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

If you have sold or transferred all your shares in **China Investment Development Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, 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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CHINA INVESTMENT DEVELOPMENT LIMITED

中國投資開發有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 204)

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE; AND NOTICE OF SPECIAL GENERAL MEETING

Placing Agents

Cheong Lee
昌利證券

Cheong Lee Securities Limited

 **元庫證券有限公司**
SILVERBRICKS SECURITIES CO. LTD.

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

 **FDB Financial Group Ltd**
灝展金融集團有限公司

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

A letter from the Board is set out on pages 9 to 36 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 37 to 38 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 39 to 60 of this circular.

A notice convening the SGM of the Company to be held at Suite 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 3 July 2023 at 11:00 a.m., is set out in this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share 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, as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 5 July 2023. Dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 18 July 2023 to Tuesday, 25 July 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

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 precedent 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 will be placed to independent Places 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. There are no applicable statutory requirements under the laws of the Bermuda regarding minimum subscription levels in respect of the Rights Issue. Accordingly, the Rights Issue and the Placing may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position they should consult their professional advisers.

16 June 2023

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is for indicative purposes only and it has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

Event	Time and date
Latest time for lodging transfers of Shares to qualify for attendance and voting at the SGM	4:00 p.m. on Monday, 26 June 2023
Closure of register of members of the Company for attending the SGM (both dates inclusive).	Tuesday, 27 June 2023 to Monday 3 July 2023
Latest time for lodging forms of proxy for the purpose of the SGM	11:00 a.m. on Saturday, 1 July 2023
Record date for determining attendance and voting at the SGM	Monday, 3 July 2023
Expected date and time of the SGM.	11:00 a.m. on Monday, 3 July 2023
Announcement of poll results of the SGM	Monday, 3 July 2023
Register of members of the Company re-opens	Tuesday, 4 July 2023
Last day of dealings in the Shares on a cum-rights basis relating to the Rights Issue.	Tuesday, 4 July 2023
First day of dealings in the Shares on an ex-rights basis relating to the Rights Issue.	Wednesday, 5 July 2023
Latest time for the Shareholders to lodge transfer documents of the Shares in order to be qualified for the Rights Issue	4:00 p.m. on Thursday, 6 July 2023
Closure of the register of members of the Company for the Rights Issue (both dates inclusive)	Friday, 7 July 2023 to Thursday, 13 July 2023
Record Date for determining entitlements to the Rights Issue	Thursday, 13 July 2023

EXPECTED TIMETABLE

Register of members of the Company re-opens	Friday, 14 July 2023
Prospectus Documents expected to be despatched	Friday, 14 July 2023
First day of dealings in nil-paid Rights Shares	Tuesday, 18 July 2023
Latest time for splitting of the PAL.	4:00 p.m. on Thursday, 20 July 2023
Last day of dealings in nil-paid Rights Shares.	Tuesday, 25 July 2023
Latest time to lodge transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain	4:00 p.m. on Friday, 28 July 2023
Latest time of acceptance of and payment for the Rights Shares	4:00 p.m. on Friday, 28 July 2023
Announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Compensatory Arrangements	Wednesday, 2 August 2023
Commencement of placing of Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agents	Thursday, 3 August 2023
Latest time of placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agents	6:00 p.m. on Wednesday, 9 August 2023
Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional	Thursday, 10 August 2023
Announcement of the results of Rights Issue (including results of the placing of 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) to be posted on the Stock Exchange's website and the Company's website	Friday, 11 August 2023

EXPECTED TIMETABLE

Refund cheques, if any, to be despatched (if the Rights Issue does not proceed)	Monday, 14 August 2023
Share certificates for fully-paid Rights Shares to be despatched	Monday, 14 August 2023
Expected commencement of dealings in fully-paid Rights Shares.	9:00 a.m. on Tuesday, 15 August 2023
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	Tuesday, 15 August 2023
Payment of the Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Monday, 28 August 2023
Designated broker ceases to provide matching services for odd lot of Shares	Friday, 1 September 2023

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

Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company in agreement with the Placing Agents and in accordance with the Listing Rules. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Placing Agreement may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended 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 or before 4:00 p.m. on Friday, 28 July 2023, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 25 May 2023 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	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 issued or remains issued between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon or on which a “black” rainstorm warning is in effect 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
“Cheong Lee Securities Limited”	Cheong Lee Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on future contracts) regulated activities 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
“Company”	China Investment Development Limited, a company incorporated in Cayman Islands and continued in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 204)

DEFINITIONS

“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agents on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected persons”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed thereto under the 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
“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
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019 in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the Placing Agreement
“Independent Financial Adviser” or “FDB Financial”	FDB Financial Group 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, being the independent financial adviser appointed by the Company with the approval of the Independent Board Committee for the purpose of advising the Independent Board Committee and the Independent Shareholders of the Company on the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the shareholders, save and except the controlling shareholders of the Company (within the meaning of the Listing Rules) or the Directors and their associates, who are not required under the Listing Rules to abstain from voting on the resolution(s) to approve the Rights Issue at the SGM
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules

DEFINITIONS

“Investment Manager”	Evergrande Securities (HK) Limited, a licensed corporation permitted to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under SFO, and investment manager of the Company
“Last Trading Day”	25 May 2023, being the last trading day for the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	13 June 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Friday, 28 July 2023 or such later time or date as may be agreed between the Parties in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Listing Committee”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	Thursday, 10 August 2023 or such later date as may be agreed between the Placing Agents and the Company
“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 Agents under the Compensatory Arrangements
“Nil Paid Rights”	rights to subscribe for Rights Shares before the Subscription Price is paid
“No Action shareholder(s)”	Qualifying Shareholders or their renounees who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any Nil Paid Rights at the time such Nil Paid Rights lapse

DEFINITIONS

“Overseas Shareholders”	such Shareholder(s) whose registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) is/are situated outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares to be issued to the Qualifying Shareholders in respect of their entitlements under the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who are professional investors as defined under the Securities and Futures Ordinance (Cap 571), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies), procured by the Placing Agents and/or their sub placing agent(s) to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing Agents”	Cheong Lee Securities Limited and Silverbricks Securities Company Limited
“Placing Agreement”	Conditional placing agreement dated 25 May 2023 entered into between the Company and the Placing Agents in relation to the placing of 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
“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 (including any supplementary prospectus, if any) to be despatched to the Shareholders in connection with the Rights Issue in such form as may be agreed between the Parties

DEFINITIONS

“Prospectus Documents”	the Prospectus and the PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
“Prospectus Posting Date”	Friday, 14 July 2023 or such other date as may be agreed between the Parties in writing, being the date for the despatch of the Prospectus Documents (in case of Excluded Shareholder(s), the Prospectus only)
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	Thursday, 13 July 2023 or such other date as may be agreed between the Parties in writing, being the date for the determination of the entitlements under the Rights Issue
“Registrar”	Union Registrars Limited, being the branch share registrar and transfer office of the Company in Hong Kong at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares for subscription by the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share in issue and held on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Placing Agreement and the Prospectus Documents
“Rights Share(s)”	up to 363,582,506 new Shares for subscription by the Qualifying Shareholders by way of the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), including its amendments from time to time
“SGM”	A special general meeting of the Company to be held and convened to consider and approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) with par value of HK\$0.10 each in the share capital of the Company
“Share Option(s)”	as at the date of this circular, 3,187,647 outstanding share options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 28 December 2018
“Shareholder(s)”	holder(s) of the Share(s)
“Silverbricks Securities Company Limited”	Silverbricks Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 6 (advising on corporate finance) regulated activities 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	The subscription price of HK\$0.15 per Rights Share
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC (as amended and supplemented from time to time)
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders

DEFINITIONS

“US\$” United States dollars, the lawful currency of the United States

“%” per cent

LETTER FROM THE BOARD



CHINA INVESTMENT DEVELOPMENT LIMITED

中國投資開發有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 204)

Executive Directors:

Mr. Chan Cheong Yee

Mr. Chan Yiu Pun Clement

Non-executive Directors:

Mr. Han Zhenghai (*Chairman of the Board*)

Mr. Deng Dongping

Mr. Liu Lihan

Mr. Zhu Zhikun

Mr. Lyu Ping

Ms. Mo Xiuping

Independent non-executive Directors:

Ms. Mo Li

Mr. Shi Zhu

Ms. Chen Shunqing

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of business

in Hong Kong:

Suite 6303, 63/F, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

16 June 2023

*To the Qualifying Shareholders and,
for information purpose only, the Excluded Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) EXISTING
SHARE HELD ON THE RECORD DATE;
AND
NOTICE OF SPECIAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Rights Issue.

The purpose of this circular is to provide you with, among others, (i) further details on the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) a letter from FDB Financial to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) certain financial information and other general information on the Group; and (v) the notice of SGM.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.15 per Rights Share, to raise gross proceeds of approximately HK\$54.5 million before deducting the costs and expenses (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date), by way of the Rights Issue of up to 363,582,506 Rights Shares to the Qualifying Shareholders. The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any).

Further details of the Rights Issue are summarised below:

Issue statistics

Basis of Rights Issue:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.15 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	360,394,859 Shares

LETTER FROM THE BOARD

Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 360,394,859 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or Up to 363,582,506 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$36,039,485.9 (assuming no change in the number of Shares in issue on or before the Record Date); or Up to HK\$36,358,250.6 (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date)
Total number of Shares in issue immediately upon completion of the Rights Issue:	Up to 720,789,718 Shares (assuming no change in the number of Shares in issue or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue); or Up to 727,165,012 Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Maximum funds raised before expenses:	Up to approximately HK\$54.1 million (assuming no change in the number of Share in issue on or before the Record Date and all the Rights Shares will be taken up) Up to approximately HK\$54.5 million (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no further issue or repurchase of Shares on or before the Record Date and all the Rights Shares will be taken up)

LETTER FROM THE BOARD

As at the Latest Practicable Date, there are 3,187,647 outstanding Share Options granted by the Company exercisable into 3,187,647 Shares. Save for the aforesaid, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares other than the full exercise of outstanding Shares Options on or before the Record Date, the number of 363,582,506 Rights Shares to be issued and allotted pursuant to the Rights Issue represent (i) approximately 100.88% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 50.00% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares immediately after 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 Places 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. There are no applicable statutory requirements under the laws of the Bermuda regarding minimum subscription levels in respect of the Rights Issue.

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 and Share Options 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 7.19(5)(b) of the Listing Rules.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.15 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 74.58% to the closing price of HK\$0.590 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 41.18% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 41.86% to the average closing price of HK\$0.258 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 40.71% to the average closing price of approximately HK\$0.253 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 26.11% to the theoretical ex-rights price of approximately HK\$0.203 per Share based on the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 83.05% to the unaudited consolidated net asset value per Share of approximately HK\$0.885 (based on the latest published unaudited consolidated net asset value attributable to Shareholders per Share as at 30 April 2023). The Directors noted that the Shares were traded at a discount to the net asset value per Share throughout the 12-month period immediately prior to the date of the Placing Agreement, of which the discount of the closing price of the Shares as compared with the net asset value per Share ranged from HK\$0.796 per Share to HK\$0.960 per Share. Accordingly, the Directors consider that the net asset value per Share is not a meaningful benchmark to determine the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard; and

LETTER FROM THE BOARD

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 20.39% represented by the theoretical diluted price of approximately HK\$0.203 to the benchmarked price of approximately HK\$0.255 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.255 and the average closing price of approximately HK\$0.255 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

The Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market conditions and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “Reasons for the Rights Issue and the use of proceeds” in this circular.

The Subscription Price was determined with reference to, among others, (i) the trading price of the Shares over the two months prior to the Last Trading Day (i.e. in the range from HK\$0.239 to HK\$0.470) which has been volatile in comparison to the previous months and which the Directors are unaware of any reason for such volatility; (ii) the theoretical ex-rights price; and (iii) the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and the use of proceeds” in this circular. The Directors (including the independent non-executive Directors) consider that each Qualifying Shareholder will be provisionally allotted the Rights Shares at the same Subscription Price in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the members of the Independent Board Committee) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share is estimated to be approximately HK\$0.146, if fully subscribed.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholder as at the close of business on the Record Date.

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The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL to them on Friday, 14 July 2023.

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 and not be an Excluded Shareholder on the Record Date. Overseas Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date whom the Company, based on legal opinions to be provided by legal advisers, considers necessary or expedient not to offer the Rights Shares 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 will not be regarded as Qualifying Shareholders.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by 4:00 p.m. on Thursday, 6 July 2023.

The last day of dealings in the Shares on a cum-rights basis is Tuesday, 4 July 2023. The Shares will be dealt with on an ex-rights basis from Wednesday, 5 July 2023.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar 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. on Thursday, 6 July 2023.

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Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer 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.**

Rights of Overseas Shareholders

The Prospectus Documents will not be registered or filed 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.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholder(s). The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus. 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 in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. In view of administrative costs, the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any ES Unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agents 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

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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.

As at the Latest Practicable Date, there are a total of 9 Overseas Shareholder with registered addresses situated outside Hong Kong in the PRC and the British Virgin Islands, which are interested in aggregate of 116,583,000 Shares, representing approximately 32.35% of the total number of the issued Shares.

In compliance with the Listing Rules, the Directors have made enquiries with the legal advisers of the PRC and British Virgin Islands on whether or not under the laws of the PRC and British Virgin Islands, the Rights Issue could be extended to the PRC and British Virgin Islands Shareholders. The legal advisers to the Company as to the PRC laws and British Virgin Islands laws are of view that there are no legal restrictions in the PRC or British Virgin Islands which prohibit the PRC or British Virgin Islands Shareholders from receiving the Rights Shares under the Rights Issue; and there are no requirements of any relevant regulatory body in the PRC or British Virgin Islands that limits the right of the PRC or British Virgin Islands Shareholder to receive the Rights Shares under the Rights Issue. Accordingly, the extension of the Rights Issue to the PRC and British Virgin Islands Shareholders and the offering of the Rights Shares to them will not violate any applicable law or regulations in PRC or British Virgin Islands. It is the responsibility of the PRC and British Virgin Islands Shareholders to observe the local legal and regulatory requirements applicable to them for taking up and onward sale (if applicable) of the Rights Shares. Based upon such advice, the Directors have decided to extend the Rights Issue to the PRC and British Virgin Islands Shareholders, and the PRC and British Virgin Islands Shareholders shall therefore be Qualifying Shareholders.

