 10 February 2023

EXPECTED TIMETABLE

Event	Date and Time
Temporary counter for trading in board lots of 250 Consolidated Shares (in the form of existing share certificates) closes.....	4:10 p.m. on Friday, 10 February 2023
Announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares subject to the Compensatory Arrangements	Monday, 13 February 2023
Commencement of placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent.....	Tuesday, 14 February 2023
Latest time for free exchange of existing share certificates for new share certificates for the Consolidated Shares	4:30 p.m. on Tuesday, 14 February 2023
Latest time of placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent.....	Thursday, 16 February 2023
Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional.....	Thursday, 16 February 2023
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per ES Unsold Rights Share under the Compensatory Arrangements)	Wednesday, 22 February 2023
Refund cheques, if any, to be despatched (if the Rights Issue does not proceed)	Thursday, 23 February 2023
Certificates for fully paid Rights Shares to be despatched	Thursday, 23 February 2023
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 24 February 2023
Payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Friday, 17 March 2023

All times and dates in this announcement refer to Hong Kong local times and dates.

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS 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:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance 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 does not take place on the currently scheduled date of the events subsequent to the Latest Time for Acceptance, the dates mentioned in this section above may be affected. Announcement will be made by the Company in such event.

LETTER FROM THE BOARD

C&N Holdings Limited
春能控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8430)

Executive Directors:

Mr. Chua Kang Lim

(Chairman and Chief Executive Officer)

Ms. Fung Mee Kuen

Independent non-executive Directors:

Mr. Cheung Wai Kin

Ms. Lo Suet Lai

Ms. Wong Shuk Yee Camilla

Registered office:

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Headquarters and Principal Place of

Business in Hong Kong:

21st Floor, CMA Building

64 Connaught Road Central

Hong Kong

9 December 2022

Dear Sir or Madam,

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

INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Share Consolidation, the Change in Board Lot Size and the Rights Issue. On 21 October 2022, the Company proposed that the consolidation of every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.2 each and proposed to change the board lot size for trading in Shares on the Stock Exchange from 5,000 Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective and proposed to raise up to approximately HK\$32.5 million on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date by issuing 125,126,400 Rights Shares at the Subscription Price of HK\$0.26 per Rights Share (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date). The Subscription Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further details on the Share Consolidation, the Change in Board Lot Size and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) a notice convening the EGM; and (v) certain financial information and other general information on the Group.

PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.2 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

- (i) the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and
- (iii) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation.

The Share Consolidation will become effective on Wednesday, 4 January 2023, being the second Business Day immediately following the fulfillment of the above conditions.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$50,000,000 divided into 5,000,000,000 Existing Shares of HK\$0.01 each, of which 834,176,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no further Shares will be issued or repurchased from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$50,000,000 divided into 250,000,000 Consolidated Shares of HK\$0.2 each, of which 41,708,800 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

LETTER FROM THE BOARD

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Sorrento Securities Limited as an agent to stand in the market to provide matching services, on a best efforts basis, to the Shareholders for the sale and purchase of odd lots of the Consolidated Shares at the relevant market price per Consolidated Share and the matching period commences from 9:00 a.m. on Wednesday, 18 January 2023 to 4:00 p.m. on Friday, 10 February 2023 (both days inclusive). Shareholders who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or top up to a full board lot may, directly or through their brokers, contact Sorrento Securities Limited at 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong or by phone at (852) 3959 9800 during office hours from 9:00 a.m. Wednesday, 18 January 2023 to 4:00 p.m. Friday, 10 February 2023.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Wednesday, 4 January 2023 to Tuesday, 14 February 2023 (both days inclusive), submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for delivery, trading and settlement purposes.

LETTER FROM THE BOARD

The new share certificates for the Consolidated Shares will be issued in yellow colour in order to distinguish them from the existing blue colour.

Listing and Dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot of 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 10,000 Consolidated Shares upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.014 per Existing Share (equivalent to the theoretical closing price of HK\$0.3 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 5,000 Existing Shares is HK\$70; (ii) the value of each board lot of 5,000 Consolidated Shares would be HK\$1,400 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 10,000 Consolidated Shares would be HK\$2,800 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities.

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at the Latest Practicable Date, the closing price of each Existing Share is HK\$0.014, with a board lot size of 5,000 Existing Shares, the Existing Shares are trading under HK\$70 per board lot.

It is expected that the Share Consolidation will increase the nominal value of the Existing Shares and would bring about a corresponding upward adjustment in the trading price per Consolidated Share, hence, upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$0.28, with a board lot size of 5,000 Consolidated Shares, the new board lot value would be HK\$1,400, which would still be less than HK\$2,000. By increasing the board lot size from 5,000 Existing Shares to 10,000 Consolidated Shares, the new board lot value would be HK\$2,800, which would be more than the required HK\$2,000.

In view of the recent trading price of the Shares, the Board considers that the Share Consolidation and Change in Board Lot Size will enable the Company to comply with the trading requirements under the GEM Listing Rules and reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. The Board considers that the Share Consolidation and the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level and with a corresponding upward adjustment in the trading price of the Consolidated Shares will increase the attractiveness in investing the Shares from a broader range of investors, in particular to institutional investors, whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus would help to further broaden the shareholder base of the Company. The Board believes the Share Consolidation and the Change in Board Lot Size will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the Share Consolidation, the Company has no intention to carry out other corporate action or arrangement, including share consolidation, share sub-division and capital reduction, in the next 12 months.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if the net proceeds from the Rights Issue cannot satisfy the upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises

LETTER FROM THE BOARD

to support the business operations of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

The Board believes that the Share Consolidation and the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	834,176,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	41,708,800 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 125,126,400 Rights Shares with an aggregate nominal value of HK\$25,025,280, assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	Up to 166,835,200 Consolidated Shares, assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the completion of the Rights Issue
Amount to be raised	:	Up to approximately HK\$32.5 million before expenses, assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date

LETTER FROM THE BOARD

As at the Latest Practicable Date, there are 74,624,000 outstanding Share Options, details of the outstanding Share Options are set out below:

Date of grant	Exercisable period	Exercise price (HK\$)	Number of outstanding Share Options as at the Latest Practicable Date
21 May 2021	three years from the date of grant	0.285	51,200,000
20 January 2022	three years from the date of grant	0.1056	23,424,000

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 300.00% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 75% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) or Consolidated Shares on or before completion of the Rights Issue.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

In addition, the Company had preliminarily consulted four brokerage companies (including the Placing Agent) for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation apart from the Placing Agent who expressed its interest in acting as a placing agent on best effort basis. The Company considers that the placing obligation of the Placing Agent are more or less similar to an underwriter of the Rights Issue (except that the Placing Agent is on best

LETTER FROM THE BOARD

effort basis). As such, the Company subsequently decided to conduct the Rights Issue on non-underwritten basis and to adopt the Placing Arrangement simultaneously in order to ensure sufficient funds could be raised.

Having considered the other fund-raising alternatives, the costs and unfavourable feedback of underwriting services and the proposed terms of the Rights Issue and the Subscription Price, the Board considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

The Optionholder's Undertakings

As at the Last Trading Day, each of the holders of the Share Options has signed an Optionholder's Undertaking for not exercising the Share Options granted to him/her on or before the Record Date.

Subscription Price

The Subscription Price for the Rights Shares is HK\$0.26 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 7.1% to the theoretical closing price of HK\$0.28 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.014 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.3% to the theoretical closing price of HK\$0.3 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.015 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 3.7% to the theoretical ex-rights price of approximately HK\$0.27 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.015 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (iv) a discount of approximately 13.3% to the theoretical closing price of HK\$0.3 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.015 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the Last Trading Day;
- (v) a discount of approximately 22.6% to the theoretical closing price of approximately HK\$0.336 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0168 per Existing Share as quoted on the Stock Exchange for the 10 consecutive trading days prior to and excluding the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 3.7%, represented by the theoretical diluted price of approximately HK\$0.27 per Consolidated Share to the theoretical benchmarked price of HK\$0.3 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.015 per Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the Last Trading Day of approximately HK\$0.015 per Share); and
- (vii) a discount of approximately 90.0% to the unaudited consolidation net asset value per Consolidated Share of approximately HK\$2.60 (based on the latest published unaudited consolidated net asset value of the Group of approximately HK\$108.6 million (or S\$19.0 million) as disclosed in the interim report of the Company for the six months ended 30 June 2022 (the “**Unaudited June 2022 NAV**”) and 41,708,800 Consolidated Shares assuming the Share Consolidation has become effective).

The Subscription Price was determined by the Company with reference to, among other things, (i) the recent market price of the Existing Shares since 1 September 2022 and up to the Last Trading Day, the average of which was approximately HK\$0.022 per Existing Share; (ii) the discount with reference to the rights issue exercises announced by companies listed on the Stock Exchange since 1 September 2022 and up to the Last Trading Day, which ranged from 6.3% to 66.1%; (iii) the prevailing market conditions; (iv) the loss attributable to owners of the Company of approximately HK\$19.8 million for the financial year ended 31 December 2021; (v) the amount of funds and capital needs; and (vi) the reasons for the Rights Issue as set out in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in this circular. As set out above, the Subscription Price represents a discount of approximately 90.0% to the consolidated net asset value per Share of approximately HK\$2.60 (“**NAV per Share**”) based on the latest published unaudited consolidated net asset value of the Company of approximately HK\$2.60 million as disclosed in the interim report of the Company for the six months ended 30 June 2022 and the issued share capital of the Company of 41,708,800

LETTER FROM THE BOARD

Consolidated Shares (assuming the Share Consolidation has become effective) as at the Latest Practicable Date. The Directors were of the view that the Shares had been consistently traded at a substantial discount to the NAV per Share during the period since the publication of the unaudited financial statements of the Group for the six months ended 30 June 2022 up to the Latest Practicable Date. As a matter of fact, the price of the Shares had been descending over the past year and had been trading below the net asset value per Share during the trading days in 2022, which implies that public investors may not be willing to purchase the Shares at a price as high as the net asset value per Share, and also indicates that the Subscriber and/or other interested investors can acquire the Shares on the market at a price which is at a substantial discount to the net asset value per Share. As such, the Directors considered that when determining the Subscription Price, it would be more appropriate to make reference to the prevailing market price of the Shares, which reflected the fair market value of the Shares traded on the Stock Exchange instead of making reference to the net asset value per Share. The attractiveness of the Rights Issue for the Shareholders to participate in the Rights Issue would be significantly reduced if the Subscription Price was made with reference to the NAV per Share.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group. The following table sets forth the relevant details of the rights issue exercises announced by companies listed on the Stock Exchange since 1 September 2022 and up to the Last Trading Day (the “**Comparables**”):

Date of announcement	Name of Company (Stock Code)	Discount of subscription price over/to the share price as at the last trading day prior to the date of the announcement	Subscription price (HK\$)
23/9/2022	Tasty Concepts Holding Limited (8096)	14.3%	0.3
26/9/2022	Endurance RP Ltd (575)	21.5%	0.0785
11/10/2022	AMCO United Holding (630)	16.7%	0.1
13/10/2022	Great Wall Terroir Holdings Limited (524)	6.3%	0.045
18/10/2022	China Zenith Chemical Group Limited (362)	28.57%	0.2
18/10/2022	Cherish Sunshine International Limited (1094)	13.7%	0.63
20/10/2022	Crocodile Garments Limited (122)	66.1%	0.1
21/10/2022	E. Bon Holdings Limited (599)	20.0%	0.192
	Minimum:	6.3%	
	Maximum:	66.1%	
	Average:	23.4%	
	Median:	18.4%	

LETTER FROM THE BOARD

As shown in table above, the Company noted that the discount of the subscription prices of the Comparables ranged from a discount of approximately 6.3% to a discount of approximately 66.1%, with an average of a discount of approximately 23.4% and a median of a discount of approximately 18.4%. The discount of the Subscription Price of the Rights Issue are within the range of, and lower than the average discount and median discount of, the relevant discount ratios represented by the subscription prices of the Comparables. The Directors are of the view that the Comparables, which represent an exhaustive list, can fairly represent the recent market trend in relation to rights issue of other listed companies and consider that a period of approximately two months being a reasonable period to provide an overview of the recent rights issue exercises which are reflective of the latest market conditions and sentiments.

The Directors are of the view that the Subscription Price of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the 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; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) 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 at a relatively low price as compared to the recent market price of the Shares.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 75%. The theoretical dilution effect of the Rights Issue is approximately 3.7% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.251, if fully subscribed.

LETTER FROM THE BOARD

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to accept for the Rights Shares as shown therein. Acceptance 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 accepted for with the Registrar on or before the Latest Time for Acceptance.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfer documents of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. (Hong Kong time) on Friday, 6 January 2023.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis for the Rights Issue is Wednesday, 4 January 2023, and the Consolidated Shares will be dealt with on an ex-rights basis from Thursday, 5 January 2023.

Subject to the Share Consolidation having become effective, the passing of the resolution to approve the Rights Issue by the Independent Shareholders at the EGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus (without the PAL(s)) to the Excluded Shareholders for their information only.

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

As at the Last Trading Day and up to the Latest Practicable Date, the Company has not received any undertaking from any Shareholders of the Company of any intention as to whether such Shareholder will take up his/her entitlements under the Rights Issue.

LETTER FROM THE BOARD

Rights of Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

As at the Latest Practicable Date, there was no Shareholder whose address was outside Hong Kong (as shown on the register of members of the Company).

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form during the period from 9:00 a.m. on Thursday, 19 January 2023 to 4:00 p.m. on Tuesday, 31 January 2023 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

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.

LETTER FROM THE BOARD

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

Status of Rights Shares

The Rights Shares, when allotted, fully paid or credited as fully paid and issued, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, FRC transaction levy or any other applicable fees and charges in Hong Kong.

Fractions of the Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

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

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m., on Thursday, 16 February 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares at a price not less than the Subscription Price.

LETTER FROM THE BOARD

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and ES Unsold Rights Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

THE PLACING AGREEMENT

On 21 October 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date	:	21 October 2022 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Sorrento Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates.

LETTER FROM THE BOARD

- Placing price of the Unsubscribed Rights Shares and/or and the ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price.
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares during the process of placement.
- Commission : 1.5% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms.
- Placees : The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies) and who will not become substantial shareholders of the Company after completion of the Rights Issue.
- Ranking of Unsubscribed Rights Shares and the ES Unsold Rights Shares : Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.

LETTER FROM THE BOARD

- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the GEM Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
 - (ii) the approval of the Rights Issue by the Independent Shareholders at the EGM;
 - (iii) the Share Consolidation becoming effective;
 - (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
 - (v) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company. As at the Latest Practicable Date, none of the above conditions precedent may be waived by the Company or the Placing Agent.

LETTER FROM THE BOARD

Termination : The Placing Arrangement shall end on 28 February 2023 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within six Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

LETTER FROM THE BOARD

The engagement between the Company and the Placing Agent for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Company and the Placing Agent and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Consolidated Shares, i.e. 10,000 Rights Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any stock exchange other than the Stock Exchange.

Rights Shares will be eligible for admission in CCASS

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

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

LETTER FROM THE BOARD

Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, FRC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

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

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on Thursday, 23 February 2023 by ordinary post to the allottees, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares. If the Rights Issue is terminated, refund cheques are expected to be posted on Thursday, 23 February 2023 by ordinary post to the applicants, at their own risk, to their registered addresses.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation and the Rights Issue, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the Share Consolidation and the Change in Board Lot Size becoming effective;
- (c) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);

LETTER FROM THE BOARD

- (d) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus and the PALs (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date; and
- (e) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by the Prospectus Posting Date.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.

INFORMATION ABOUT THE PLACING AGENT

The Placing Agent is a company incorporated in Hong Kong with limited liability and a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO.

The Placing Agent confirmed that it is independent of and not connected with the Company or its connected persons. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its respective ultimate beneficial owner(s) and/or associates are Independent Third Parties.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 834,176,000 Shares in issue. The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Share Consolidation and the Rights Issue which are for illustrative purpose only.

LETTER FROM THE BOARD

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; and (iii) immediately after completion of the Rights Issue, assuming no further issue or repurchase of Shares or Consolidated Shares up to completion of the Rights Issue save for the Rights Shares:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue		Immediately after completion of the Rights Issue			
					Assuming all Shareholders take up their respective allotment of Rights Shares in full		Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	<i>Number of Shares</i>	<i>Approx.% (note i)</i>	<i>Number of Consolidated Shares</i>	<i>Approx.% (note i)</i>	<i>Number of Consolidated Shares</i>	<i>Approx.% (note i)</i>	<i>Number of Consolidated Shares</i>	<i>Approx.% (note i)</i>
Mr. Chua Kang Lim <i>(note ii)</i>	64,605,000	7.74%	3,230,250	7.74%	12,921,000	7.74%	3,230,250	1.94%
Wang Hufei	209,435,000	25.11%	10,471,750	25.11%	41,887,000	25.11%	10,471,750	6.28%
Public Shareholders	560,136,000	67.15%	28,006,800	67.15%	112,027,200	67.15%	28,006,800	16.78%
Independent Placees	—	—	—	—	—	—	125,126,400	75.00%
	<u>834,176,000</u>	<u>100.00%</u>	<u>41,708,800</u>	<u>100.00%</u>	<u>166,835,200</u>	<u>100.00%</u>	<u>166,835,200</u>	<u>100.00%</u>

Notes:

- (i) The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
- (ii) 58,205,000 shares are held by Ventris Global Limited. The entire issued share capital of Ventris Global Limited is legally and beneficially owned by Mr. Chua Kang Lim.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore and Hong Kong, primarily trucking and hubbing services.

As set out in the interim report of the Company for the six months ended 30 June 2022, the cash and bank balances of Group was approximately HK\$43.0 million as at 30 June 2022. The Board wishes to update the Shareholders that the cash and bank balances of the Group has further reduced to approximately HK\$22.3 million as at the Last Trading Day, as a result of cash flow used in existing business operating activities and further cash flows used in investing activities in line with the Group's long term objective to enhance its capacity for transport and storage services. As at 30 June 2022, the Group's liabilities mainly comprised of trade payables of approximately HK\$9.7 million, accruals and other payables of approximately HK\$4.4 million and loans and other borrowings of approximately HK\$10.0 million.