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, Excluded Shareholders should exercise caution when dealing in the Shares.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the 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, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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Fractional entitlements to the Rights Shares

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

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated and sold by the Company in the open market if a premium (net of expenses) can be obtained. Any unsold fractions of the Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule 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 Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company therefore appointed the Placing Agents to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. 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 Agents will, on a best effort basis, procure, by not later than 6:00 p.m., on Wednesday, 9 August 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. 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.

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:

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- (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 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 are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

THE PLACING AGREEMENT

On 25 May 2023 (after trading hours), the Company and the Placing Agents entered into the Placing Agreement, pursuant to which the Placing Agents has conditionally agreed as agents of the Company (either by themselves or through their sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Arrangement are as follows:

Date: 25 May 2023 (after trading hours)

Parties: (i) the Company, as issuer; and
(ii) the Placing Agents

Placing Agents: Cheong Lee Securities Limited and Silverbricks Securities Company Limited, appointed as the Placing Agents to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis.

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The Placing Agents confirmed that they are independent of and not connected with the Company and its connected person and not a connected person of the Company.

Fees and expenses:

1.0% 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 Agents pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares, which the Placing Agents are authorised to deduct from the payment to be made by the Placing Agents to the Company at completion.

Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be):

The placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be) shall not be less than the Subscription Price.

The final price determination will be dependent on the demand for and market conditions of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares.

Placees:

Any individuals, corporate, institutional investor(s) or other investor(s) who are professional investors as defined under the SFO (Cap 571), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies), procured by the Placing Agents and/or Sub-Placing Agents to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement and the subscription amount of each placee shall not be less than HK\$500,000.

Ranking of the Unsubscribed Rights Shares and the ES Unsold Rights Shares:

The Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects inter se and with all other Shares then in issue.

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Termination of the Placing Agreement:

The Placing Arrangement shall end on the Long Stop Date or any other date by mutual written agreement between the Placing Agents and the Company.

If any of the following events occur at any time prior to the Long Stop Date, the Placing Agents may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time on or prior to the Long Stop Date, terminate the Placing Agreement without liability to the other parties hereto and, subject to the clauses stated on the Placing Agreement which shall continue, the Placing Agreement shall thereupon cease to have effect and none of the parties hereto shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (a) in the reasonable opinion of the Placing Agents there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

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- (c) any material breach of any of the representations and warranties comes to the knowledge of the Placing Agents or any event occurs or any matter arises on or after the date hereof and prior to the Long Stop Date which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of this Agreement; or
- (d) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agents is material in the context of the Placing.

Conditions precedent of the Rights Issue:

The Placing is conditional upon the fulfillment of the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;
- (ii) none of the representations, warranties or undertakings contained in this 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
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agents may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions (other than those set out in paragraph (i) above) by notice in writing to the Company.

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Completion:

Subject to the fulfillment of the conditions set out in the above conditions (i) to (iii), the completion of the Placing under the Placing Agreement shall take place at the offices of the Placing Agents within six (6) 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 Rights Issue 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 Agents may agree.

The engagement between the Company and the Placing Agents for the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares was determined after arm's length negotiations between the Placing Agents and the Company 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 the terms of the Placing Arrangement for the Unsubscribed Rights Shares and the 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; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors considers 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 Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. 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 other stock exchange.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 20,000 Rights Shares, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

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Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms 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 licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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 or any other applicable fees and charges in Hong Kong.

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 14 August 2023.

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Each Shareholder will receive one share certificate for all allotted Shares. If the Rights Issue does not become unconditional, refund cheques, without interest, in respect of application monies received are expected to be despatched on or before Monday, 14 August 2023 by ordinary post at the respective Shareholders' own risk to the registered address of the relevant applicant, or in case of joint applicants, to the address of the first-named person.

Arrangement on odd lot trading

Upon completion of the Rights Issue, the board lots of the Company will remain as 20,000 Shares. In order to facilitate the trading of odd lots of Shares which will arise upon the Rights Issue, the Company has appointed Cheong Lee Securities Limited to stand in the market and provide matching services on a best effort basis for the holders of odd lots of Shares during the period from 9:00 a.m. on Tuesday, 15 August 2023 to 4:00 p.m. on Friday, 1 September 2023 (both days inclusive). Holders of odd lots Shares who wish to take advantage of this facility either to dispose of their odd lots of Shares or to top up to board lots of 20,000 Shares should contact Ms. Linda Yu of the Cheong Lee Securities Limited at Unit B, 15/F., Bank of East Asia Harbour View Center, 56 Gloucester Road, Wanchai, Hong Kong or at telephone number (852) 3426 6338 during office hours of such period. Holders of Shares in odd lots should note that the matching services mentioned above are on a best effort basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 7 July 2023 to Thursday, 13 July 2023 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue.

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

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Company is an investment company listed under Chapter 21 of the Listing Rules and its purpose is to achieve medium to long-term capital appreciation as well as income from interest and dividend by investing principally in listed and unlisted securities.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$54.5 million and the estimated net proceeds of the Rights Issue will be approximately HK\$53.2 million. The estimated expenses of the Rights Issue are approximately

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HK\$1.3 million, which include placing commission and professional fees payable to the financial advisers, legal counsels, financial printer and other parties involved in the Rights Issue and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.146.

The Company intends to use the net proceeds from the Rights Issue for the following purposes:

- (i) approximately 83.1% (or approximately HK\$44.2 million), will be used for repayment of the Group's bonds principal amount and accrued interests. As at the Latest Practicable Date, the four short-term bond agreements with independent parties at value of approximately HK\$10.00 million, HK\$8.00 million, HK\$22.00 million and HK\$2.27 million respectively and maturity dates of the bonds outstanding are up to 4 August 2023, 25 August 2023, 25 October 2023 and 29 March 2024 respectively; and
- (ii) approximately 16.9% (or approximately HK\$9.0 million) will be used as the general working capital of the Group mainly including salaries, rental and management fee and legal and professional fee.

When the Company entered into the said bond agreements on 5 August 2022, 26 July 2022, 26 October 2022 and 30 March 2023 respectively, the Board assessed the internal resources and investments on hands and based on the market value of those investments available at that time, planned to settle the debts by realizing the listed securities on hand and the debt securities upon their maturity.

Details of the debt securities is shown below:

Maturity dates	Issuers	Amount (approximate HK\$'000)
7/8/2023	Issuer A	11,399
24/10/2023	Issuer A	18,238
27/10/2023	Issuer B	22,797
11/11/2023	Issuer C	41,035
15/12/2023	Issuer A	11,399
27/2/2024	Issuer D	10,011

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The Board at the first stage planned to settle the first bond to be matured on 4 August 2023 by realizing the listed securities on hand and the remaining bonds by the debt securities upon their maturity stated in the above. The Directors confirmed that at that time China was still in the midst of the COVID-19 lockdown, the Company placed the utmost importance on pandemic prevention and control, and closely monitor the day-to-day operations and management of its principal businesses to reduce the adverse impacts on the Group's operations and financial performance caused by the pandemic. Given that the Company is an Investment Company listed under Chapter 21 of the Listing Rules, the Company has conducted periodical review on its investment and concluded in September 2022 that its investment in listed securities could provide good return with potential for future appreciation to the Company. Besides, in order to increase the size of the Group's investment portfolio, the Company is always searching for new investment opportunity and taking advantage of a difference in interests in two or more instruments. The Company then pledged the listed securities on 21 October 2022 to obtain the bond which to be matured on 25 October 2023 with a relative low yield compared to the market for continuing investment in listed and unlisted investment. The Company is unable to release such listed security to repay the bond with the earliest maturity date on 4 August 2023. The Company also approached all the debt securities' issuers to request for the early redemption of the debt securities. However, those debt securities' issuers do not agree to have such early redemption.

The sentiment of capital markets has rapidly changed after lifting of the pandemic restrictions in China. The Board has reassessed recent market condition and determined that the Company should adopt a more active approach in its investment strategies as the markets gained momentum on back of robust recovery in the Chinese economy. In fact, the listed securities held by the Company have made substantial gains this year and the Company considered that it should continue to hold on to these listed securities for medium to long term appreciation. In addition, the Directors consider that the debt securities on hand are enjoying a relative high yield compared to other fixed income securities in China. The Company then planned to continue to invest in those debt securities after their maturity. Therefore, the Company does not have sufficient fund to repay the bonds.

As at 30 September 2022, there was approximately HK\$132.0 million of other receivables, deposits and prepayments which mainly contributed by deposits paid for three potential venture investments in PRC with carrying amount of approximately HK\$123.1 million (equivalent to RMB108 million). Subsequently, the Company has signed the S&P agreements with the targets to acquire their equities. Such deposits have thus been used as part of the investments. Details of the debt securities and other receivables, deposits and prepayments are set at the interim report for the six months ended 30 September 2022 published on 16 December 2022.

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Furthermore, the bank balance of the Group was approximately HK\$2.6 million as at 30 April 2023 which is not sufficient to repay the bonds. The Company also approached its principal bankers and other borrowers to obtain additional funding. However, the Company have been rejected. It is unfavorable for the Company to borrow funding as the Company do not have assets to be pledged and have net loss financial position in the past few years. In view of the above, the Company considered that it would be in the interest of the Company and its shareholders as a whole to conduct the Rights Issue to repay the bonds and as general working capital. In the event that the net proceeds raised from the Rights Issue is insufficient to meet the bond repayment obligations, the Company may approach the secured bond holder and will negotiate with the said bond holder for realization of the pledged securities and early repayment of the bond.

The Board has considered various ways of raising funds and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. The Board has considered other fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, open offer, placing and subscription.

Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner.

As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. In the contrary, the Rights Issue will enable the Company to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs.

On the other hand, the Board considers that the Rights Issue, being pre-emptive in nature, would allow all Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability).

Taking into consideration gross proceeds of approximately HK\$54.5 million based on the Subscription Price (subject to the adjustment to the number of Rights Shares to be allotted and issued to them so as not to trigger an obligation to make a general offer under the Takeovers Code

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or result in the Company failing to comply with the Public Float Requirement (as the case may be)), the Board is of the view that the Rights Issue can serve the intended purpose of broadening the capital base of the Company. The Board expects that the Rights Issue will enable the Group to achieve improvement in its financial position and strengthening its competitiveness. The Board considers and reviews investment opportunities from time to time. As at the Latest Practicable Date, the Company has not entered into any agreement related to investment and there is no investment proposal to be secured. In light of the prevailing volatile market conditions and the uncertainty brought about by the tension between the US and China as a result of the trade war, and the uncertainty on the operation of the Group as a result of the COVID-19 pandemic, the Board is of the view that it would be in the best interest of the Company and the Shareholders as a whole to repay the Group's bonds principal amount and accrued interests and be used as the general working capital of the Group.

The funding required will depend on the availability of potential investees and the results of our researches and study procedures on them. Subject to the decision of the Board and the actual fund raised by the Rights Issue, the Company will adjust the selection criteria on the potential investment targets.

The Company considers that the placing obligations of the Placing Agents are more or less similar to an underwriter of the Rights Issue (except that the Placing Agents are on best 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.

Based on the above, the Board considers that raising capital through the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s) (if any) should note that their shareholdings will be diluted.**

SHAREHOLDING STRUCTURES

Set out below are the shareholding structures of the Company as at the Latest Practicable Date to immediately after completion of the Rights Issue assuming (i) no exercise of the outstanding Share Options on or before the Record Date; and (ii) the exercise of all the outstanding Share Options in full on or before the Record Date, (a) as at the Latest Practicable Date; (b) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; and (c) immediately upon completion of the Rights Issue 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 Agents:

LETTER FROM THE BOARD

Scenario 1: assuming no exercise of the outstanding Share Options on or before the Record Date

Shareholders	Immediately upon completion of the Rights Issue					
	At the Latest Practicable Date		assuming full acceptance of the Rights Shares by the existing Shareholders		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 Agents	
	<i>Number of Shares</i>	<i>Approximately (Note 1)</i>	<i>Number of Shares</i>	<i>Approximately (Note 1)</i>	<i>Number of Shares</i>	<i>Approximately (Note 1)</i>
Substantial Shareholders						
Lanzhou Wile Home Furnishing Service Co. Limited	36,000,000	9.99%	72,000,000	9.99%	36,000,000	4.99%
Shuo Kang International Limited	29,072,000	8.07%	58,144,000	8.07%	29,072,000	4.03%
Yeung Weixu	26,611,000	7.38%	53,222,000	7.38%	26,611,000	3.69%
Tse Yun Lam Aries	25,352,200	7.03%	50,704,400	7.03%	25,352,200	3.52%
Sub-total	117,035,200	32.47%	234,070,400	32.47%	117,035,200	16.23%
Directors						
Han Zhenghai	10,068,000	2.79%	20,136,000	2.79%	10,068,000	1.40%
Zhu Zhikun	4,890,000	1.36%	9,780,000	1.36%	4,890,000	0.68%
Sub-total	14,958,000	4.15%	29,916,000	4.15%	14,958,000	2.08%
Public Shareholders						
Places	—	—	—	—	360,394,859	50.00%
Other public Shareholders	228,401,659	63.38%	456,803,318	63.38%	228,401,659	31.69%
Sub-total	228,401,659	63.38%	456,803,318	63.38%	588,796,518	81.69%
Total	360,394,859	100.00%	720,789,718	100.00%	720,789,718	100.00%