As set out in the interim report of the Company for the six months ended 30 June 2022, the Group recorded net cash used in operating activities for the six months ended 30 June 2022 of approximately HK\$16.1 million. Due to the threat of the COVID-19, the Group has recorded a decline in revenue and increase in net loss for two consecutive years from approximately HK\$157.0 million and HK\$5.4 million for the year ended 31 December 2019 to HK\$143.3 million and HK\$19.7 million for the year ended 31 December 2021. The impact of the COVID-19 on the global economy is tremendous as concerns about the impact from the COVID-19 heightens and these weigh on the corporate earnings and the global economic outlook. The Group expects future adverse economic conditions would continue to negatively affect the Group's financial position and performance. As such the Group will continue to monitor the development and the volatile market conditions. In the current abnormal business conditions, the Group is conscious about the importance of liquidity in the Group's ongoing operations and managing cash flow is a very critical aspect during a period of crisis. Given that the net cash used in operating activities for the six months ended 30 June 2022 was already approximately HK\$16.1 million, the Board foresee the Group's forthcoming cash level might be further strained when the Group conducts its business activities. As a low cash level would not be ideal for the Group's business operations the Group is considering actions to increase liquidity with a view to strengthen the competitive edge of the Group over the competitors in the industry and will put efforts to evaluate any good investment opportunities should they arise, such as the feasibility of further enhancement to carry out transport and storage services and related operations in Singapore or in other countries, such as Hong Kong.

Having considered the impact of the outbreak of COVID-19 on the Group's business and financial position, the cash level of the Group, as well as the estimated working capital required for the Group's daily operation, the Board considers that the Rights Issue represents an opportunity for the Company to strengthen its capital structure without incurring debt financing cost, improve the financial position, and provide additional financial resources for capturing suitable business expansion and investment opportunities as they arise.

LETTER FROM THE BOARD

It is estimated that the Company will raise up to approximately HK\$32.5 million from the Rights Issue and the relevant expenses would be approximately HK\$1.1 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$31.4 million (equivalent to a net price of approximately HK\$0.251 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$6.2 million for the payment of rental expenses and management fee for the next 12 months;
- (ii) approximately HK\$20.0 million for the payment of salaries of the Group's employees for the next 6 months; and
- (iii) approximately HK\$5.2 million for the working capital for the existing business.

Payment of rental expenses and management fee for the next 12 months

As at the Last Trading Day, the Group leases the logistic yards in Singapore and a warehouse in Hong Kong. The monthly rental expenses and management fee for the warehouse and the logistic yards are approximately HK\$0.5 million. As such, the Group intends to apply approximately HK\$6.2 million from the Rights Issue for the payment of rental expense and management fee for the next 12 months.

Payment of salaries of the Group's employees for the next 6 months

As at the Last Trading Day, the Group has 164 staffs. Taking into account of the staff costs for the 170 staffs of approximately HK\$56.1 million for the year ended 31 December 2021, the Group intends to apply approximately HK\$20.0 million from the Rights Issue for the payment of salaries of the Group's employees for the next 6 months.

Working capital for the existing business

The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore and Hong Kong. However, our revenue declined during the year ended 31 December 2021 due to the threat of the COVID-19. Since 30 June 2022 and up to the Last Trading Day, the Group had commenced business relationship with two new customers and these new customers have placed orders regularly with stable amounts. In order to retain our customers, avoid causing disruption to the delivery schedule required by other customers, keep good relationships with the customers in long run and maintain the ability in capture potential new contracts, the Group would like to keep a healthy cash flow level in order to make payments on time for the corresponding cost of the services, even if there is any delay in payments made by the customers. As such, the Group intends to apply approximately HK\$3.0 million from the Rights Issue for the working capital for the existing business and HK\$2.2 million to repay part of the trade and other payables in order to improve the liquidity of the Group and satisfy certain repayment of current debts of the Group as and when they fall due.

LETTER FROM THE BOARD

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

If the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue will be applied by the Company in the following order of priority:

- (i) for payment of rental expenses and management fee for the next 12 months;
- (ii) for payment of salaries of the Group's employees for the next 6 months; and
- (iii) for the working capital for the existing business.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if the net proceeds from the Rights Issue cannot satisfy the upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support the business operations of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate.

Alternative fund-raising methods considered

The Directors have considered other financing alternatives including (i) other debt financing, and (ii) equity fund raising such as placement of new Shares and open offer. The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole, for the reasons as follows:

- (i) The Board considers that the Rights Issue would give the Qualifying Shareholders the opportunity to maintain their respective prorated shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Although those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders may make their shareholdings diluted, the Rights Issue requires the Independent Shareholders' approval so that the Independent Shareholders are given an opportunity to decide whether the Company shall proceed to the Rights Issue by voting for or against at the EGM to approve the Rights Issue;
- (ii) as for other debt financing, as at the date of this announcement, the Group has attempted to obtain other loan financing from independent third parties, but the interest rate offered is generally over 20% per annum;

LETTER FROM THE BOARD

- (iii) as for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company; and
- (iv) as for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

As such, the Directors consider that equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow the Group to react promptly to market conditions and business opportunities.

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

The Company has not conducted any fund raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS

As at the Latest Practicable Date, there were 74,624,000 outstanding Share Options.

Pursuant to the terms of the Share Option Schemes, the Share Consolidation and the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Schemes. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at 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.

As such, Mr. Chua Kang Lim and his respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Mr. Chua Kang Lim, who is the executive Directors of the Company, holds 64,605,000 Existing Shares, representing approximately 7.74% of the existing issued share capital of the Company.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

Closure of register of members

The register of members of the Company will be closed from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 9 January 2023 to Monday, 16 January 2023 (both days inclusive) for determining the entitlements to the Rights Issue.

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

LETTER FROM THE BOARD

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Share Consolidation and the Rights Issue, and the transactions contemplated hereunder. 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 10.29A of the GEM Listing Rules. To the best knowledge and information of the Directors, after reasonable enquiries, as at the Latest Practicable Date, Mr. Chua Kang Lim, who is the executive Directors of the Company, holds 64,605,000 Existing Shares, representing approximately 7.74% of the existing issued share capital of the Company. As such Mr. Chua Kang Lim and his respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM.

The notice convening the EGM to be held at No 3 Soon Lee Street, #06-03 Pioneer Junction, Singapore 627606 on Friday, 30 December 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Union Registrars Limited, the branch share registrar of the Company in Hong Kong, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Wednesday, 28 December 2022, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

Subject to the approval of the Share Consolidation by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, a Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 17 January 2023.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Pursuant to the Company’s constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares will be placed to independent places under the Unsubscribed Arrangements. Any Unsubscribed Rights Shares not placed under the Unsubscribed Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Cheung Wai Kin, Ms. Lo Suet Lai and Ms. Wong Shuk Yee Camilla, has been established to advise the Independent Shareholders as to whether the terms of 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 make recommendations to the Independent Shareholders on how to vote at the EGM. Altus has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

Your attention is drawn to the letter from the Independent Board Committee set out on page 43 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Adviser set out on pages 44 to 59 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are 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.

Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

For and on behalf of the Board
C&N Holdings Limited
Chua Kang Lim
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.

C&N Holdings Limited
春能控股有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8430)

9 December 2022

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE
HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 9 December 2022 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

Altus has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue, and the advice from Altus, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Cheung Wai Kin

Ms. Lo Suet Lai

Ms. Wong Shuk Yee Camilla

Independent non-executive Directors

* *For identification purposes only*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, which has been prepared for the purpose of incorporation into this Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

9 December 2022

To the Independent Board Committee and the Independent Shareholders

C&N Holdings Limited
21st Floor, CMA Building
64 Connaught Road Central
Hong Kong

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 9 December 2022 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

The Board proposes, subject to, amongst others, the Share Consolidation and the Change in Board Lot Size becoming effective, to implement the Rights Issue on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.26 per Rights Share, to raise gross proceeds of approximately HK\$32.5 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), by way of the Rights Issue of 125,126,400 Rights Shares to the Qualifying Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

On 21 October 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

GEM LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at 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.

As such, Mr. Chua Kang Lim and Ms. Chua Sui Feng and their respective associates shall abstain from voting in favour of the resolution to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Mr. Chua Kang Lim and Ms. Chua Sui Feng, who are executive Directors of the Company, taken together, in aggregate, hold 71,005,000 Existing Shares, representing approximately 8.51% of the existing issued share capital of the Company.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Cheung Wai Kin, Ms. Lo Suet Lai, and Ms. Wong Shuk Yee Camilla, has been established to consider the Rights Issue and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolution to be proposed at the EGM in relation to the Rights Issue and the transactions contemplated thereunder, after taking into account the recommendation of the Independent Financial Adviser.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolution to be proposed at the EGM in relation to the Rights Issue and the transactions contemplated thereunder.

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the relevant resolution at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual reports of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**2022 Interim Report**”); (iii) the Announcement; and (iv) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Independent Shareholders will be informed as soon as practicable when we are aware of any material change in all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore and Hong Kong, primarily trucking and hubbing services.

1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the 2021 Annual Report and 2022 Interim Report.