LETTER FROM THE BOARD

Scenario 2: assuming the exercise of all outstanding Share Options in full on or before the Record Date

Shareholders	At the Latest Practicable Date		Immediately upon completion of the Rights Issue			
	Date		assuming full acceptance of the Rights Shares by the existing Shareholders		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 Agents	
	<i>Number of Shares</i>	<i>Approximately (Note 1)</i>	<i>Number of Shares</i>	<i>Approximately (Note 1)</i>	<i>Number of Shares</i>	<i>Approximately (Note 1)</i>
Substantial Shareholders						
Lanzhou Wile Home Furnishing Service Co. Limited	36,000,000	9.99%	72,000,000	9.90%	36,000,000	4.95%
Shuo Kang International Limited	29,072,000	8.07%	58,144,000	8.00%	29,072,000	4.00%
Yeung Weixu	26,611,000	7.38%	53,222,000	7.32%	26,611,000	3.66%
Tse Yun Lam Aries	25,352,200	7.03%	50,704,400	6.97%	25,352,200	3.48%
Sub-total	117,035,200	32.47%	234,070,400	32.19%	117,035,200	16.09%
Directors (the “Six Directors”)						
Han Zhenghai (Note 2)	10,068,000	2.79%	21,900,370	3.01%	10,950,185	1.51%
Zhu Zhikun	4,890,000	1.36%	9,780,000	1.35%	4,890,000	0.67%
Deng Dongping (Note 3)	—	—	1,764,370	0.24%	882,185	0.12%
Liu Lihan (Note 4)	—	—	1,764,370	0.24%	882,185	0.12%
Mo Li (Note 5)	—	—	176,436	0.02%	88,218	0.01%
Shi Zhu (Note 6)	—	—	200,000	0.03%	100,000	0.02%
Sub-total	14,958,000	4.15%	35,585,546	4.89%	17,792,773	2.45%
Public Shareholders						
Options Holders except the Six Directors						
Directors	—	—	705,748	0.10%	352,874	0.05%
Placees	—	—	—	—	363,582,506	50.00%
Other public Shareholders	228,401,659	63.38%	456,803,318	62.82%	228,401,659	31.41%
Sub-total	228,401,659	63.38%	457,509,066	62.92%	592,337,039	81.46%
Total	360,394,859	100.00%	727,165,012	100.00%	727,165,012	100.00%

LETTER FROM THE BOARD

Notes:

1. The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
2. Mr. Han Zhenghai, who is the non-executive Director, beneficially owns 882,185 Share Options.
3. Mr. Deng Dongping, who is the non-executive Director, beneficially owns 882,185 Share Options.
4. Mr. Liu Lihan, who is the non-executive Director, beneficially owns 882,185 Share Options.
5. Ms. Mo Li, who is the independent non-executive Director, beneficially owns 88,218 Share Options.
6. Mr. Shi Zhu, who is the independent non-executive Director, beneficially owns 100,000 Share Options.

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.

POSSIBLE ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, there are 3,187,647 outstanding share options under the Share Option Scheme. Pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules, the exercise price and/or the number of the outstanding Share Options granted under the Share Option Scheme will be adjusted upon exercise of the Share Options under the Share Option Scheme as a result of the Rights Issue. The independent financial adviser or auditors of the Company (as the case may be) will be appointed to certify the necessary adjustments to the exercise prices and numbers of the Share Options. Further announcement will be made in respect of the said adjustments as and when appropriate.

LETTER FROM THE BOARD

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

The Company has conducted the following equity fund raising activities during the past 12 months immediately preceding the Latest Practicable Date:

Date of initial announcement	Fund raising activity	Net proceeds raised	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
15 September 2022	Placing new shares under general mandate	Approximately HK\$37.4 million	Future investment opportunities as may be identified from time to time, repayment of borrowings and general working capital of the Group	Approximately HK\$17.4 million for a commercial bill in public transport sector; approximately HK\$6.0 million for investment in Hong Kong listed company in logistics sector; approximately HK\$10.0 million for investment in United States dollar denominated fund; and approximately HK\$4.0 million for general working capital

As at the Latest Practicable Date, save for the Rights Issue, there is no agreement, arrangement, understanding, intention, negotiation (concluded or otherwise) for any fund-raising activity for the Group in the coming 12 months; and the Company has no intention to carry out any other corporate actions or arrangements that may affect the trading in the Shares (including share consolidation, share subdivision and change in board lot size) in the coming 12 months.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 month period immediately preceding the date of the Announcement, the Rights Issue will be subject to the approval by the Independent Shareholders at the SGM by way of poll at which the controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM.

As at the Latest Practicable Date, there is no controlling shareholder of the Company. Therefore, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules. Apart from the above mentioned, no shareholders shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.27A(1) of the Listing Rules.

No Shareholders had stated their intention to vote against on the resolution proposed at the SGM as at the Latest Practicable Date.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 7.27B of the Listing Rules) for the Rights Issue are HK\$0.203 per Share, HK\$0.255 per Share and 20.39%, respectively. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

The SGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. The notice convening the SGM to be held at Suite 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 3 July 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular.

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share 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, as soon as possible and in any event not less than 48 hours

LETTER FROM THE BOARD

before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM, 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 Friday, 14 July 2023.

The resolution proposed to be approved at the SGM will be taken by poll in accordance with the Listing Rules. An announcement will be made by the Company after the SGM on the results of the SGM.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID 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 precedent 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.

Any dealings in the Shares from the Latest Practicable Date 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 and/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 Ms. Mo Li, Mr. Shi Zhu and Ms. Chen Shunqing, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the

LETTER FROM THE BOARD

Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the SGM. FDB Financial has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 37 to 38 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Advisor set out on pages 39 to 60 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, the Placing Agreement 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 SGM.

ADDITIONAL INFORMATION

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

By order of the Board
China Investment Development Limited
Han Zhenghai
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.



CHINA INVESTMENT DEVELOPMENT LIMITED

中國投資開發有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 204)

16 June 2023

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 16 June 2023 (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, the Placing Agreement 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 so far as the Independent Shareholders are concerned.

FDB Financial Group Limited 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 the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 SGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Ms. Mo Li

Mr. Shi Zhu

Ms. Chen Shunqing

Independent non-executive Directors

LETTER FROM FDB FINANCIAL

The following is the letter of advice from the Independent Financial Adviser, FDB Financial Group Limited, to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

16 June 2023

To: The Independent Board Committee and the Independent Shareholders of China Investment Development Limited

Dear Sir/Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) 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 proposed Rights Issue, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 16 June 2023 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

According to the Letter from the Board, the Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price of HK\$0.15 per Rights Share, to raise gross proceeds of approximately HK\$54.5 million before deducting the costs and expenses (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date), by way of the Rights Issue of up to 363,582,506 Rights Shares to the Qualifying Shareholders. The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any).

The estimated net proceeds from the Rights Issue, if fully subscribed, will be up to approximately HK\$53.2 million (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date), which are intended to be applied in following manners: (i) approximately HK\$44.2 million for repayment of the Group’s bonds principal amount and accrued interests; and (ii) approximately HK\$9.0 million for general working capital of the Group.

LETTER FROM FDB FINANCIAL

Since the proposed Rights Issue will increase the issued share capital or the market capitalisation of the Company by more than 50%, in accordance with Rule 7.19A and 7.27A of the Listing Rules, the proposed Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their 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 ordinary resolution to approve the Rights Issue at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Mo Li, Mr. Shi Zhu and Ms. Chen Shunqing, has been established to advise and provide recommendation to the Independent Shareholders on the proposed Rights Issue and to advise the Independent Shareholders on how to vote. We, FDB Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

During the past two years, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we did not have any engagement with the Company or the Directors, chief executives and substantial shareholders of the Company or any of their associates. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) Company's interim report for the six months ended 30 September 2022 (the "**2022 Interim Report**"); (ii) the Company's annual report for the year ended 31 March 2022 (the "**2022 Annual Report**"); (iii) the Announcement; and (iv) other information as set out in the Circular. We have also relied on all relevant information, opinions and facts supplied and represented by the Company and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all material respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the

LETTER FROM FDB FINANCIAL

information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

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

This letter is issued to the Independent Shareholders solely in connection for their consideration of the Rights Issue and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent. Our opinion is based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In considering whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

1. Background and financial information of the Group

The Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Group is principally engaged in investment holding for medium to long-term capital appreciation purposes, and investment in listed and unlisted securities.

Set out below are (i) the audited consolidated financial performance and positions of the Group for each of the two years ended 31 March 2021 and 2022 as extracted from the 2022 Annual Report; and (ii) the unaudited consolidated financial performance and positions of the Group for the six months ended 30 September 2021 and 2022, respectively, as extracted from the 2022 Interim Report.

LETTER FROM FDB FINANCIAL

Summary of consolidated statement of comprehensive income

	Six months ended		Year ended 31 March	
	30 September			
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	—	2,400	—	—
Other income	6,135	3,392	10,100	1,043
(Loss)/profit for the period/year attributable to owners of the Company	(18,578)	5,789	(20,010)	(15,450)

The Group's revenue for the year ended 31 March 2022 (“FY2022”) was nil (2021: nil), which remained unchanged when compared with that for year ended 31 March 2021 (“FY2021”). For FY2022, the Group's other income was approximately HK\$10.1 million which increased by approximately HK\$9.1 million when compared to approximately HK\$1.0 million for FY2021. According to the 2022 Annual Report, such increase was mainly attributable to interest income from other financial assets at amortised cost of HK\$5.0 million and exchange gain of HK\$4.7 million for FY2022. The Group incurred a loss for the year attributable to owners of the Company for FY2022 amounting to approximately HK\$20.0 million which increased by approximately HK\$4.6 million when compared with the loss of approximately HK\$15.5 million for FY2021. With reference to the 2022 Annual Report, such increase in the loss for the year was mainly attributable to the increase in administrative expenses and the increase in change in fair value of financial assets at fair value through profit or loss during the year.

For the six months ended 30 September 2022, the Group's revenue was nil (2021: HK\$2.4 million), which decreased significantly when compared with the corresponding period of 2021. The Group's other income increased by approximately 80.9% from approximately HK\$3.4 million for the six months ended 30 September 2021 to approximately HK\$6.1 million for the six months ended 30 September 2022. With reference to the 2022 Interim Report, such increase was mainly due to the increase in interest income of approximately HK\$5.4 million. For the six months ended 30 September 2022, the loss for the period attributable to owners of the Company was approximately HK\$18.6 million, as compared to a profit for the period of approximately HK\$5.8 million for the six months ended 30 September 2021. According to the 2022 Interim Report, it was mainly attributable to the exchange loss on translation of balances denominated in foreign currencies.

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Summary of the consolidated statement of financial position

	As at	As at 31 March	
	30 September	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Total assets	229,377	235,662	54,509
Bonds payables	18,362	2,094	—
Total liabilities	25,387	11,646	5,178
Net assets	203,990	224,016	49,331

The Group's total assets as at 31 March 2022 amounted to approximately HK\$235.7 million. The Group's net asset value as at 31 March 2022 amounted to approximately HK\$224.0 million, representing an increase of approximately 354.1% as compared to that of approximately HK\$49.3 million as at 31 March 2021. According to the 2022 Annual Report, such increase was mainly attributable to the increase in total assets of approximately HK\$181.2 million which mainly comprised of (i) increase in promissory notes held by the Group of approximately HK\$105.4 million; (ii) increase in cash and cash equivalents of approximately HK\$43.1 million; and (iii) increase in other receivables, deposits paid and prepayments of approximately HK\$39.2 million.

The Group's unaudited total assets as at 30 September 2022 amounted to approximately HK\$229.4 million. The Group's unaudited net asset value amounted to approximately HK\$204.0 million as at 30 September 2022, representing a decrease of approximately 8.9% as compared to that of approximately HK\$224.0 million as at 31 March 2022. In the meantime, the Group recorded unaudited total liabilities as at 30 September 2022 of approximately HK\$25.4 million, representing an increase of approximately 118.0% as compared to that of approximately HK\$11.6 million as at 31 March 2022. The increase of total liabilities was mainly due to the increase in other payables and accrued charges which mainly comprised of bonds payables. As at 30 September 2022, the Group recorded bonds payables of approximately HK\$18.4 million, which increased from approximately HK\$2.1 million as at 31 March 2022. With reference to the 2022 Interim Report, such bonds payables were attributable to the short-term unsecured bond agreements with independent parties.

LETTER FROM FDB FINANCIAL

Reasons for and benefits of the Rights Issue and the use of proceeds

The Company is an investment company listed under Chapter 21 of the Listing Rules and its purpose is to achieve medium to long-term capital appreciation as well as income from interest and dividend by investing principally in listed and unlisted securities.

According to the Letter from the Board, the Company intends to apply the net proceeds of approximately HK\$53.2 million from the Rights Issue as follows: (i) approximately HK\$44.2 million for repayment of the Group's bonds principal amount and accrued interests; and (ii) approximately HK\$9.0 million for general working capital of the Group.

As mentioned in the Letter from the Board, as at the Latest Practicable Date, the Group has entered into four short-term bond agreements with independent parties at value of approximately HK\$10.00 million, HK\$8.00 million, HK\$22.00 million and HK\$2.27 million respectively and maturity dates of the bonds outstanding is up to 4 August 2023, 25 August 2023, 25 October 2023 and 29 March 2024, respectively. The Company intends to repay all of the four short-term bonds which are currently carrying weighted average interest rate of 7.98% per annum.