LETTER FROM INDEPENDENT FINANCIAL ADVISER
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Extract of consolidated statement of profit or loss

	For the year ended		For the six months ended	
	31 December		30 June	
	2020	2021	2021	2022
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	26,264	26,219	13,328	13,439
— <i>Trucking services</i>	21,673	21,497	10,921	11,260
— <i>Hubbing services</i>	4,591	4,722	2,407	2,179
Gross profit	1,499	1,341	764	325
<i>Gross profit margin</i>	5.7%	5.1%	5.7%	2.4%
Administrative expenses	(3,978)	(5,970)	(3,772)	(3,874)
Loss for the year/period	(811)	(3,605)	(2,536)	(3,367)

Extract of consolidated statement of financial position

	As at 31 December		As at
	2020		30 June
	2021	2022	2022
	<i>S\$'000</i>	<i>S\$'000</i>	<i>S\$'000</i>
	(audited)	(audited)	(unaudited)
Current assets			
— <i>Cash and bank balances</i>	11,644	10,065	7,869
Current liabilities			
— <i>Trade payables</i>	1,244	1,033	1,773
— <i>Other payables and accruals</i>	1,228	1,068	823
— <i>Loans and borrowings</i>	1,445	1,476	1,819
Non-current liabilities			
— <i>Loans and borrowings</i>	4,304	921	—
Net current assets	12,797	11,530	9,719
Net assets	19,827	20,909	19,046

Year ended 31 December 2020 compared with year ended 31 December 2021

The Group's revenue for the year ended 31 December 2020 ("FY2020") and 2021 ("FY2021") remained relatively stable at approximately S\$26.2 million. However, the Group's gross profit decreased from approximately S\$1.5 million for FY2020 to approximately S\$1.3 million for FY2021, which translated into gross profit margins of approximately 5.7% and 5.1% respectively. Such decrease was mainly attributable to decreases in gross profit margins for both trucking services and hubbing services. With regard to trucking services, there was a decrease in trade volume and as more than a third of the costs for trucking services are attributable to fixed costs such as wages and depreciation, the gross profit margin of this sector decreased accordingly. As to hubbing services, due to disruptions and port closures

LETTER FROM INDEPENDENT FINANCIAL ADVISER

during the global and local trade economy, subcontractors had to be engaged to store containers for extended days as a result of vessel delays, hence operating costs increased.

Administrative expenses increased from approximately S\$4.0 million for FY2020 to approximately S\$6.0 million for FY2021 mainly due to the recognition of share-based payment in relation to share options granted during FY2021. As a result of the decrease in gross profit and increase in administrative expenses, the Group's loss for the year increased from approximately S\$0.8 million in FY2020 to approximately S\$3.6 million in FY2021.

31 December 2020 compared with 31 December 2021

The Group's cash and bank balances decreased from approximately S\$11.6 million as at 31 December 2020 to approximately S\$10.1 million as at 31 December 2021 mainly due to the net effect of (i) receipt of proceeds from placing of shares of the Company in June 2021; and (ii) repayment of loans and borrowings. As a result, the Group's net current assets decreased accordingly from approximately S\$12.8 million as at 31 December 2020 to approximately S\$11.5 million as at 31 December 2021. Net assets of the Group increased from approximately S\$19.8 million as at 31 December 2020 to S\$20.9 million 31 December 2021 due to equity raised from the aforesaid placing of shares, offset by the losses incurred during FY2021.

Six months ended 30 June 2021 compared with six months ended 30 June 2022

Notwithstanding that the Group's revenue remained relatively stable at approximately S\$13.4 million for the six months ended 30 June 2021 ("FY20211H") and 2022 ("FY20221H"), the Group's gross profit margin decreased from approximately 5.7% to 2.4%. Such significant decrease was mainly attributable to the increase in cost of diesel since February 2022.

The loss for FY20221H amounted to approximately S\$3.4 million, representing an increase of approximately 32.7% as compared to a loss of S\$2.5 million for FY20211H. Besides the abovementioned increase in cost of diesel, there was an absence of recognition of government grants during FY20221H (FY20211H: approximately S\$0.5 million of government grant was recorded).

30 June 2022 compared with 31 December 2021

The Group's cash and bank balances decreased from approximately S\$10.1 million as at 31 December 2021 to S\$7.9 million as at 30 June 2022. Such deterioration was mainly attributable to net cash used in operating activities amounting to approximately S\$3.0 million, which was primarily due to the recorded loss for the period during FY20221H. Net current assets and net assets of the Group had also decreased from approximately S\$11.5 million and \$20.9 million as at 31 December 2021 to approximately S\$9.7 million and S\$19.0 million as at 30 June 2022 respectively in line with the losses.

1.2 Outlook of the Group

The prolonged COVID-19 pandemic continues to cause uncertainties to the general economy as well as the industry which the Group operates in. There are mounting price pressures due to supply chain disruptions and shortage of shipping containers alongside rising energy costs, primarily due to tensions between Russia and Ukraine. Supply chain bottlenecks as well as rising energy prices have aggravated global inflationary pressures.

The Group's operations have been adversely affected to a large extent and the Group expects future adverse economic conditions would continue to negatively affect the Group's financial position and performance. Amidst the uncertain global trade environment, the Group has been cautious with its expansion plans, while being mindful of the importance of maintaining liquidity for the Group's ongoing operations. Hence, prudent management of cash flow is critical.

2. Reasons for the Rights Issue

2.1 Funding needs

According to the paragraph headed "Reasons for the Rights Issue and use of proceeds" in the "Letter from the Board" of the Circular and the paragraph headed "1.1 Financial information of the Group" above, the Group's cash and bank balances had reduced from approximately S\$10.1 million as at 31 December 2021 to S\$7.9 million as at 30 June 2022, and further reduced to approximately S\$4.1 million as at the Last Trading Day, being the date of the Company's announcement. Such deterioration in the cash level of the Company was due to cash flow used in business operating activities as well as investing activities. Furthermore, the Group's current liabilities (comprising trade payables, other payables and accruals and loans and borrowings) had also increased from approximately S\$3.5 million as at 31 December 2021 to S\$4.4 million as at 30 June 2022.

Taking into account (i) the recorded losses during FY2020, FY2021 and FY20221H; (ii) the increase in current liabilities; (iii) the continued depletion of cash and bank balances; and (iv) the uncertainties brought about by the prolonged COVID-19 pandemic as well as geopolitical tensions as mentioned in the paragraph headed "1.2 Outlook of the Group" above, the Management considers, and we concur, that conducting the Rights Issue under the current circumstances is important as it would improve the Group's financial position and provide additional financial resources.

2.2 Suitable fund raising method

We understand that the Management has considered other financing alternatives including (i) debt financing; and (ii) other equity fund raising such as placement of new Shares and open offer.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

In respect of debt financing, the Group has been encountering difficulties in securing loans at commercially reasonable interest rates. We understand that as at the Latest Practicable Date, the interest rates of loan financing from independent third parties that the Group has been offered are generally over 20% per annum, which are prohibitively high.

In respect of equity financing, compared to the Rights Issue, (i) placement of new Shares would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company; and (ii) open offer, although similar to a rights issue which offers qualifying shareholders participation, does not allow the trading of rights entitlements in the open market.

Having considered (i) the feasibility of the various fund raising methods; (ii) the potential financing costs; and (iii) the opportunity for the existing Shareholders to maintain shareholding in the Company and additional flexibility afforded by the Rights Issue to the existing Shareholders, the Management is of the view, and we concur, that the Rights Issue is the most suitable fund raising method to the Group under the current circumstances.

3. Principal terms of the Rights Issue

3.1 Summary of the key terms

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Consolidated Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.26 per Rights Share
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	41,708,800 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 125,126,400 Rights Shares with an aggregate nominal value of HK\$25,025,280, assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date
Amount to be raised	:	Up to approximately HK\$32.5 million before expenses, assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date

LETTER FROM INDEPENDENT FINANCIAL ADVISER

For further information of the Rights Issue, please refer to the paragraph headed “Proposed Rights Issue” in the “Letter from the Board” of the Circular.

3.2 The Subscription Price

As stated in the paragraph headed “Subscription Price” in the “Letter from the Board” of the Circular, the Subscription Price was determined by the Company with reference to, among others, the recent market price of the Shares, the prevailing market conditions, recent rights issue in the market, the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the “Letter from the Board” of the Circular.