As advised by the management of the Company, the Board originally planned to settle the debts by realizing the listed securities on hand and the debt securities upon their maturity. However, the listed securities held by the Company have made substantial gains this year and the Company considered that it should continue to hold on to these listed securities for medium to long term appreciation. Also, the listed security were pledged to the bond holders and its maturity date is on 25 October 2023.

We obtain and review the investment portfolio of the listed securities held by the Company, and note that the market value of the Company's investment portfolio as at the date of Announcement based on the closing prices of respective listed securities quoted on the Stock Exchange was approximately HK\$69.8 million, representing a dramatic increase in portfolio value of approximately 173.4% as compared with that as at 31 March 2023, being the latest financial year end date. Moreover, if the Company is to settle its debts of around HK\$44.2 million by realizing the investment portfolio of listed securities, that will require the Company to liquidate over 63% of its positions based on the forementioned market value of the Company's investment portfolio.

Having considered that (i) the Company intends to keep its existing investment in listed securities for medium and long term appreciation; (ii) the existing investment portfolio demonstrates remarkable performance of capital appreciation; and (iii) the liquidation of over 63% of investment positions for repayment of debts may not be desirable for a Chapter 21

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company whose principal business is to make investment and seek capital appreciation, we concur with the view of the Directors that the Company should consider other alternative plans to settle the debts instead of by realizing the listed securities on hand.

On the other hand, we are given the understanding that the Company was unable to reach agreement with those debt securities' issuers to have early redemption. Furthermore, as advised by the Directors, the Company may not realize the debt securities upon their maturity as the debt securities on hand are enjoying a relative high yield compared to other fixed income securities in China. Based on the breakdowns of debt securities obtained from the Company, we note that the weighted average yield rate of the debt securities held by the Company is approximately 10.42%, which is higher than the China 1 year Government Bond yield of approximately 1.85% as at the date of Announcement. Having considered the above as well as the principal business of the Company, we concur the Directors' view that it is reasonable for the Company to maintain the flexibility to realize its investment at the material time.

As at 30 September 2022, the Group had cash and cash equivalents of approximately HK\$4.4 million, while the outstanding principal amount in relation to the four bond agreements amounted to approximately HK\$42.27 million of which approximately HK\$10.00 million and HK\$8.00 million will due on 4 August 2023 and 25 August 2023, respectively. With reference to the 2022 Interim Report, apart from listed securities and debt securities held by the Company, the Company's current assets mainly comprised of other receivables, deposits and prepayments of approximately HK\$132.0 million as at 30 September 2022, which mainly contributed by deposits paid for three potential venture investments in China with carrying amount of approximately HK\$123.1 million (equivalent to RMB108 million). As confirmed by the Directors, the Company has signed the S&P agreements with the targets to acquire their equities and the aforesaid deposits have thus been used as part of the investments. These conditions indicate the existence of a material uncertainty that the Group may not be able to realize its assets and repay the bonds principal amount and accrued interests upon maturity. In light of the above, we note that the Group has taken steps such as approaching its principal bankers and other borrowers to obtain additional funding. However, as advised by the management of the Company, due to the Company's loss-making positions in the past few years and the lack of assets to be pledged, there are practical difficulties for the Group to secure new banking or credit facilities from financial institutions.

Having considered (i) the unsatisfactory financial performance of the Group as discussed in the section headed "1. Background and financial information of the Group" above; and (ii) imminent funding requirements of the Company to repay the bonds principal amount and accrued interests upon maturity, we concur with the Directors' view that the

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Rights Issue would enable the Group to have access to additional funding and alleviate the liquidity pressure of the Company which is in the interests of the Company and the Shareholders as a whole.

Given that the main purpose of this fund raising exercise is to repay bonds principal amount and accrued interests and strengthen the capital structure of the Group, we concur with the view of the Directors that equity financing by Rights Issue, which offers equal opportunity for all Qualifying Shareholders to participate and maintain their respective proportionate interests in the Company if they wish to while giving them flexibility to trade the nil-paid Rights Shares in open market, is a suitable financing method which is in the interests of the Company and the Shareholders as a whole.

2. Major terms of the Rights Issue and the Placing Agreement

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.15 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	360,394,859 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	:	Up to 360,394,859 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date); or Up to 363,582,506 Rights Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date)
Aggregate nominal value of the Rights Shares:	:	Up to HK\$36,039,485.9 (assuming no change in the number of Shares in issue on or before the Record Date); or

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Up to HK\$36,358,250.6 (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date)

Total number of Shares in issue immediately upon completion of the Rights Issue: : Up to 720,789,718 Shares (assuming no change in the number of Shares in issue or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue); or

Up to 727,165,012 Shares (assuming no change in the number of Shares in issue other than the full exercise of outstanding Share Options on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)

Maximum funds raised before expenses: : Up to approximately HK\$54.1 million (assuming no change in the number of Share in issue on or before the Record Date and all the Rights Shares will be taken up)

Up to approximately HK\$54.5 million (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no further issue or repurchase of Shares on or before the Record Date and all the Rights Shares will be taken up)

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- 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. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Bermuda regarding minimum subscription levels in respect of the Rights Issue
- Excess application : There will be no excess application arrangements in relation to the Rights Issue
- Placing fees and expenses : 1.0% 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 Agents pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares, which the Placing Agents are authorised to deduct from the payment to be made by the Placing Agents to the Company at completion

As at the Latest Practicable Date, there are 3,187,647 outstanding Share Options granted by the Company exercisable into 3,187,647 Shares. Save for the aforesaid, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. As at the Latest Practicable Date, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

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Assuming no further issue or repurchase of Shares other than the full exercise of outstanding Shares Options on or before the Record Date, the number of 363,582,506 Rights Shares to be issued and allotted pursuant to the Rights Issue represent (i) approximately 100.88% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 50.00% of the total number of issued Shares as enlarged by the allotment and issuance of the Rights Shares immediately after completion of the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.15 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price of HK\$0.15 per Rights Share represents:

- (i) a discount of approximately 74.58% to the closing price of HK\$0.59 per as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 41.18% to the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 41.86% to the average closing price of HK\$0.258 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 40.71% to the average closing price of approximately HK\$0.253 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 26.11% to the theoretical ex-rights price of approximately HK\$0.203 per Share based on the closing price of HK\$0.255 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 83.05% to the unaudited consolidated net asset value per Share of approximately HK\$0.885 (based on the latest published unaudited consolidated net asset value attributable to Shareholders per Share as at 30 April 2023). The Directors noted that the Shares were traded at a discount to the net asset value per Share throughout the 12-month period immediately prior to the date of the Placing Agreement, of which the discount of the closing price of the Shares

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as compared with the net asset value per Share ranged from HK\$0.796 per Share to HK\$0.960 per Share. Accordingly, the Directors consider that the net asset value per Share is not a meaningful benchmark to determine the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard; and

- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 20.39% represented by the theoretical diluted price of approximately HK\$0.203 to the benchmarked price of approximately HK\$0.255 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.255 and the average closing price of approximately HK\$0.255 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

According to the Letter from the Board, the Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market condition and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “Reasons for the Rights Issue and the use of proceeds” in the Letter from the Board.

The Subscription Price was determined with reference to, among others, (i) the trading price of the Shares over the two months prior to the Last Trading Day (i.e. in the range from HK\$0.239 to HK\$0.470) which has been volatile in comparison to the previous months and which the Directors are unaware of any reason for such volatility; (ii) the theoretical ex-rights price; and (iii) the reasons and benefits of Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and the use of proceeds” in Letter from the Board. The Directors (excluding the independent non-executive Directors whose view will be formed after considering the opinion of the Independent Financial Adviser) consider that each Qualifying Shareholder will be provisionally allotted the Rights Shares at the same Subscription Price in proportion to his/her/its shareholdings held on the Record Date and the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments so as to participate in the potential growth of the Company, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

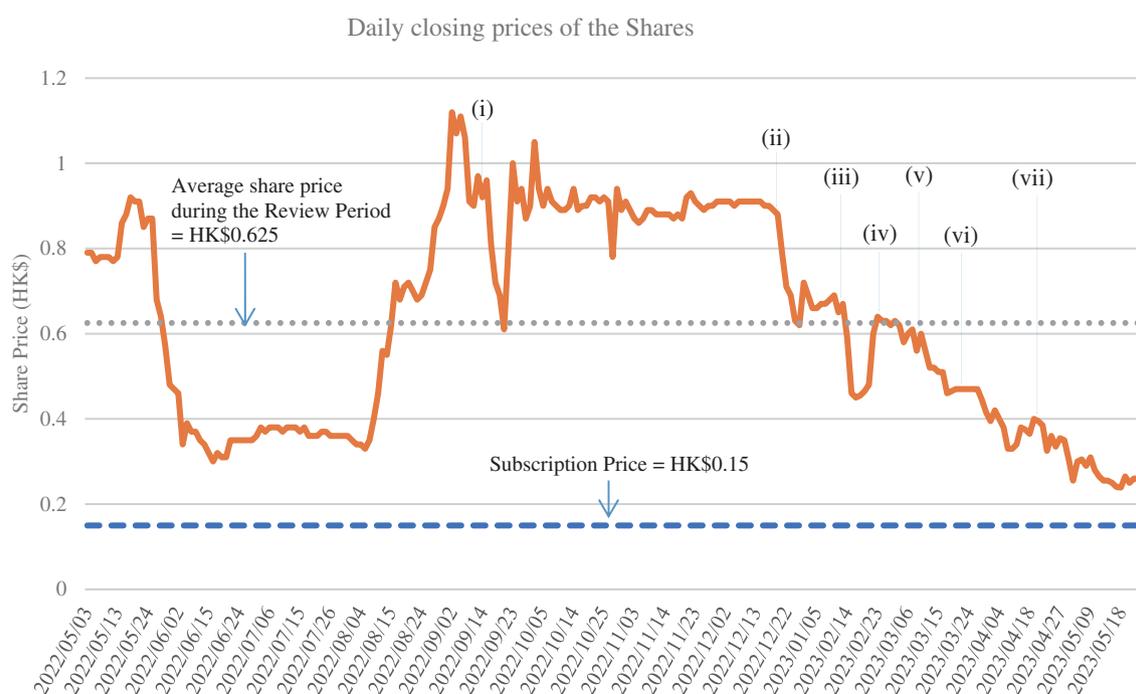
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Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purposes:

A. Historical price of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares covering a period from 1 May 2022 to the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that a 12-month coverage is reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares and the Review Period is fair to reflect the market assessment on the financial performance of the Group.



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

Notes:

- (i) Announcement in relation to placing of new shares dated 15 September 2022.
- (ii) Announcement in relation to share consolidation dated 20 December 2022.

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- (iii) The trading in the Shares was halted from 13 January 2023 and resumed from 13 February 2023. During such period, the Company published (a) an announcement of possible voluntary conditional cash offer dated 20 January 2023; (b) an announcement of suspension of duties and powers of an independent non-executive Director dated 20 January 2023; and (c) an announcement of inside information regarding an injunction order against the Company dated 13 February 2023.
- (iv) Announcement in relation to the withdrawal of offer by one of the potential joint offerors dated 24 February 2023.
- (v) Announcement in relation to the end of offer period dated 9 March 2023.
- (vi) Announcement in relation to the discharge of injunction order and discontinuance of proceedings dated 20 March 2023.
- (vii) Announcement in relation to the further information regarding the suspension of duties and powers of an independent non-executive Director and non-compliance of the Listing Rules dated 19 April 2023.

As shown in the chart above, during the Review Period, the average share price was approximately HK\$0.625 per Share (the “**Average Share Price**”). The daily closing price ranged from HK\$0.239 per Share (the “**Lowest Share Price**”) to HK\$1.12 per Share (the “**Highest Share Price**”) during the Review Period. During the Review Period, the Shares were traded above the Subscription Price. The Subscription Price of HK\$0.15 per Rights Share represents (i) a discount of approximately 37.2% to the Lowest Share Price; (ii) a discount of approximately 86.6% to the Highest Share Price; and (iii) a discount of approximately 76.0% to the Average Share Price for the Review Period.

Since the commencement of the Review Period and up to the Last Trading Day, the closing prices per Share have been volatile. The closing prices per Share suddenly experienced a drop from HK\$0.87 in late May 2022 to HK\$0.3 in June 2022. Subsequently, the closing prices per Share bounded back from HK\$0.33 in early August 2022 and maintained relatively stable at around HK\$0.9 during the period from September 2022 to early December 2022. On 20 December 2022, the Company announced a share consolidation. The trading in the Shares was halted from 13 January 2023 and resumed from 13 February 2023. During such period, the Company announced (i) a possible voluntary conditional cash offer on 20 January 2023; (ii) the suspension of duties and powers of an independent non-executive Director on 20 January 2023; and (iii) an injunction order against the Company on 13 February 2023. The closing prices per Share experienced a sudden drop during the period from mid-December 2022 to mid-February 2023. After reaching HK\$0.45 on 16 February 2023, the closing prices per Shares went upward and surged to HK\$0.64 on 23 February 2023. On 24 February 2023 and 9 March 2023, the Company announced that each of the potential joint offerors expressed his/her intention to withdraw the possible offer, respectively. Since then, the closing prices per Share generally experienced a downward trend and decreased from HK\$0.64 to HK\$0.255. On 20 March 2023, the Company published an announcement in relation to the discharge of injunction order and discontinuance of

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proceedings. On 19 April 2023, the Company published an announcement to provide further information on the suspension of duties and powers of an independent non-executive Director and the non-compliance of the Listing Rules. The closing prices per Share were HK\$0.255 and HK\$0.59 as at the Last Trading Day and the Latest Practicable Date, respectively. We have discussed with the Company and were advised that the Company are not aware of any particular reason for the recent general downward trend of the Share price other than the weak market sentiments. We have also reviewed the announcements disclosed during the Review Period and we are not aware of any information which caused the substantial change in Share price. In light of the current declining share price of the Company and as discussed in the section headed “Comparison with recent rights issue exercises” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares in order to increase the attractiveness and encouraging shareholders to participate in the rights issue.

As a result, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing closing prices of the Shares in order to encourage the Qualifying Shareholders to participate in the Rights Issue.

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B. Historical trading volume of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Month/period	Total trading volume <i>(No. of Shares)</i>	No. of trading days	Average daily trading volume <i>(No. of Shares)</i>	Percentage of average daily trading volume to the total number of Shares in issue <i>(Note 1&2)</i>	Percentage of average daily trading volume to the total number of Shares held by the public Shareholders <i>(Note 3)</i>
<i>Year 2022</i>					
May	14,524,800	20	726,240	0.20%	0.32%
June	53,339,000	20	2,666,950	0.74%	1.17%
July	9,929,580	20	496,479	0.14%	0.22%
August	48,076,300	23	2,090,274	0.58%	0.92%
September	53,545,800	21	2,549,800	0.71%	1.12%
October	55,481,800	20	2,774,090	0.77%	1.21%
November	75,386,000	22	3,426,636	0.95%	1.50%
December	30,975,000	20	1,548,750	0.43%	0.68%
<i>Year 2023</i>					
January	5,241,200	8	655,150	0.18%	0.29%
February	5,341,450	12	445,121	0.12%	0.19%
March	17,293,600	23	751,896	0.21%	0.33%
April	95,613,500	17	5,624,324	1.56%	2.46%
May (up to the Last Trading Day)	16,009,020	18	889,390	0.25%	0.39%

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

Note:

1. There are 360,394,859 Shares in issue as at the Last Trading Day.
2. Based on the average daily trading volume of Shares divided by the total issued Shares of the Company as at the Last Trading Day (i.e. 360,394,859 Shares).
3. Based on the average daily trading volume of Shares divided by the number of Shares held by the public Shareholders as at the Last Trading Day (i.e. 228,401,659 Shares).

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As shown in the table above, during the Review Period, the average daily trading volume of the Shares by month/period were in the range of approximately 0.12% to 1.56% as to the total number of issued Shares and approximately 0.19% to 2.46 % as to the total number of Shares held by public Shareholders, respectively. This revealed that the trading liquidity of the Shares has been extremely low in the open market.

On this basis and having considered the financial performance and financial conditions of the Group as discussed under the section headed “Background and financial information of the Group” in this letter above, we concur with the Directors’ view that the Subscription Price which has been set as a discount to the recent closing prices of the Shares would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding in the Company. For this reason, we consider that it is justifiable for the Subscription Price to be set at a discount to the recent closing prices of the Shares.

C. Comparison with recent rights issue exercises

To assess the fairness and reasonableness of the terms of the Rights Issue, we have identified recent rights issue transactions (the “**Comparables**”) based on the following selection criteria: (i) the shares of the company are listed on Main Board of the Stock Exchange; (ii) the rights issue transaction with gross proceeds less than HK\$100 million having considered the estimated size of gross proceeds from the Rights Issue, being up to approximately HK\$54.5 million; (iii) the exclusion of rights issue transactions of A-Shares and H-Shares; and (iv) the proposed rights issues announced during the six-month period commencing from 1 December 2022 up to and including the Last Trading Day.

We consider that the six-month period could reflect the most recent trend of rights issue transactions conducted by companies listed on the Stock Exchange under the recent market condition. To the best of our knowledge and endeavour and as far as we are aware of, we identified an exhaustive list of 9 transactions which met the said criteria as at the Latest Practicable Date. We consider the sample size of the Comparables to be sufficient, fair and representative to reflect the most recent market condition prior to the Last Trading Day.

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness

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and reasonableness of the terms of the Rights Issue (including the Subscription Price). The following table sets forth the relevant details of the Comparables:

Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to		Theoretical dilution effect (%)	Placing commission (%)	Excess application (Yes/No)
			the closing price per share on the last trading day (%)	the theoretical ex-rights price based on the closing price on the last trading day (%)			
17-May-23	CROSSTEC Group Holdings Limited (3893)	1 for 2	(9.1)	(6.3)	(3.0)	N/A	Yes
5-May-23	Tongda Hong Tai Holdings Limited (2363)	2 for 1	(16.7)	(6.6)	(11.1)	2.5	No
28-Apr-23	PT International Development Corporation Limited (372)	1 for 2	(69.2)	(60.0)	(23.1)	0.25	No
13-Apr-23	Pinestone Capital Limited (804)	1 for 2	(40.8)	(31.5)	(13.6)	1.5	No
6-Apr-23	Kingland Group Holdings Limited (1751)	1 for 2	(70.4)	(61.3)	(23.5)	3.5	No
27-Mar-23	Sandmartin International Holdings Limited (482)	3 for 2	(16.7)	(7.4)	(10.0)	2.0	No

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Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/ (discount) of the subscription price over/to		Theoretical dilution effect (%)	Placing commission (%) <i>(Note)</i>	Excess application <i>(Yes/No)</i>
			the closing price per share on the last trading day (%)	the theoretical ex-rights price based on the closing price on the last trading day (%)			
16-Mar-23	Golden Power Group Holdings Limited (3919)	1 for 2	(19.7)	(14.1)	(9.0)	N/A	Yes
27-Jan-23	Alco Holdings Limited (328)	4 for 1	(25.0)	(6.3)	(20.0)	0.5	No
11-Jan-23	Add New Energy Investment Holdings Group Limited (2623)	1 for 3	(13.6)	(10.9)	(3.4)	1.0	No
	Maximum		(9.1)	(6.3)	(3.0)	3.5	
	Minimum		(70.4)	(61.3)	(23.5)	0.25	
	Average		(31.2)	(22.7)	(13.0)	1.6	
25-May-23	The Company	1 for 1	(41.2)	(26.1)	(20.4)	1.0	No

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

Note: "N/A" denotes that the respective rights issue did not involve placing agents and therefore the placing commission is not applicable.

As shown in the table above, the subscription price of the Comparables ranged from a discount of approximately 9.1% to 70.4%, with an average discount of approximately 31.2% over/to their respective closing prices per share on the last trading day. The discount of approximately 41.2% of the Company's Subscription Price of HK\$0.15 per Rights Share to the closing price of HK\$0.255 per Share on the Last Trading Day falls within the range and is with a higher discount than the average of Comparables.

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The subscription price of the Comparables ranged from a discount of approximately 6.3% to 61.3%, with an average discount of approximately 22.7% over/to their respective theoretical ex-rights prices based on the closing prices per share on the last trading day. The discount of approximately 26.1% of the Company's Subscription Price of HK\$0.15 per Rights Share to the theoretical ex-rights price of approximately HK\$0.203 per Share on the Last Trading Day falls within the range and is with a higher discount than the average of Comparables.

The theoretical dilution effect of the Comparables ranged from approximately 3.0% to 23.5%, with an average dilution effect of approximately 13.0%. The theoretical dilution effect of the Rights Issue of approximately 20.4% falls within the range and is higher than the average dilution effects of the Comparables. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 7.27B of the Listing Rules.

We note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant shares where all Comparables set their subscription price at discount to their respective closing prices and theoretical ex-rights prices. Having considered that (i) the recent general downward trend of the closing price of the Shares as discussed in the section headed "B. Historical price of the Shares" above; (ii) the trading volume of the Shares during the Review Period was generally thin as discussed in the section headed "C. Historical trading volume of the Shares" above; (iii) the discount of Subscription Price falls within the range of that of the Comparables; and (iv) the discount of Subscription Price could enhance the attractiveness of the Rights Issue for encouraging Qualifying Shareholders to participate in the Rights Issue, we are of the view that the Subscription Price is on normal commercial term and is fair and reasonable so far as the Independent Shareholders are concerned.

Right of excess applications

It is noted from the Letter from the Board that the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based the table above, we note that 7 out of 9 Comparables, did not offer excess application as part of the rights issue. As such, we consider the absence of excess application to be not an uncommon market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. Therefore, we consider that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

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Placing fees and expenses

According to the Letter from the Board, the terms of the Placing Agreement (including the fee and expenses) were determined after arm's length negotiation between the Company and the Placing Agents 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. Each of the Placing Agents is a licensed corporation under the SFO and is independent of and not connected with the Company and its connected person and not a connected person of the Company. As shown in the table above, placing commission charged by placing agents of the Comparables ranged from 0.25% to 3.5%, with an average of approximately 1.6%. Accordingly, we consider that the placing fees and expenses of 1.0% borne by the Company in the Rights Issue is in line with market practice.

Based on the above, we consider that the principal terms of the Rights Issue (including the Subscription Price) and the Placing Agreement and potential dilution of the Rights Issue are fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

4. Financial Impact of the Rights Issue

(a) Net tangible assets

Based on the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 was approximately HK\$204.0 million. Upon completion of the Rights Issue, the Group's unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company will be approximately HK\$256.7 million.

(b) Liquidity

As part of the net proceeds of approximately HK\$9.0 million from the Rights Issue will be used as the general working capital of the Group, the working capital position of the Group would be improved upon completion of the Rights Issue.

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(c) Gearing ratio

The gearing ratio (as measured by total interest-bearing debts divided by net assets) of the Group as at 30 September 2022 was approximately 9.0%. If part of the net proceeds of approximately HK\$44.2 million from the Rights Issue was applied to repay the Group's bonds principal amount and accrued interests, total debt of the Group would be reduced whilst the capital base of the Group would be enlarged accordingly. As such, the Group's gearing ratio would decrease immediately after the Rights Issue.

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

RECOMMENDATION

Having considered the principal factors and reasons discussed above, including (i) the Company is in need of funding for repayment of the Group's bonds principal amount and accrued interests; (ii) the Subscription Price set at a discount would encourage the Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholding interests in the Company; (iii) the dilution effect is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; and (iv) the positive potential financial effects of the Rights Issue on the Group, including the expected improvement in the liquidity position of the Group, we consider that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the SGM.

Yours faithfully,
For and on behalf of
FDB Financial Group Limited
Wallace Cheung
Executive Director

Mr. Wallace Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of FDB Financial Group Limited to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has over 10 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION

The audited financial information of the Company are disclosed in the annual reports of the Company for the years ended 31 March 2020 (page 46 to 131), 2021 (page 51 to 127) and 2022 (page 81 to 175), which are published on 26 August 2020, 26 July 2021 and 13 July 2022 respectively. The unaudited financial information of the Company are disclosed in the interim report of the Company for the six months ended 30 September 2022 (page 4 to 19), which is published on 16 December 2022. The above mentioned financial information is available on the website of the Company at <http://www.chinainvestment.com.hk> and the website of the Stock Exchange at www.hkexnews.hk:

- (a) the annual report of the Company for the year ended 31 March 2020 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0826/2020082600378.pdf>);
- (b) the annual report of the Company for the year ended 31 March 2021 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0726/2021072601136.pdf>);
- (c) the annual report of the Company for the year ended 31 March 2022 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0713/2022071300346.pdf>);
- (d) the interim report of the Company for the six months ended 30 September 2022 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1216/2022121600422.pdf>).

2. STATEMENT OF INDEBTEDNESS**Indebtedness**

As at 30 April 2023, being the latest date for the purpose of liquidity disclosure in this circular, the Group had outstanding indebtedness of approximately HK\$43,585,000, consisting of lease liabilities of approximately HK\$1,315,000, unsecured and unguaranteed bond payables of approximately HK\$20,270,000 and secured and unguaranteed bond payables of approximately HK\$22,000,000 which was pledged its financial assets at fair value through profit or loss.

Save as disclosed above and apart from intra-group liabilities, the Company did not have any other outstanding bank or other borrowings, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, guarantee, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase or other finance lease commitments or other contingent liabilities.

Saved as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Company since 30 April 2023 up to the Latest Practicable Date.

3. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, after taking into account the estimated net proceeds from the Rights Issue, its presently available financial resources, including funds internally generated from operation and the available facilities, the Group will have sufficient working capital for its operation for at least the next twelve (12) months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment company listed under Chapter 21 of the Listing Rules and its purpose is to achieve medium to long-term capital appreciation as well as income from interest and dividend by investing principally in listed and unlisted securities, predominantly focusing in the PRC and Hong Kong market region.

The macroeconomic and geopolitical environment continued to be weakened due to several adverse events, due to the uncertain investment environment, the Group had only some dealing in shares of companies listed in Hong Kong. In respect of investment in unlisted companies, the Group started to explore opportunities of investing in companies in mainland China in various sectors with development potential. As disclosed in the interim report of the Company, the Group has signed quite a number of strategic cooperation letters of intent/memorandums of understanding with companies engaged in different areas of business such as agriculture, technology promotion

and application services, financial services and business services etc. Some potential investment projects only commenced and the Company is still in the course of negotiating with such potential investees regarding the investment plans. Meanwhile, the Company has engaged professional advisory service firms in the PRC to conduct due diligence on those projects.

The Company has started to review the financial positions and studied the relevant information of those relevant potential investees. As mention above, the external environment was uncertain, severe and complex under the impact of the epidemic of the century. Although it was not a principal business of investment, the Company has invested in other financial assets at amortised cost which allow earning stable income of interest and bring favourable return to our Shareholders. The Group has adopted cautious, proactive attitude and strategy in seeking low-risk and reputable for interest earning investment as other financial assets at amortised cost.

Given that China's economic development in 2022 will face triple pressures of demand contraction, supply shocks and weakening expectations. Under the impact of the epidemic of the century, the evolution of the century-old situation has accelerated, and the external environment has become more complex, severe and uncertain. Therefore, it is required that in 2022 and 2023, "focus on stabilizing the macroeconomic market and keep the economy operating within a reasonable range", "all regions and departments should shoulder the responsibility of stabilizing the macro economy, and all parties should actively introduce policies that are conducive to economic stability". The Group has adopted more cautious and proactive attitude in seeking potential business opportunities in the market. In addition, the Group's investment strategy will continue to identify suitable sound investments as well as using selective derivative instruments to optimise its investment portfolio. The Group is aiming at implementing an efficient and compliant internal control, pragmatically deploying its investment strategy, and strengthen its financial situation in order to bring favourable return to our Shareholders.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 29 of Chapter 4 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, may not give a true picture of the unaudited consolidated net tangible assets of the Group had the Rights Issue been completed as at 30 September 2022 or at any future date.