The Subscription Price of HK\$0.26 per Rights Share represents:

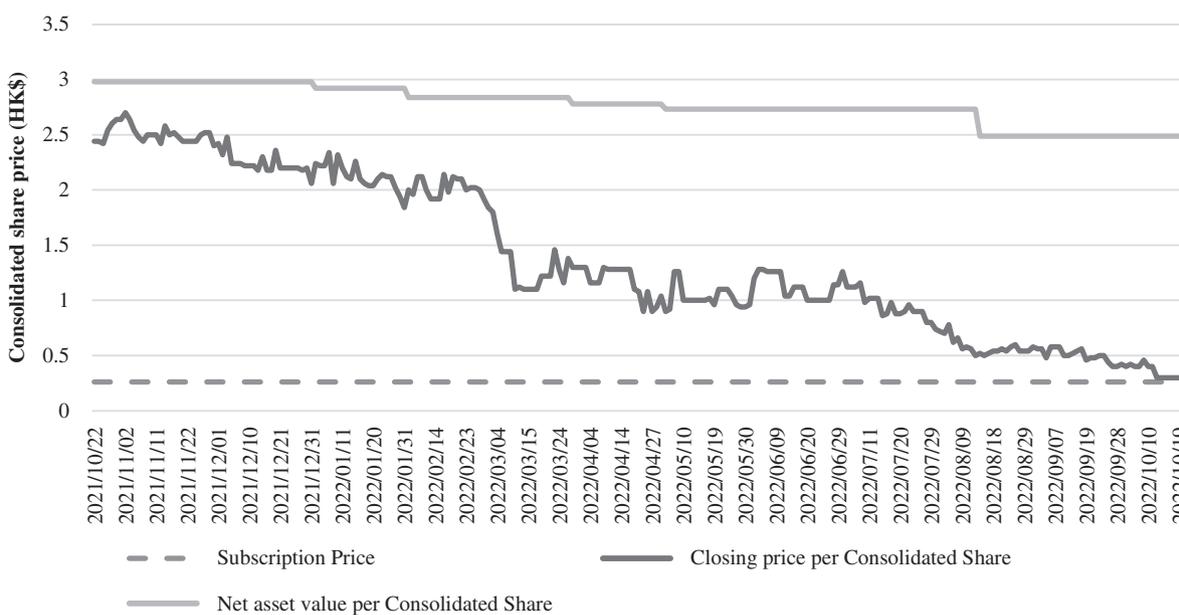
- (i) a discount of approximately 7.1% to the theoretical closing price of HK\$0.28 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.014 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.3% to the theoretical closing price of HK\$0.3 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.015 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 3.7% to the theoretical ex-rights price of approximately HK\$0.27 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.015 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 13.3% to the theoretical closing price of HK\$0.3 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.015 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the Last Trading Day;
- (v) a discount of approximately 22.6% to the theoretical closing price of approximately HK\$0.336 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0168 per Existing Share as quoted on the Stock Exchange for the 10 consecutive trading days prior to and excluding the Last Trading Day;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 3.7%, represented by the theoretical diluted price of approximately HK\$0.27 per Consolidated Share to the theoretical benchmarked price of HK\$0.3 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.015 per Share and the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.015 per Share); and
- (vii) a discount of approximately 90%, being HK\$2.34 per Consolidated Share (after taking into account the effect of the Share Consolidation), over the unaudited net assets value per Consolidated Share of approximately HK\$2.60 based on the published unaudited consolidated net assets of the Company of approximately S\$19.0 million (HK\$108.6 million) as at 30 June 2022 and 834,176,000 Shares (41,708,800 Consolidated Shares) in issue as at the Latest Practicable Date.

We have conducted analysis on the Subscription Price relative to the historical closing share price of the Company and the historical net asset value per share during the period from 22 October 2022, being 12 months immediately preceding the Last Trading Day, to the Last Trading Day (the “**Price Review Period**”). We consider that a period of 12 months is adequate to illustrate the recent share price and net asset value movements for the purpose of illustrating the comparison. For ease of comparison and illustrative purpose, we have adjusted the closing price and net asset value per share on the basis of Consolidated Share.

Company’s share price movement



Source: The Stock Exchange

LETTER FROM INDEPENDENT FINANCIAL ADVISER

We note that the share price of the Company has been on a downward trend during the Price Review Period. Taking into consideration that recent market prices of the shares of the Company are indicative of the market's evaluation on various aspects of the Company, such as the Company's financial performance, prospects and also reflects recent market sentiment, we consider that using more recent market closing prices as reference to determine the Subscription Price to be fair and reasonable.

The Subscription Price is at a substantial discount to the unaudited net assets value per Consolidated Share as at 30 June 2022. As the share price of the Company has been protractedly trading at a discount to the Group's net asset value, we consider that the net assets value per share is not a meaningful benchmark to determine the Subscription Price.. As such, given that the Subscription Price is determined at a discount to the prevailing market price of the shares of the Company (as mentioned under (i) to (v) above), we consider the Subscription Price to be fair and reasonable.

Comparison with other rights issues

To further assess the fairness and reasonableness of the Subscription Price, we have also conducted an analysis to compare it with subscription prices of other recent rights issues. Based on the criteria of (i) rights issues conducted by companies listed on the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses between 22 April 2022 and the Last Trading Day (being a 6-month period up to the Last Trading Day) (the "**Review Period**"), we have identified 21 other rights issues (the "**Comparables**").

While the Comparables may have different principal business activities and scale of operations, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that they can provide a reasonable reference as to how the recent market generally perceives rights issues. We also consider that the length of the Review Period is adequate, and can fairly and reasonably reflect prevailing market conditions. We believe the list of Comparables below is exhaustive based on our selection criteria. It should be noted that, when forming our opinion, we take into account the below analysis together with all other factors stated in this letter as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The major terms of the Comparables are summarised below:

Prospectus Date	Company name	Stock code	Percentage of rights shares to the enlarged share capital	Discount of Subscription Price over		
				LTD Price	Theoretical Ex-rights Price	Theoretical dilution effect
25 Apr 2022	China Eco-Farming Limited	8166	33%	10.11%	6.98%	5.26%
26 May 2022	Vixtel Technologies Holdings Limited	1782	33%	34.50%	26.00%	13.60%
27 May 2022	Success Dragon International Holdings Limited	1182	60%	2.86%	1.16%	2.70%
13 Jun 2022	Palinda Group Holdings Limited	8179	33%	39.76%	13.25%	13.25%
29 Jun 2022	China Water Industry Group Limited	1129	33%	31.37%	23.25%	10.46%
6 Jul 2022	Gameone Holdings Limited	8282	33%	40.40%	31.20%	13.50%
8 Jul 2022	Kiu Hung International Holdings Limited	381	75%	18.00%	5.09%	13.43%
29 Jul 2022	Ocean Star Technology Group Limited	8297	33%	41.20%	32.00%	13.90%
5 Aug 2022	KOALA Financial Group Limited	8226	67%	4.76%	1.64%	4.70%
23 Aug 2022	F8 Enterprises (Holdings) Group Limited	8347	33%	5.56%	3.68%	1.94%
24 Aug 2022	Progressive Path Group Holdings Limited	1581	50%	42.22%	26.76%	21.11%
24 Aug 2022	Xinyi Electric Storage Holdings Limited	8328	9%	18.82%	17.41%	1.71%
26 Aug 2022	Kwan On Holdings Limited	1559	20%	0.00%	0.00%	0.13%
29 Aug 2022	Easy Repay Finance & Investment Limited	8079	33%	44.95%	35.14%	16.09%
30 Aug 2022	SJM Holdings Limited	880	20%	33.80%	29.00%	7.10%
2 Sep 2022	Zioncom Holdings Limited	8287	33%	16.70%	11.76%	5.60%
26 Sep 2022	Besunyen Holdings Company Limited	926	67%	14.22%	5.91%	10.58%
30 Sep 2022	Wan Cheng Metal Packaging Company Limited	8291	50%	25.00%	14.30%	16.50%
3 Oct 2022	Jia Yao Holdings Limited	1626	50%	14.29%	7.69%	7.14%
3 Oct 2022	China Financial Leasing Group Limited	2312	67%	29.10%	12.04%	19.60%
10 Oct 2022	Life Concepts Holdings Limited	8056	60%	6.98%	2.91%	9.28%
			Maximum	44.95%	35.14%	21.11%
			Minimum	0.00%	0.00%	0.13%
			Mean	22.60%	14.63%	9.88%
			Median	18.82%	12.04%	10.46%
	The Company	8430	75%	13.30%	3.70%	10.00%

Source: The Stock Exchange's website

Based on the above analysis, save for one, all the other Comparables have set the subscription prices of their rights issues at discounts to (i) the prevailing market closing prices of the relevant last trading days (the “LTD Price(s)”) of their rights issues; and (ii) the theoretical ex-rights prices (the “Ex-rights Price(s)”) based on LTD Prices.

Discounts to LTD Prices range from approximately 45.0% to 2.9%, with mean and median of approximately 23.7% and 21.9% respectively. Meanwhile, discounts to Ex-rights Prices range from approximately 35.1% to 1.1%, with mean and median of approximately 15.3% and 12.6% respectively. For the remaining one Comparable, its rights issue subscription price has been set at the same price as its LTD Price and Ex-rights Price.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

It can be concluded that, as with the case of this Rights Issue, it is common for subscription prices of rights issues to be at discounts to their respective LTD Prices and Ex-rights Prices. The discounts of the Subscription Price to this Rights Issue's LTD Price and Ex-rights Price of 13.3% and 3.7% fall within the above ranges of the Comparables.

In terms of theoretical dilution effect (as defined in the Listing Rules), the Comparables' range is between approximately 21.1% and 0.1%, with both mean and median of approximately 10%. The theoretical dilution effect of this Rights Issue of 10.0% is within the range and approximates the mean and median of the Comparables.

Based on the above, from the perspective of discounts to LTD Prices and Ex-rights Prices as well as theoretical dilution effect, we are of the view that the Subscription Price is fair and reasonable.