The following statement of unaudited pro forma consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022, as extracted from the interim report of the Group for the six months ended 30 September 2022, and is adjusted as described below:

	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as if the Rights Issue had been completed on 30 September 2022 <i>HK\$'000</i>
Based on the issue of 360,394,859 Rights Shares at the Subscription Price of HK\$0.15 per Rights Share <i>(note 3)</i>	203,990	52,708	256,698
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 September 2022 <i>(note 4)</i>	HK\$0.83		
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue as if the Rights Issue had been completed on 30 September 2022 <i>(note 5)</i>			HK\$0.42

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 are based on the unaudited consolidated net assets of the Group as at 30 September 2022 of approximately HK\$203,990,000 as extracted from the published interim report of the Group for the six months ended 30 September 2022.
2. The estimated net proceeds from the Rights Issue of approximately HK\$52,708,000 are based on estimated gross proceeds to be raised by the issue of 360,394,859 Rights Shares at the subscription price of HK\$0.15 per Rights Share, after deduction of the estimated related expenses incidental to the Rights Issue of approximately HK\$1,351,000.
3. The Rights Issue involves the issue of 360,394,859 Rights Shares on the basis of one Rights Share for every one existing Share held on the Record Date. The number of Rights Shares of 360,394,859 is arrived at assuming no new Shares will be issued after the Latest Practicable Date and up to the Record Date. Since the number of existing Shares at the Latest Practicable Date entitled to the Rights Issue is 360,394,859, accordingly, the number of Rights Shares assumed to be issued under the Rights Issue is assumed to be 360,394,859.
4. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 September 2022 is calculated based on the unaudited consolidated net tangible assets of the Group of approximately HK\$203,990,000 and 246,102,859 Shares in issue as at 30 September 2022 after adjusting for the effect of share consolidation of every ten issued shares into one consolidated share which became effective from 15 February 2023.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after completion of the Rights Issue is calculated based on the unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$256,698,000 and 606,497,718 Shares, which comprise (i) 246,102,859 Shares in issue as at 30 September 2022 after adjusting for the effect of share consolidation; and (ii) 360,394,859 Rights Shares assumed to be issued based on the number of issued shares as of the Latest Practicable Date, but does not take into account of any Shares which may be issued after the Latest Practicable Date upon the exercise of options granted under the Share Option Scheme.
6. Save as disclosed above, no adjustment has been made to the unaudited pro forma financial information of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2022.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group does not take into account the 3,087,647 Shares issuable by the Company at exercise price of HK\$5.00 and 100,000 Shares at exercise price of HK\$0.68 if the outstanding share options for the Shares of the Company are exercised during the period from the Latest Practicable Date to the Record Date (the “**Exercise of the Outstanding Share Options**”).

Assuming the Exercise of the Outstanding Share Options, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue would be HK\$272,677,000 after adjusting for (i) the pro forma increase in the consolidated net tangible assets of the Group attributable to owners of the Company from HK\$203,990,000 to HK\$219,496,000 after adjusting for the pro forma increase in bank balances of approximately HK\$15,506,000 due to Exercise of the Outstanding Share Options; and (ii) the estimated net proceeds of HK\$53,181,000 of the Rights Shares assumed to be issued based on the number of issued Shares on the Latest Practicable Date as adjusted for the Shares assumed to be issued upon the Exercise of the Outstanding Share Options. Consequently, the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company under the Rights Shares to be issued would be HK\$0.45 assuming the Exercise of the Outstanding Share Options and the Rights Issue have been completed on 30 September 2022.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, Fan, Chan & Co. Limited, Certified Public Accountants, Hong Kong

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

To the directors of Chinese Investment Development Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chinese Investment Development Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Company as at 30 September 2022, and related notes as set out on pages 1 to 2 of Appendix II of the Company’s circular dated 16 June 2023 (the “**Circular**”) in connection with the proposed rights issue on the basis of one rights share for every one existing share of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on 1 to 2 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of Rights Issue on the Group’s financial position as at 30 September 2022 as if Rights Issue had taken place at 30 September 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months ended 30 September 2022, on which no auditor’s report or review 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management (HKSQM) 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the 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 event or transaction at 30 September 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 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 accountants' 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Fan, Chan & Co. Limited
Certified Public Accountants
Hong Kong

16 June 2023

(1) RESPONSIBILITY STATEMENT

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

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance of the Rights Shares, the authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue will be, as follows:

(I) As at the Latest Practicable Date

	Number of Shares	Nominal value of ordinary Shares HK\$
Authorised:		
Shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000,000.00</u>
Issued and fully paid:		
Shares of HK\$0.10 each	<u>360,394,859</u>	<u>36,039,485.90</u>

(II) Immediately following the completion of the Rights Issue (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders or all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent)

	Number of Shares	Nominal value of ordinary Shares HK\$
Authorised:		
Shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000,000.00</u>
Issued and fully paid:		
Shares of HK\$0.10 each	360,394,859	36,039,485.90
Rights Shares to be issued pursuant to the Rights Issue of HK\$0.10 each	<u>360,394,859</u>	<u>36,039,485.90</u>
Shares in issue immediately after completion of the Rights Issue	<u>720,789,718</u>	<u>72,078,971.8</u>

(III) Immediately following the completion of the Rights Issue (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders or all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent other than the full exercise of outstanding Share Options)

	Number of Shares	Nominal value of ordinary Shares HK\$
Authorised:		
Shares of HK\$0.10 each	<u>1,000,000,000</u>	<u>100,000,000.00</u>
Issued and fully paid:		
Shares of HK\$0.10 each	363,582,506	36,358,250.60
Rights Shares to be issued pursuant to the Rights Issue of HK\$0.10 each	<u>363,582,506</u>	<u>36,358,250.60</u>
Shares in issue immediately after completion of the Rights Issue	<u>727,165,012</u>	<u>72,716,501.20</u>

All the issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

(b) Share Options

As at the Latest Practicable Date, there are outstanding Share Options for subscription of an aggregate of 3,187,647 Shares under the Share Option Scheme. The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution to, and continuing efforts to promote the interests

of, the Group. The Scheme was adopted on 28 December 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The scheme mandate limit was refreshed by an ordinary resolution passed at the annual general meeting held on 16 September 2021. In determining the basis of eligibility of each participant, the Directors would take into account such factors as the Directors may at its discretion consider appropriate.

Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Category of participants	Date of grant	Number of Share Options outstanding as at the Latest Practicable Date	Exercisable period	Exercise price per share (HK\$)
Non-executive Directors				
Han Zhenghai	2 August 2021	882,185	3 years	5.00
Deng Dongping	2 August 2021	882,185	3 years	5.00
Liu Lihan	2 August 2021	882,185	3 years	5.00
Mo Li	2 August 2021	88,218	3 years	5.00
Shi Zhu	7 January 2022	100,000	3 years	0.68
Other option holders				
Employees	2 August 2021	352,874	3 years	5.00

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) DISCLOSURE OF INTERESTS**Director's and chief executive's interests in the Company**

As at the Latest Practicable Date, the interests and short positions held by the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") which were 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 required to be entered in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director/chief executive	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholding (Note)
Han Zhenghai	Beneficial owner	10,068,000	2.79%
Zhu Zhikun	Beneficial owner	4,890,000	1.36%

Note: The percentage of shareholding is calculated on the basis of the Company's issued share capital of 360,394,859 shares as at 30 April 2023.

Interests in underlying shares in the Company

Name of Director/chief executive	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholding
Han Zhenghai	Beneficial owner (note)	882,185	0.243%
Deng Dongping	Beneficial owner (note)	882,185	0.243%
Liu Lihan	Beneficial owner (note)	882,185	0.243%
Mo Li	Beneficial owner (note)	88,218	0.024%
Shi Zhu	Beneficial owner (note)	100,000	0.028%
		2,834,773	0.781%

Note: These underlying shares represent the shares to be issued and allotted upon the exercise of the options granted by the Company to the directors pursuant to the share option scheme of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders

As at the Latest Practicable Date, the following persons, other than the Director and chief executive of the Company as disclosed in the section titled “Directors’ and Chief Executive’s Interests in shares, underlying shares and debentures”, were interested or had short positions in more than 5% of the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Director/chief executive	Capacity in which interests are held	Number of shares held	Approximate percentage of shareholding <i>(Note)</i>
Lanzhou Wile Home Furnishing Service Co. Limited	Beneficial owner	36,000,000	9.989%
Shuo Kang International Limited	Beneficial owner	29,072,000	8.067%
Yeung Weixu	Beneficial owner	26,611,000	7.384%
Tse Yun Lam Aries	Beneficial owner	25,352,200	7.035%

Note: The percentage of shareholding is calculated on the basis of the Company’s issued share capital of 360,394,859 shares as at 30 April 2023.

Save as disclosed above, as at the Latest Practicable Date, the Company was not notified of any persons, other than the Directors and the chief executive of the Company, having any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

(4) DIRECTORS' INTEREST IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 March 2022 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

(5) DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which will not expire or be determinable by the Group within one year without payment of compensation, other than statutory compensation.

(6) COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or had any other conflict which any person has or may have with the Group.

(7) MATERIAL LITIGATION

On 13 June 2022, the Board announced that the Company has received a writ of summons (the “**Writ of Summons**”) issued by two shareholders against the Company and all the Directors with an endorsement of claims claiming all the Directors for damages arising from their doings. But the Writ of Summons did not provide any facts or grounds. The Company has been seeking legal advice in respect of the Writ of Summons and will adopt all effect measures to safeguard the interests of the Shareholders and investors. On 2 June 2023, the Board announced pursuant to a consent order signed by the plaintiffs and the Company, it is ordered that, among others, all further proceedings in the action under the Writ of Summons between the plaintiffs and the Company be stayed and the plaintiffs shall be at liberty to restore the action after 14 July 2023 by giving not less than one-month prior written notice to the Company. Save as disclosed above, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

(8) MATERIAL CONTRACTS

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of the Announcement and up to the Latest Practicable Date and are or may be material:

- (i) the Placing Agreement;
- (ii) the placing agreement dated 15 September 2022 made between the Company and Cheong Lee Securities Limited relating to the placing of 492,200,000 new shares at HK\$0.077 per share under general mandate;
- (iii) the sale and purchase agreement dated 8 April 2022 made between the Company and Zheng Hongping relating to the acquisition of 30% equity interest in Lanzhou Wile Home Furnishing Service Co. Ltd. at the consideration of HK\$36 million;
- (iv) the sale and purchase agreement dated 6 April 2022 made between the Company and Tider Holdings Limited relating to the acquisition of 7% equity interest in Jiajiafu Modern Agriculture (HK) Limited at the consideration of HK\$40 million;
- (v) the placing agreement dated 18 October 2021 made between the Company and Cheong Lee Securities Limited, Silverbricks Securities Company Limited, Sincere Securities Company Limited and Soochow Securities International Brokerage Limited relating to the placing of 380,900,000 new shares at HK\$0.15 per share under general mandate.

(9) EXPERTS AND CONSENTS

The following are the qualification of the experts who have been named in this circular or have given opinions, letters or advices contained in this circular:

Name	Qualification
Fan, Chan & Co., Limited	Certified Public Accountant
FDB Financial Group 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

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

As at the Latest Practicable Date, the above experts had no interest, direct or indirect, in the promotion of, or in any assets which since 31 March 2022, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, the above experts had given and had not withdrawn their written consent to the issue of this circular, with the inclusion of the references to their name and/or their opinion or report in the form and context in which they are included.

(10) CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Executive Directors

Mr. Chan Cheong Yee
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Mr. Chan Yiu Pun Clement
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Non-executive Directors

Mr. Han Zhenghai
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Mr. Deng Dongping
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Mr. Liu Lihan
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Mr. Zhu Zhikun
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Mr. Lyu Ping
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Ms. Mo Xiuping
Suites 6303, 63/F, Central Plaza,
18 Harbour Road, Wanchai,
Hong Kong

Independent non-executive Directors	Ms. Mo Li Suites 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Mr. Shi Zhu Suites 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Ms. Chen Shunqing Suites 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Authorised representatives	Mr. Han Zhenghai Suites 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Ms. Chen Shunqing Suites 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Joint Company Secretaries	Mr. Wong Shiu Wah Williamson Ms. Ho Wing Yan
Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	Suite 6303, 63/F, Central Plaza 18 Harbour Road Wanchai Hong Kong

Principal share registrar and transfer office in Bermuda	MUFG Fund Services (Bermuda) Limited 4th floor North Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301–04, 33/F. Two Chinachem Exchange Square 338 King’s Road North Point Hong Kong
Principal banker	Dah Sing Bank, Limited Shop No. G7, G7A & G8, 248 Queen’s Road East, Wan Chai, Hong Kong;
Investment manager	Evergrande Securities (HK) Limited Room 2004–2006, 20/F China Evergrande Centre No. 38 Gloucester Road Wan Chai Hong Kong
Independent reporting accountant	Fan, Chan & Co., Limited Certified Public Accountant Rooms 1007–1012 10/F. K. Wah Centre 191 Java Road North Point Hong Kong
Stock code	204
Company’s website	http://www.chinainvestment.com.hk

Placing Agents to the Company	Cheong Lee Securities Limited Unit B, 15/F. Bank of East Asia Harbour View Center 56 Gloucester Road, Wanchai Hong Kong
	Silverbricks Securities Company Limited Units 1004–1006 10/F. Shun Tak Centre China Merchants Tower 168–200 Connaught Road Central Sheung Wan Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	FDB Financial Group Limited Unit 6 19/F. Strand 50 50 Bonham Strand Sheung Wan Hong Kong
Legal advisers to the Company as to Hong Kong laws	TANG TSO & LAU Solicitors Room 209, 2/F, China Insurance Group Building, 141 Des Voeux Road Central Hong Kong

(11) PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Mr. Chan Cheong Yee (“**Mr. Chan**”), aged 59, has been appointed as an executive Director since 29 May 2012. He is also the chairman of the Risk Management Committee. Mr. Chan holds a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States of America. Mr. Chan is currently a licensed person to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Chan was appointed as executive Director of China Innovation Investment Limited (Stock Code: 1217) (“**CII**”) in June 2003, China Investment and Finance Group Limited (Stock Code: 1226) (“**CIFG**”) in March 2011, Capital VC Limited (Stock Code: 2324) (“**CVC**”) in November 2012, China New Economy Fund Limited (Stock Code: 80) (“**CNEF**”) in June 2013, National Investments Fund Limited (Stock Code: 1227) (“**NIF**”) in March 2019, Core Economy Investment Group Limited (Stock Code: 339) (“**EIG**”) from 18 January 2021 to 15 June 2021 and Goldstone Investment Group Limited (Stock Code: 901) (“**GIG**”) in November 2021. CII, CIFG, CVC, CNEF, NIF, EIG and GIG are all investment companies listed on the Stock Exchange. Mr. Chan was an executive Director of China Trends Holding Limited (“**CTH**”) in February 2016 and reappointed as a non-executive Director in December 2020. CTH once was a company listed on the Stock Exchange GEM board (the Stock Code before delisting: 8171).

Mr. Chan Yiu Pun Clement (“**Mr. Clement Chan**”), aged 65, has been appointed as an executive Director of the Company since 6 April 2022. Mr. Chan is a member of The Institute of Financial Planners of Hong Kong Limited and a Certified Financial Planner in Hong Kong. Mr. Chan obtained a higher diploma in accountancy from the Hong Kong Polytechnic (now known as the Polytechnic University of Hong Kong) in November 1980 and a Master of Science in corporate governance & directorship from the Hong Kong Baptist University in November 2008.

Mr. Clement Chan was an executive director of Goldstone Investment Group Limited (formerly known as Eagle Ride Investment Holdings Limited, Stock Code: 901), a company listed on the Stock Exchange from November 2013 to October 2020. Mr. Chan had over 27 years of experience in the financial industry, including professional management of investments on behalf of third-party investors and experiences as responsible officers for type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO for a number of corporations.

Non-executive Directors

Mr. Han Zhenghai (“**Mr. Han**”), aged 45, has been appointed as a non-executive Director since 20 January 2021 and additionally as the Chairman of the Board since 11 March 2021. He is also the chairman of the Nomination Committee and member of the Remuneration Committee. Mr. Han has extensive experience in investment and management business. He has been serving as a manager of Beijing Zhongmin Zhenxing Construction Technology Co., Ltd.* (北京中民振興建設科技有限公司) and president of Beijing China Zhiyuan Technology Co., Ltd.* (北京中資致遠科技有限公司) since June 2020 and May 2017, respectively.

In addition, he also served as vice president and chief executive officer of Beijing Ruihai Zongheng Marketing Consultant Co., Ltd.* (北京睿海縱橫營銷顧問有限責任公司) from July 2007 to May 2017, and was appointed as an expert of the National Policy Think Tank Expert Committee of China Industrial Cooperation Association* (中國工業合作協會國策智庫專家委員會) in May 2018. From November 2020 to February 2021, he was appointed as an executive Director of Ling Rui Holdings Limited (Stock Code: 784), a company listed on the Main Board of the Stock Exchange. He was also appointed as an executive Director of Golden Faith Group Holdings Limited (Stock Code: 2863), a company listed on the Main Board of the Stock Exchange from April 2021 to January 2022.

Mr. Deng Dongping (“**Mr. Deng**”), aged 49, has been appointed as independent non-executive Director on 13 November 2020 and re-designated to non-executive Director on 12 July 2021. Mr. Deng graduated from Tianjin Normal University majoring in business administration. After over 10 years’ military service in the PRC, Mr. Deng has held senior positions in the cultural industry in mainland China. He is now the deputy director of the Chinese Volunteer Emergency Rescue Volunteer Committee.

Mr. Liu Lihan (“**Mr. Liu**”), aged 65, has been appointed as independent non-executive Director on 11 March 2021 and re-designated to non-executive Director on 12 July 2021. Mr. Liu holds a Master degree in Economics from Nankai University. Mr. Liu has held senior positions in various banks and financial institutions in China before and is currently the president of an investment management company. Mr. Liu has a wealth of experience in financial and investment sectors. From September 2015 to February 2016, Mr. Liu was an executive director of Co-Prosperty Holdings Limited (now known as Asia Television Holdings Limited) (Stock Code: 707), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Zhu Zhikun (“**Mr. Zhu**”) Mr. Zhu, aged 24, has been appointed as a non-executive Director of the Company since 6 August 2021. Mr. Zhu has a wealth of experience in multi-dimensional investments and, in particular, mineral resources development and logistics information. Mr. Zhu is the founder of 湛江市江京投資有限公司 (unofficially translated as Zhanjiang City Jiangjing Investment Company Limited), as well as a shareholder of 千谷礦業有限公司 (unofficially translated as Qiangu Minerals Company Limited) and participating in its operations.

Mr. Lyu Ping (“**Mr. Lyu**”), aged 67, graduated from Jilin University with a master’s degree in Law. Mr. Lyu holds a lawyer’s practice certificate and has served as a long-term legal advisor and capital advisor to several large state-owned enterprises and joint-stock companies. He is a member of the Advisory Committee of the State-owned Assets

Supervision & Administration Commission of the People’s Government of Jilin Province and has directly participated in major projects such as shareholding reform of Chinese joint-stock entities and merger & acquisition restructuring of state-owned enterprises in China.

Mr. Lyu has served as the chairman of the “Filial Piety and Virtue Specialized Cultural Fund Committee” of the “China Nationality Culture Foundation”, the deputy group leader of the “Rural Revitalization Industry Alliance” of the “Rural Revitalization Bureau”, the first vice chairman of the “World Chinese Association”, Legal Advisor of the “Credit League of Small and Medium-sized Enterprises in China”, Strategic Advisor of the “Chinese Traditional Culture Promotion Council”, Member of the “Academic Committee” of “Chinese Academy of Management Science”, and Vice President of the Innovation Institute, the Vice President of the Institute of Innovation, a visiting professor of the College of Business, and the Director of the Equity Investment Research Center.

From 1993 to 1998, Mr. Lyu served as the chairman of Hainan SF International Futures Brokerage Co. From 2001 to 2015, he was the managing partner of Jilin Jiahe Law Firm. Since 2015, he has been the chairman of Shenzhen Qianhai Guo Ping Capital Management Co.

Ms. Mo Xiuping (“**Ms. Mo**”), aged 55, has been appointed as an independent non-executive Director of the Company since 23 September 2022 and re-designated as non-executive Director of the Company since 19 April 2023. Ms. Mo is graduated from Nanjing Tech University, majoring in management science and business administration, and is currently studying for a master’s degree in international finance. Ms. Mo holds China Intermediate Accountant Certificate. Ms. Mo has won honors such as “National Ten Thousand Talents Program”, “Leading Talents in Scientific and Technological Innovation”, and “Young and Middle-aged Experts with Outstanding Contributions in Jiangsu Province”. Since December 2016, she has served as the chief financial officer, independent director and member of the board of directors of China area of JS Beauty Land Network Technology Inc, a US listed company. Since September 2018, she has concurrently served as the chief financial officer of Jiangsu Meiyunmei Technology Co., Ltd. Since November 2019, she has concurrently served as the chief financial officer of Yancheng Dafengzesheng Technology Co., Ltd.

Independent non-executive Directors

Ms. Mo Li (“**Ms. Mo Li**”) Ms. Mo Li, aged 48, has been appointed as an independent non-executive Director since 17 June 2021. Ms. Mo Li is the chairman of the Audit Committee, a member the Nomination Committee, the Remuneration Committee and the Risk Management Committee. Ms. Mo Li obtained a bachelor’s degree from Hunan University,

majoring in accounting. Ms. Mo Li has rich experience in financial and management business. Ms. Mo Li has been serving as a sales representative in United health in the United States since April 2022. From August 2019 to October 2021, Ms. Mo Li served as a sales representative in Humana in the United States. From January 2010 to March 2012 and from August 2014 to May 2019, Ms. Mo Li served as a director of Shen Zhen Shi ECO Building Facade Consultant Limited. She was also a vice manager of personal business department of Ping An Bank Fuhong Branch from April 2012 to August 2014.

Mr. Shi Zhu (“Mr. Shi”) Mr. Shi, aged 55, has been appointed as an independent non-executive Director of the Company since 2 August 2021. Mr. Shi is a member of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Risk Management Committee of the Company. Mr. Shi obtained his first degree in Bachelor of Arts, majoring in English, from the Anhui Fuyang Teacher’s University in the PRC in July 1989 and his second degree in Bachelor of law, majoring in Journalism, from the Communication University of China in July 1993. Mr. Shi worked at the Ministry of Commerce of the PRC for over 15 years. From November 1993 to May 2000, Mr. Shi served various positions including front-page editor as well as deputy chief editor and chief editor of the English version of International Business Monthly under International Business Daily, a publishing entity under the Ministry of Commerce of the PRC. Mr. Shi was appointed by the Ministry of Commerce of the PRC to work at the Embassy of the PRC in New Zealand where he acted as the Commercial Consul and was in charge of economic and commercial affairs from June 2000 to December 2000 and Mr. Shi subsequently returned to International Business Daily and served various positions including chief editor of Important News, director of general office, chief editor of China ASEAN Business Week, chief editor of Features from January 2001 to February 2008. After that, Mr. Shi migrated to Hong Kong under the Quality Migrant Admission Scheme in February 2008. Mr. Shi was the director of BOCHK Wealth Achieve Fund Series SPC, a serial investment fund company wholly owned by BOCHK Asset Management Limited from May 2017 to January 2020. Mr. Shi was also the director and Chairman of Shenzhen Sanhong Asset Management Limited, a private equity company incorporated in the PRC which principally engaged in equity investment and supply chain finance in the PRC and South East Asia, from September 2015 to October 2020. In addition, Mr. Shi is a director of Joyful Capital Limited, a company incorporated in Hong Kong which principally engaged in investment and investment consultancy in Hong Kong and the PRC, since May 2008. Besides, Mr. Shi is an independent non-executive director of Hua Lien International (Holding) Company Limited (Stock Code: 969), a company listed on the main board of the Stock Exchange since December 2017.

Ms. Chen Shunqing (“Ms. Chen”), aged 55, has been appointed as an independent non-executive Director of the Company since 27 July 2022. Ms. Chen holds the qualification certificates of China junior accountant certificate and chief accountant officer certificate. Ms.

Chen has focused on finance management and so on fields in the past 28 years, has rich practical experience in finance, and could provide effective and unique analysis and advice on financial matters involved.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Ms. Mo Li, Mr. Shi Zhu and Ms. Chen Shunqing. Ms. Chen Shunqing is the chairman of the Audit Committee. The duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Company’s financial statements, the annual report and accounts the half-year report and significant financial reporting judgments contained therein; and (c) reviewing the financial controls, internal control and risk management systems.

Joint Company Secretaries

Mr. Wong Shiu Wah Williamson (“**Mr. Wong**”) has been appointed as the joint company secretary with effect from 17 November 2022. Mr. Wong holds a Master degree in Business Administration from the Chinese University of Hong Kong and a Master of Science degree in Information Systems from the Hong Kong Polytechnic University. He is a fellow member of the Chartered Association of Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 30 years of professional experience in accounting, auditing, financial management and company secretarial affairs.

Ms. Ho Wing Yan (“**Ms. Ho**”) has been appointed as the joint company secretary since 6 August 2021. Ms. Ho has more than 10 years of experience in serving as company secretary of companies listed on the Stock Exchange. She is an associate member of The Hong Kong Chartered Governance Institute (“**HKCGI**”) (formerly known as The Hong Kong Institute of Chartered Secretaries) and an associate member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). She is also a holder of the Practitioner’s Endorsement issued by HKCGI.

(12) INVESTMENT OBJECTIVE, POLICIES AND RESTRICTIONS**Investment objective and policies**

The Company is an investment company incorporated in the Cayman Islands and continued in Bermuda with the primary objective of achieving medium- to long-term capital appreciation as well as income from interests and dividends by investing principally in listed and unlisted companies in Greater China and the Asia-Pacific Region. In particular, the Company intends to invest in unlisted companies with listing potential on the Stock Exchange as well as other stock exchanges.

The Company has adopted the following investment policies:

- Investment will normally be made in the form of equity or equity-related securities and debt instruments in listed and unlisted companies engaged in industries including (but not limited to) the information technology, telecommunications, manufacturing, service, property, infrastructure, life and environmental sectors to maintain a balance in the Company's exposure to different industry sectors in order to minimize the impact on the Company of any downturn in any particular sector;
- The Company will seek to identify entities established in, or with their operations principally located within, Greater China or the Asia-Pacific Region, with a record of profits growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long term growth. However, the Company will be flexible in considering investments in companies or other entities which are considered by the Board and the Investment Manager as being special or in recovery situations and which may provide attractive returns;
- Where possible, the Board and the Investment Manager will seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be of mutual benefit to each other; and
- The Company's investments are primarily intended to be held for medium- to long-term capital appreciation and for income from interest and dividends. There is no present intention to realize any of such investments in any specific period or by any specific date. The Directors will from time to time realize investments where they believe the realization would be in the best interests of the Company.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as far as practicable, due to market and other investment considerations it may take some time before the funds of the Company are fully invested. Cash pending investment, reinvestment or distribution will be placed in bank deposits in any currency, bonds or treasury securities issued by the government of the United States or the government of Hong Kong, or their respective agencies, or securities, and other instruments denominated in any currency issued by various governments or international government agencies.