3.3 No excess application

Among the Comparables, we noted that six of the 21 Comparables do not have excess application arrangements in relation to their rights issues. Of the six Comparables without excess application arrangements, placing agents were engaged to procure places to subscribe for unsubscribed rights shares. The Company has entered into the Placing Agreement with the Placing Agent for similar arrangements, and hence we consider that it is acceptable for the Rights Issue not to have excess application arrangements. Please refer to the paragraph headed "3.4 The Placing Agreement" for details of the Placing Agreement.

3.4 Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent places under the Compensatory Arrangements, on a best effort basis. It is noted that eight of the 21 Comparables are on a non-underwritten basis. As such, we are of the view that it is not uncommon for rights issues to be conducted on a non-underwritten basis. In addition, we noted that the Company had consulted brokerage companies for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation, apart from the Placing Agent who expressed its interests in acting as a placing agent on best effort basis.

Despite that there is no guarantee of minimum amount to be raised by the Rights Issue, given that the Rights Issue provides an opportunity for the Group to raise funds for its financials needs, we consider the Rights Issue to be in the interests of the Company and Shareholders as a whole.

3.5 The Placing Agreement

As stated in the “Letter from the Board” of the Circular, the Rights Shares will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The Company and the Placing Agent have entered into the Placing Agreement on 21 October 2022 (after trading hours), pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. For terms of the Placing Agreement, please refer to the paragraph headed “The Placing Agreement” in the “Letter from the Board” of the Circular.

According to the Placing Agreement, the Company will pay the Placing Agent a placing commission (the “**Placing Commission**”) of 1.5% of the amount which is equal to the Placing Price (as defined below) multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent.

To assess the fairness and reasonableness of the Placing Commission, we have identified the placing commission for those rights issue of the aforementioned six Comparables (i.e. those which do not have excess application arrangements) (the “**Comparables Commissions**”). We noted that the Comparables Commissions ranged from 0.5% to 7.0% with a mean and median of approximately 2.8% and 2.5% respectively. The Placing Commission of 1.5% falls within range and is lower than the mean and median of the Comparables Commissions. Hence, we consider that the Placing Commission pursuant to the Placing Agreement is fair and reasonable.

3.6 The placing price

The placing price (the “**Placing Price**”) of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price. By setting the Placing Price at not less than the Subscription Price, the Placing will not be prejudicial to the Qualifying Shareholders. Given that we consider the Subscription Price is fair and reasonable for the reasons above, we hence consider the Placing Price to be fair and reasonable.

3.7 Section summary

Taking into consideration (i) the Subscription Price is fair and reasonable; (ii) the Placing offers additional means to facilitate the subscription of the untaken portions of the Rights Issue to the maximum extent considering the funding needs of the Company and the difficulties in conducting alternative fund raising methods as mentioned in the paragraph headed “2. Reasons for the Rights Issue” above; and (iii) the Placing Commission and Placing Price are fair and reasonable, we concur with the Management that the terms of the Rights Issue are fair and reasonable.

4. Financial impacts 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.

5.1 Liquidity

According to the 2022 Interim Report, the cash and bank balances of the Group amounted to approximately S\$7.9 million as at 30 June 2022. Since part of the net proceeds from the Rights Issue will be applied as working capital for the existing business of the Group (i.e. (i) approximately HK\$6.2 million for payment of rental expenses and management fee for the next 12 months; (ii) HK\$20.0 million for the payment of salaries of the Group's employees for the next 6 months; and (iii) HK\$5.2 million for general working capital), the Group's liquidity position would be improved upon completion of Rights Issue.

5.2 Net tangible assets

According to the "Unaudited pro forma financial information of the Group" as set out in Appendix II to the Circular, assuming that the Rights Issue had been completed on 30 June 2022, given the discount of the Subscription Price over the unaudited net assets value per Consolidated Share as discussed above, the Group's net tangible assets per Share would be decreased from approximately S\$0.45 per Consolidated Share (after taking into account the effect of the Share Consolidation) to approximately S\$0.15 per Consolidated Share.

Given the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

6. Possible dilution effect

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 75.0%

For illustrative purposes only, set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; (iii) immediately after completion of the Rights Issue assuming all Shareholders take up their respective allotment of

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Rights Shares in full; and (iv) immediately after completion assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue		Immediately after completion of the Rights Issue assuming all Shareholders take up their respective allotment of Rights Shares in full		Immediately after completion assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)
Mr. Chua Kang Lim	64,605,000	7.74%	3,230,250	7.74%	12,921,000	7.74%	3,230,250	1.94%
Wang Hufei	209,435,000	25.11%	10,471,750	25.11%	41,887,000	25.11%	10,471,750	6.28%
Public Shareholders	560,136,000	67.15%	28,006,800	67.15%	112,027,200	67.15%	28,006,800	16.78%
Independent places	—	—	—	—	—	—	125,126,400	75.00%
Total	<u>834,176,000</u>	<u>100.00%</u>	<u>41,708,800</u>	<u>100.00%</u>	<u>166,835,200</u>	<u>100.00%</u>	<u>166,835,200</u>	<u>100.00%</u>

Note: The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to sell in the market, subject to availability, their nil-paid rights to subscribe for the Rights Shares, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that (i) the terms of the Rights Issue (including the Subscription Price) are fair and reasonable; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the resolution at the EGM in relation to the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Chang Sean Pey
Executive Director

Leo Tam
Executive Director

Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 25 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over eight years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the audited financial information of the Group for each of the years ended 31 December 2019, 2020 and 2021, the unaudited financial information of the Group for the three months ended 31 March 2022 and the unaudited financial information for the six months ended 30 June 2022 are disclosed in the following annual reports of the Company for the years ended 31 December 2019, 2020 and 2021, first quarterly report of the Company for the three months ended 31 March 2022 and the interim report of the Company for the six months ended 30 June 2022, respectively which have been published and are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (<http://www.todayir.com/en/showcases.php?code=8430>):

- (a) the annual report of the Company for the year ended 31 December 2019 published on 30 March 2020 (pages 53 to 116) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000465.pdf>);
- (b) the annual report of the Company for the year ended 31 December 2020 published on 30 March 2021 (pages 64 to 126) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001688.pdf>);
- (c) the annual report of the Company for the year ended 31 December 2021 published on 1 April 2022 (pages 66 to 124) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0401/2022040101086.pdf>);
- (d) the first quarterly report of the Company for the three months ended 31 March 2022 published on 13 May 2022 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0513/2022051301329.pdf>); and
- (e) the interim report of the Company for the six months ended 30 June 2022 published on 12 August 2022 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0812/2022081201496.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2022, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Borrowings

At the close of business on 31 October 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, total borrowings of the Group amounted to approximately S\$1,194,000 representing:

(i) Bank loan

The Group had interest-bearing bank borrowing of approximately S\$1,044,000 which is secured by mortgage over Property I and Property II and charges on fixed deposits in S\$504,000.

(ii) Lease liabilities

As at 31 October 2022, the Group had lease liabilities of approximately S\$150,000.

Disclaimer

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 31 October 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 31 October 2022; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there have been no material adverse changes in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular. The Company has obtained the relevant confirmation as required under paragraph 30 of Appendix I, Part B of the GEM Listing Rules.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in offering various transport and storage services to the logistics industry in Singapore and Hong Kong, primarily trucking and hubbing services. Led by our experienced management team, we have developed a reputation as a reliable transport and hubbing services provider equipped with a large vehicle fleet that is capable of handling large volumes of customer orders.

However, due to the threat of the COVID-19, the Group has recorded a decline in revenue and increase in net loss for two consecutive years from approximately HK\$157.0 million and HK\$5.4 million for the year ended 31 December 2019 to HK\$143.3 million and HK\$19.7 million for the year ended 31 December 2021. The impact of the COVID-19 on the global economy is tremendous as concerns about the impact from the COVID-19 heightens and these weigh on the corporate earnings and the global economic outlook. The Group expects future adverse economic conditions would continue to negatively affect the Group's financial position and performance.

Looking forward, Singapore's economy grew 4.8% year-on-year in the second quarter of 2022. Economists expect it to get back on track quickly as global growth picks up and vaccination rates rise. With the government rolling back containment measures and working on increasing vaccination rates, the recovery should regain momentum over the coming months.

Our customers are mainly logistics service providers along the supply chain in Singapore, the cargoes that we transport for our customers include various types of plastic resin, scrap steel, waste paper products and others. These cargoes are mainly raw materials used in factory production, hence the resumption of activities in ports and factories will directly have a positive impact on our customers, and hence the Group.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circular” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effects of the Rights Issue, on the unaudited consolidated net tangible assets of the Group as at 30 June 2022 attributable to the owners of the Company, as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022 or any future date following the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company derived from the unaudited consolidated statement of financial position of the Group as at 30 June 2022 as extracted from the published interim report of the Company for the six months ended 30 June 2022, after incorporating the adjustments described in the accompanying notes.

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022	Unaudited estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 June 2022 immediately after completion of the Rights Issue	Unaudited consolidated net tangible assets attributable to owners of the Company per Share immediately before completion of the Share Consolidation and the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after taking into account the completion of Share Consolidation but immediately before completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2022 immediately after completion of the Shares Consolidation and Rights Issue	
SS'000 (Note 1)	SS'000 (Note 2)	SS'000	SS (Note 3)	SS (Note 4)	SS (Note 5)	
Based on 125,126,400 Rights Shares to be issued at Subscription Price of HK\$0.26 per Rights Share	18,885	5,564	24,449	0.02	0.45	0.15

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 was extracted from the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2022 of approximately S\$19,046,000 as adjusted by exclusion of intangible assets of approximately S\$161,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 has been extracted by the Directors from the published interim report of the Company for the six months ended 30 June 2022.
2. The estimated net proceeds from the Rights Issue of approximately S\$5,564,000 (equivalent to approximately HK\$31,407,000) are based on 125,126,400 Rights Shares to be issued at HK\$0.26 per Rights Share after deducting estimated related expenses of approximately S\$199,000 (equivalent to approximately HK\$1,126,000) and assumed that no outstanding share options being exercised, and that there is no change in the number of issued shares from the date of the announcement on 30 June 2022 up to the record date.
3. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share immediately before completion of Share Consolidation and Rights Issue are calculated based on 834,176,000 shares in issue as at 30 June 2022.
4. The calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share after taken into account the completion of Share Consolidation but immediately before completion of the Rights Issue are calculated based on the unaudited consolidated net tangible assets of the Group of approximately S\$18,885,000 as at 30 June 2022, divided by 41,708,800 consolidated shares in issue.
5. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 per Share immediately after completion of the Share Consolidation and Rights Issue is based on unaudited pro forma adjusted consolidated net tangible assets of the Group of approximately S\$24,449,000 attributable to the owners of the Company as at 30 June 2022 immediately after completion of the Rights Issue, being the aggregate of unaudited consolidated net tangible assets of the Group of approximately S\$18,885,000 attributable to the owners of the Company as at 30 June 2022 and the estimated net proceeds from the Rights Issue of approximately S\$5,564,000, divided by 166,835,200 Shares which represents the sum of 41,708,800 Consolidated Shares in issue and 125,126,400 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and no other change in the share capital of the Company on or before the Record Date) were issued immediately after completion of the Share Consolidation and Rights Issue, as if the Share Consolidation and Rights Issue had been completed on 30 June 2022.
6. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022.

**B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this circular.



24th Floor
Siu On Centre,
188 Lockhart Road
Wan Chai, Hong Kong

9 December 2022

The Board of Directors of
C&N Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of C&N Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2022 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 9 December 2022 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of three rights shares for every one consolidated share (the “**Rights Issue**”) held on the record date on the Group’s financial position as at 30 June 2022 as if the Rights Issue had taken place as at 30 June 2022. As part of this process, information about the Group’s financial position as at 30 June 2022 has been extracted by the Directors from the unaudited consolidated financial statements of the group for the six months ended 30 June 2022, on which an interim report has been published.

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 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM 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 (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement 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.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” 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 7.31(7) of the GEM 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 plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM 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 Rights Issue at 30 June 2022 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 unaudited 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 judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the director 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 7.31(1) of the Listing Rules.

Yours faithfully,

McMillan Woods (Hong Kong) CPA Limited

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

The authorised and issued and fully paid share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation having become effective (assuming no change in the number of issued Shares); and (iii) immediately following the Share Consolidation having become effective and the completion of the Rights Issue (assuming no further issue or repurchase of Shares or Consolidated Shares up to completion of the Rights Issue save for the Rights Shares are fully subscribed) were as follows:

(I) *As at the Latest Practicable Date*

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000</u>
<i>Issued and fully-paid:</i>		
<u>834,176,000</u>	Shares of HK\$0.01 each	<u>8,341,760</u>

(II) *Immediately following the Share Consolidation having become effective (assuming no change in the number of issued Shares)*

<i>Authorised:</i>		<i>HK\$</i>
<u>250,000,000</u>	Shares of HK\$0.2 each	<u>50,000,000</u>
<i>Issued and fully-paid:</i>		
<u>41,708,800</u>	Consolidated Shares of HK\$0.2 each	<u>8,341,760</u>

(III) Immediately following the completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
<u>250,000,000</u>	Consolidated Shares of HK\$0.2 each	<u>50,000,000</u>
 <i>Issued and fully-paid:</i>		
41,708,800	Consolidated Shares of HK\$0.2 each immediately following the Shares Consolidation having become effective	8,341,760
125,126,400	Rights Shares of HK\$0.2 each to be allotted and issued under the Rights Issue	25,025,280
<u>166,835,200</u>	Consolidated Shares of HK\$0.2 each in issue immediately upon completion of the Rights Issue	<u>33,367,040</u>

All of the Shares or Consolidated Shares and the Rights Shares in issue and to be issued (when fully paid) rank and will rank *pari passu* with each other in all respects, including, in particular, as to dividends, voting rights and return of capital. The Shares or Consolidated Shares and the Rights Shares are or will be listed on the Stock Exchange. None of the securities of the Company is listed, or dealt in, on any other exchange, nor is any listing of or permission to deal in the securities of the Company being, or proposed to be, sought on any other stock exchange.

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 the Consolidated Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as the Share Options, as at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants and convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued will be listed on the Stock Exchange. 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 the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

(b) Share Options

Details of the outstanding Share Options as at the Latest Practicable Date 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
Employees	51,200,000	21 May 2021	0.285	3 years from the date of grant
	23,424,000	20 January 2022	0.1056	3 years from the date of grant
Total	<u>74,624,000</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 and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option 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. INTEREST IN SECURITIES**(a) Directors' and chief executive's interests**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the

register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Name of Director	Directly beneficially owner	Through controlled corporation	Total	Approximate percentage of total issued shares
Mr. Chua Kang Lim (<i>Note 1</i>)	6,400,000	58,205,000	64,605,000	7.74%

Note:

- These shares are held by Ventris Global Limited (“**Ventris**”). The entire issued share capital of Ventris is legally and beneficially owned by Mr. Chua. Mr. Chua is deemed to be interested in the shares of the Company in which Ventris is interested under Part XV of the SFO.

(b) Interests of substantial shareholders

Save as disclosed below, as at the Latest Practicable Date, the Company had not been notified by any corporation which or persons who (other than a Director or the chief executive of the Company) who had interests or short positions in the shares or underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Shareholder	Number of shares	Approximately percentage of shareholding	Capacity
Ventris	58,205,000	6.98%	Beneficial owner
Dai Wangfei	79,000,000	9.47%	Beneficial owner
Wang Hufei	209,435,000	25.11%	Beneficial owner

4. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the substantial shareholders and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules.

6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct and indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

7. MATERIAL 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.

8. MATERIAL CONTRACTS

Save as disclosed below, there had been no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the Placing Agreement.

9. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and placing all Unsubscribed Rights Shares and ES Unsold Rights Shares by Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.1 million, which are payable by the Company.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

- Board of Directors** :
- Mr. Chua Kang Lim**
House 143 Chun Tin Road
Singapore 599699 Singapore
 - Ms. Fung Mee Kwan**
Flat C, 11/F,
Kam On Building,
236 Tai Po Road,
Sham Sui Po, Kowloon
 - Mr. Cheung Wai Kin**
Room 419, Pok Tai House,
Pok Hong Estate,
Shatin, New Territories,
Hong Kong
 - Ms. Lo Suet Lai**
Flat E, 16/F
Block 3, Sereno Verde
Yuen Long
Hong Kong
 - Ms. Wong Shuk Yee Camilla**
Flat A, 6/F, Block 3,
Oscar by the Sea,
8 Pung Loi Road,
Tseung Kwan O,
New Territories,
Hong Kong
- Registered office** :
- Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
- Head office and principal place of business in Hong Kong** :
- 21st Floor,
CMA Building,
64 Connaught Road Central,
Hong Kong

Placing Agent	:	Sorrento Securities Limited 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	:	Altus Capital Limited 21 Wing Wo Street, Central, Hong Kong
Legal adviser to the Company as to Hong Kong law in relation to the Rights Issue	:	Mason Ching & Associates Room 2403, 24/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong
Reporting accountants	:	McMillan Woods (Hong Kong) CPA Limited 24/F., Sui On Centre, 188 Lockhart Road, Wan Chai, Hong Kong
Principal bankers in Hong Kong	:	DBS Bank Ltd. 12 Marina Bay Boulevard, Level 3 Marina Bay Financial Centre Tower 3, Singapore 018982
Principal share registrar	:	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands
Hong Kong branch share registrar and transfer office	:	Union Registrars Limited Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong

Authorised representatives	:	Mr. Chua Kang Lim House 143 Chun Tin Road Singapore 599699 Singapore
		Mr. Lai Nga Ming Edmund 21st Floor, CMA Building 64 Connaught Road Central Hong Kong
Company secretary	:	Mr. Lai Nga Ming Edmund 21st Floor, CMA Building 64 Connaught Road Central Hong Kong
Compliance officer	:	Mr. Chua Kang Lim House 143 Chun Tin Road Singapore 599699 Singapore

11. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Cheung Wai Kin (the Chairman of the Audit Committee), Ms. Lo Suet Lai and Ms. Wong Shuk Yee Camilla. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “13. Particulars of the Directors and Company Secretary” in this appendix.

The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

12. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Altus Capital Limited	A corporation licensed by the SFC to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants

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

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinions or advice and references to its name, in the form and context in which they appear;
- (b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

13. PARTICULARS OF THE DIRECTORS AND COMPANY

Executive Directors

Mr. Chua Kang Lim (“K L Chua”), aged 67, founder of our Group, is our executive Director, chief executive officer and the chairman of our Board. He has been a director of CA Transportation since February 1992 and a director of Nexis Logistics since April 2003, which are the Company’s subsidiaries. He is also a director of New Pine Global Limited, which is also the Company’s subsidiary. Mr. K L Chua is responsible for the overall strategic planning and business development of our Group.

Mr. K L Chua has over 29 years of experience in the logistics industry in Singapore. Prior to the establishment of our Group, Mr. K L Chua was involved in business of packing and crating services. Mr. K L Chua was a partner of Teng Lee Packing Co from September 1982 to October 1992, an owner of K. L. Chua Container Service from March 1994 to June 2013 and a director of Teng Lee Packing Co Pte Ltd from October 1992 to May 2012 respectively and involved in their business operation and management. As (i) Teng Lee Packing Co engaged in the business of providing freight forwarding services and wholesale of logs, (ii) K. L. Chua Container Service engaged in the business of providing freight and container services, and (iii) Teng Lee Packing Co Pte Ltd engaged in the business of providing freight and warehousing services, Mr. K L Chua gained experience in management skills and knowledge of freight logistics business.

Mr. K L Chua is the father of both Ms. S F Chua, an executive Director of our Company, and Ms. S H Chua, our Purchasing and Human Resources Director. Mr. K L Chua is also the elder brother of Mr. C H Chua, our Senior Sales Manager.

Ms. Fung Mee Kuen (“Ms. Fung”), aged 61, is our executive Director. Ms. Fung has over 20 years’ experience in sales and marketing, management and finance industry. She is experienced in financial investment and human resources management. She was a senior management of a sizable finance company which responsible for the risk management, business development, finance and internal control.

Independent non-executive Directors

Mr. Cheung Wai Kin (“Mr. Cheung”), aged 39, is our independent non-executive Director appointed on 23 August 2021. Mr. Cheung is a member of the Hong Kong Institute of Certified Public Accountants and he has over 14 years accounting and auditing experience. Since 27 September 2017, Mr. Cheung has been appointed as the independent non-executive director of Capital VC Limited (Stock Code: 2324), securities of which are listed on the main board of the Stock Exchange.

Ms. Lo Suet Lai (“**Ms. Lo**”), aged 33, is our independent non-executive Director appointed on 29 September 2021. Ms. Lo graduated from Hong Kong Shue Yan University with Bachelor of Commerce (Honours) in Accounting. Prior to joining the Group, Ms. Lo worked in two international accounting firms in Hong Kong and the accounting work in Wanjia Group Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 401). Ms. Lo is presently acting as a director in a Hong Kong private consultancy company. She has years of accounting and auditing experiences. Since 12 September 2016, Ms. Lo has been appointed as the independent non-executive director of China e-Wallet Payment Group Limited (Stock Code: 802), securities of which are listed on the Main Board of the Stock Exchange.

Ms. Wong Shuk Yee Camilla (“**Ms. Wong**”), aged 51, is our independent non-executive Director appointed on 26 January 2022. Ms. Wong graduated from The University of Birmingham with Master of Social Science (Money Banking and Finance). Ms. Wong has over 12 years of financial planning and management experiences. She is the member of The Chinese Institute of Certified Financial Planners and Institute of Financial Planners of Hong Kong and she also qualified as Life Underwriter Training Council Fellow.

Company Secretary

Mr. Lai Nga Ming Edmund (“**Mr. Lai**”), aged 38, is the company secretary of our Company. Mr. Lai does not act as an individual employee of our Company, but as an external service provider. Mr. Lai is the company secretary of Luxxu Group Limited (stock code: 1327), the shares of which are listed on the main board of the Stock Exchange, since November 2016. He has also been an independent non-executive director of Founder Holdings Limited (stock code: 418), the shares of which are listed on the main board of the Stock Exchange, since April 2020. He has also been an independent non-executive director of Peking University Resources (Holdings) Company Limited (Stock Code: 618), the shares of which are listed on the main board of the Stock Exchange, from April 2020 to September 2021. Mr. Lai received a Bachelor of Arts (Honours) in Accountancy from The Hong Kong Polytechnic University and is a member of the Hong Kong Institute of Certified Public Accountants. He has accumulated extensive experience in auditing and accounting by working in various international firms of Certified Public Accountants, listed and multinational companies in Hong Kong such as Grant Thornton Hong Kong, BDO Hong Kong and SDM Group Holdings Limited (stock code: 8363), the shares of which are listed on GEM of the Stock Exchange.

14. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at 21st Floor, CMA Building, 64 Connaught Road, Central, Hong Kong Hong Kong, for a period of 14 days from the date of this circular (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 December 2019;
- (c) the annual report of the Company for the year ended 31 December 2020;
- (d) the annual report of the Company for the year ended 31 December 2021;
- (e) the first quarterly report of the Company for the three months ended 31 March 2022;
- (f) the interim report of the Company for the six months ended 30 June 2022;
- (g) the Placing Agreement;
- (h) Optionholder's Undertakings;
- (i) the letter from the Board, the text of which is set out on pages 13 to 42 of this circular;
- (j) the letter from the Independent Board Committee, the text of which is set out on page 43 of this circular;
- (k) the letter from Independent Financial Adviser, the text of which is set out on pages 44 to 59 of this circular;
- (l) the accountant's report on the unaudited pro forma financial information of the Group issued by McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix II to this circular;
- (m) the material contracts (including the Placing Agreement) as referred to in the section headed "8. Material contracts" in this appendix;
- (n) the written consent referred to in the section headed "12. Experts and consents" in this appendix; and
- (o) this circular.

NOTICE OF EGM

C&N Holdings Limited **春能控股有限公司***

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8430)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of C&N Holdings Limited (the “**Company**”) will be held at No 3 Soon Lee Street, #06-03 Pioneer Junction, Singapore 627606 on Friday, 30 December 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the granting by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of the listing of, and permission to deal in, the Consolidated Shares (as defined below) upon the Share Consolidation (as defined below) becoming effective:
 - (a) with effect from the date of passing of this resolution by the shareholders of the Company (“**Shareholders**”), every twenty (20) existing Shares of HK\$0.01 each be consolidated into one (1) consolidated share of HK\$0.2 each (the “**Consolidated Share(s)**”) in the issued share capital of the Company (the “**Share Consolidation**”);
 - (b) all of the Consolidated Shares resulting from the Share Consolidation shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions contained in the articles of association of the Company;
 - (c) all fractional Consolidated Shares shall be disregarded and not be issued to the Shareholders of the Company and any fractional entitlements to the issued Consolidated Shares will be aggregated and, if possible, sold and the net proceeds shall be retained for the benefit of the Company by an agent appointed by the Company’s board of directors for that purpose; and
 - (d) any one director of the Company (the “**Director(s)**”) be and is authorised to approve, sign and execute such documents and take any and all steps, and to do and/or procure to be done any and all acts and things which in his/her opinion may be necessary, desirable or expedient to implement and carry into effect this resolution.”

* For identification purposes only

NOTICE OF EGM

2. “THAT

- (a) subject to and conditional upon the passing of the resolution numbered 1 and conditional upon fulfillment of the conditions of the Placing Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (b) the placing agreement in respect of the Rights Issue (as defined below) dated 21 October 2022 and made between the Company and Sorrento Securities Limited (the “**Placing Agreement**”) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) subject to the fulfillment of the conditions set out in the Placing Agreement, the allotment and issue of 125,126,400 Rights Shares (the “**Rights Shares**”) in the share capital of the Company pursuant to an offer by way of rights to the Shareholders at the subscription price of HK\$0.26 per Rights Share on the basis of three (3) Rights Shares for every one (1) Consolidated Share held by the Shareholders whose names appeared on the register of members of the Company on 16 January 2023 (the “**Record Date**”) as described in further details in a circular issued by the Company dated 9 December 2022 and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;
- (d) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (e) the Directors be and hereby authorised to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Placing Agreement, the exercise or enforcement of any of the Company’s rights under the Placing Agreement.”

Yours faithfully,
For and on behalf of the Board of
C&N Holdings Limited
Chua Kang Lim
Chairman

Hong Kong, 9 December 2022

NOTICE OF EGM

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

*Headquarters and Principal Place of
Business in Hong Kong:*
21st Floor, CMA Building
64 Connaught Road Central,
Hong Kong

As at the date of this notice, the Board comprises Mr. Chua Kang Lim and Ms. Fung Mee Kuen as executive directors and Mr. Cheung Wai Kin, Ms. Wong Shuk Yee Camilla and Ms. Lo Suet Lai as the independent non-executive directors.

Notes:

1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy and the power of attorney (if any), under which it is signed or a notarially certified copy thereof, must be lodged, at the office of the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
3. Completion and return of a form of proxy will not preclude members of the Company from attending and voting in person at the EGM or any adjournment thereof should they so wish and in such event, the form of proxy shall be deemed to be revoked.
4. Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said person as present whose name stands first on the register in respect of such share of the Company shall alone be entitled to vote in respect thereof.
5. For the purpose of determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 22 December 2022.