In order to hedge against interest rate risks, the Company may enter into forward interest rate agreements, interest rates and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates. The Company will only engage in transactions in options and futures which are traded on recognized securities or futures exchanges and for hedging purposes only. The Company has no intention to purchase or write (sell) derivatives with an open position.

The Company's investment objectives and policies will remain in force for a minimum period of three years from the date of this Circular unless otherwise decided by the Shareholders by ordinary resolution in general meeting. The Board has no present intention to propose a change to the investment objectives and policies.

Given that there are no requirements under the Listing Rules that any alterations to the investment objectives and policies of an investment company under Chapter 21 of the Listing Rules require shareholders' approval after a period of 3 years from the date of listing, the investment objectives and policies of the Company as stated above may be altered without shareholders' approval and the Company has to comply with the bye-laws of the Company (the "**Bye-laws**") and Chapter 21 of the Listing Rules at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

Investment Restrictions

Under the Articles and Chapter 21 of the Listing Rules relating to the listing of investment companies, certain restrictions on investments are imposed on the Company. In order to meet such restrictions, the Board has resolved that the Company may not:

1. either itself or through its wholly-owned subsidiaries or in conjunction with any connected person take legal, or effective, management control of underlying investments and in no event, will the Company itself or through its wholly-owned

subsidiaries own or control more than 30%, (or such lower percentage as may from time to time be specified in the Takeover Code as being the level for triggering a mandatory general offer) of the voting rights in any company or body;

2. invest in any company or entity if such investment will result in more than 20 per cent. of the net asset value of the Company being invested in such company or entity as at the date the investment is made;
3. buy or sell commodities, commodity contracts or precious metals, except that it may purchase and sell futures contracts on stock indices and securities which are secured by commodities or precious metals; or
4. enter into forward interest rate agreements, interest rates and bond futures contracts and interest rate swaps or purchase or write (sell) put or call options on interest rates and put or call options on futures on interest rates. The Company will only engage in transactions in options and futures which are traded on a recognised securities or futures exchange and for the purpose of hedging only.

The Company has to comply with investment restrictions 1 and 2 above at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

As at the Latest Practicable Date, the Board has no present intention to propose a change to any of the above-mentioned investment restrictions.

(13) INVESTMENT PORTFOLIO

The follows are the details of all investments of the Group as at 30 September 2022.

Save for the investments disclosed herein, there are no other listed investments and all other investments with a value of more than 5% of the Company's gross assets as at 30 September 2022.

1. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2022
	<i>HK\$'000</i>
	(unaudited)
Unlisted equity securities in PRC, at cost	16,390
Fair value adjustment	<u>(16,338)</u>
	<u><u>52</u></u>

Particulars of investments in unlisted equity securities held by the Group disclosed pursuant to Chapter 21 of the Listing Rules are as follows:

Name of investee company	Notes	Place of incorporation	Percentage of effective interest held as at 30 September 2022	Fair value as at 30 September 2022	Percentage of net assets of the Group as at 30 September 2022	Dividend received/receivable for the six months ended 30 September 2022
			(<i>unaudited</i>)	HK\$'000 (<i>unaudited</i>)	(<i>unaudited</i>)	HK\$'000 (<i>unaudited</i>)
Tianjin Bao Xin Ying Precious Metal Management Limited (“ Bao Xin ”)	(a)	PRC	12%	17	0.01%	—
Guang Zhou Da Jian Company Management Consultation Limited (“ Da Jian ”)	(b)	PRC	11.59%	35	0.02%	—
				<u>52</u>		

Notes:

- (a) Bao Xin is principally engaged in the trading of precious metals and gold products and investment advisory in Tianjin, the PRC. The initial cost of investment is HK\$6,590,000. As at 30 September 2022, the investment in Bao Xin was measured at fair value of approximately HK\$17,000.
- (b) Da Jian is principally engaged in providing credit guarantee service in the PRC. The initial cost of investment is HK\$9,800,000. As at 30 September 2022, the investment in Da Jian was measured at fair value of approximately HK\$35,000.

2. OTHER FINANCIAL ASSETS AT AMORTISED COST

At 30 September 2022, the other financial assets at amortised cost comprised of promissory notes held by the Group, amounted to approximately HK\$61,682,000 are unsecured, interest bearing, transferrable, non trading related in nature and issued by private entities.

	30 September 2022
	<i>HK\$'000</i>
	(unaudited)
At amortised cost	61,751
Less: ECL allowance	(69)
	<u>61,682</u>
	<u><u>61,682</u></u>

Ageing analysis

As of the end of the Period, the ageing analysis of promissory notes, net of allowance for credit losses, based on the maturity date is as follows:

	30 September 2022
	<i>HK\$'000</i>
	(unaudited)
Within 1 year	61,682
1 to 2 years	—
	<u>61,682</u>
	<u><u>61,682</u></u>

Particulars of promissory notes classified as at other financial assets at amortised cost held by the Group as at 30 September 2022 disclosed pursuant to Chapter 21 of the Listing Rules are as follows:

Name of issuer	Place of incorporation/ operation	Cost		Amortised cost (Net of ECL)		Interest rate	% of net assets of the Group	Percentage effective interest held 30 September 2022
		HK\$'000	Interest HK\$'000	HK\$'000	HK\$'000			
1. Guangdong Juhong Technology Industrial Park Co., Ltd.* (note i) 廣東聚鴻科技產業園有限公司	PRC	38,038	1,580	39,618		12%	19.42	N/A
2. Guangdong Yijushang Information Technology Co., Ltd.* (note ii) 廣東易聚上信息科技有限公司	PRC	10,942	90	11,032		12%	5.41	N/A
3. Jiarun China Investment (Guangzhou) Industrial Investment Co., Ltd* (note iii) 嘉潤中投（廣州）實業投資有限公司	PRC	10,335	766	11,032		12%–15%	5.41	N/A

* for identification purpose only

Notes:

Business of issuers and terms of promissory notes:

- (i) Commodity information consulting services, advertising industry, hotel management, catering management, large-scale event organization planning services, corporate image planning services, conference and exhibition services.

The promissory note is unsecured, interest bearing at 12% per annum, and repayable with maturity term of within 1 year.

- (ii) Data processing services, data processing and storage support services, big data services, network technology services, network and information security software development.

The promissory note is unsecured, interest bearing at 12% per annum, and repayable with maturity term of within 1 year.

- (iii) Sales of synthetic materials, supply chain management services, sales of building waterproofing membrane products, sales of gold and silver products, procurement agency services, sales of construction machinery, information technology consulting services, graphic design and production, sales of metal materials, sales of lamps and lanterns, technical services, technology development, technology consultation, technology exchange, technology transfer, technology

promotion, sales of rare earth functional materials, sales of household appliances, wholesale of clothing and apparel, wholesale of kitchen utensils and daily necessities, landscaping engineering construction.

The promissory notes are unsecured, interest bearing at 12%-15% per annum, and repayable with maturity term of within 1 year.

3. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2022 HK\$'000 (unaudited)
Hong Kong listed equity securities, at market value (<i>Note a</i>)	17,598
Investments in convertible bonds, at fair value (<i>Note b</i>)	12,603
	30,201

Notes:

- (a) Particulars of the major investment of listed equity security held by the Group as at 30 September 2022 is as follows:

Name	Number of shares held	Percentage of interest held	Cost HK\$'000	Market value HK\$'000	Dividend received/receivable during the Period HK\$'000	% of net assets of the Group
International Genius Company (stock code: 033.HK)	9,564,000 ordinary shares	1.78%	13,781	17,598	—	8.63

International Genius Company and its subsidiaries are principally engaged in trading of party products, provision of securities brokerage and assets management services, provision of advisory services, provision of advancing services, and trading of commodities. As at 30 June 2022, its net asset value attributable to equity holders was approximately HK\$188.3 million.

- (b) On 22 December 2014, the Company invested in the 3% unsecured convertible bonds issued by Guanwan Investments Limited (“**Guanwan**”) with principal amount of HK\$20,000,000, bearing coupon interest rate of 3% per annum. Guanwan is an investment holding company which indirectly holds 100% of the issued shares of its subsidiary, 深圳金特嬌服装有限公司 (“**金特嬌**”). 金特嬌 is established in the PRC and principally engaged in designing, manufacturing and retail of women’s dress in PRC. The convertible bonds held by the Group were originally due on 22 December 2017 and convertible into 24 fully paid ordinary shares of Guanwan with a par value of USD1.00 each, which represented 19.35% of the enlarged issued shares of Guanwan as at 22 December 2014, at a conversion

price of HK\$833,333 per conversion share. The Company could exercise the conversion option at any time until the maturity date. On 23 December 2017, the maturity date of the convertible bonds were renewed and extended to 22 December 2020.

On 22 December 2020, the maturity date of the convertible bonds was further renewed and extended to 22 December 2023. All of the other terms of the convertible bonds remained unchanged for the above renewals.

As at 30 September 2022, the investments in convertible bonds was measured at fair value of approximately HK\$12,603,000.

Percentage of interest held is N/A. The percentage of net assets of the Group is 6.18.

For the six months ended 30 September 2022, no interest was recognised.

(14) DISTRIBUTION POLICY

Interest, dividends and other income of the Company are used first to meet expenses. The Board and the investment manager will then assesses as to whether it is reasonable to make provisions for futures expenses and/or any possible diminution in value of investments, and considers the amount of cash which should be retained by the Company for futures investments. It is the Board's intention to distribute any excess balance by way of dividend to the extent permitted by law, the Memorandum and the Bye-laws. Dividends will only be paid to the extent that they are covered by net income received from underlying investments. Distributions will normally be made annually after the annual accounts of the Company are approved by the Shareholders by such interim distributions may be made from time to time to Shareholders as appeared to the Board to be justified by the financial strength and cash-flow position of the Company. Distributions will be made in Hong Kong dollars.

(15) FOREIGN EXCHANGE POLICY

The Group has a number of investment projects in the PRC and may be subjected to a certain degree of investment return risk. The Group currently do not have foreign currency hedging policy but monitor the market trends of exchange rates closely, and adopt appropriate measures when necessary.

(16) TAXATION

The taxation of income and capital gains of the Company are subject to the fiscal law and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of Shares under the laws of the jurisdiction in which they are liable to taxation.

(17) BORROWING POWERS

Subject to the provisions of the Bye-laws and the approval of the Board, the Company may from time to time borrow for the purpose of providing liquidity or taking advantage of investment opportunities of the Company. The Company may exercise its borrowing power to borrow up to an aggregate principal amount representing not more than 50% of the latest available net asset value at the time the borrowing is made. The Company's assets may be charged or pledged as security for borrowing.

(18) INFORMATION OF THE INVESTMENT MANAGER

- (a) Set out below is the information of the investment manager of the Company:

Evergrande Securities (Hong Kong) Limited
Room 2004–2006, 20/F
China Evergrande Centre
No.38 Gloucester Road
Wan Chai
Hong Kong

The Investment Manager is a company incorporated in Hong Kong with limited liability and a licensed corporation under the SFO authorised to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management).

- (b) The full names, addresses and descriptions of the directors of the Investment Manager is as follows:

Name	Address
Ms. Zhou Linghui	Room 2004–2006, 20/F China Evergrande Centre No.38 Gloucester Road Wan Chai Hong Kong
Mr. Wu Kiu Sing	Room 2004–2006, 20/F China Evergrande Centre No. 38 Gloucester Road Wan Chai Hong Kong

The biographies of the directors of the Investment Manager are as follows:

Ms. Zhou Linghui (“Ms. Zhou”)

Ms. Zhou has more than ten years of experience in the financial industry. Before joining Evergrande Securities (Hong Kong) Limited, she was the Vice President of Guangzhou Financing Guarantee Center Co., Ltd.* (廣州市融資擔保中心有限責任公司), the assistant to the President of CITIC Securities South China Company Limited* (中信證券華南股份有限公司) (formerly named Guangzhou Securities Co., Ltd.* (廣州證券股份有限公司)). She is currently a responsible officer of Evergrande Securities (Hong Kong) Limited, mainly responsible for the investment and mergers and acquisition projects in relation to financial licences, and has extensive experience in financial businesses and operations in the primary and secondary markets.

Mr. Wu Kiu Sing (“Mr. Wu”)

Mr. Wu has over ten years of experience in the investment banking industry. Prior to joining Evergrande Securities (Hong Kong) Limited, he was an executive director and the head of global capital markets department of China Everbright Securities (HK) Limited and Sinolink Securities (Hong Kong) Company Limited, responsible for equity and debt financing. He had been involved in the initial public offering of various companies on the Main Board of the Stock Exchange, including China Everbright Bank Company Limited (stock code: 6818), Everbright Securities Company Limited (stock code: 6178), IGG Inc (stock code: 799), China Aircraft Leasing Group Holdings Limited (stock code: 1848), Beijing Chunlizhengda Medical Instrument Co., Ltd. (stock code: 1858), MECOM Power and Construction Limited (stock code: 1183). Mr. Wu also participated in numerous overseas US dollar denominated bond financing transactions.

None of the Directors, the directors of the Investment Manager, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the Company, or any re-allowance of other types on purchases charged to the Company.

On 1 December 2021, the Company has entered into the agreement (the “**Investment Management Agreement**”) with the Investment Manager, pursuant to which the Investment Manager has agreed to provide non-discretionary investment management services to the Company for a period of three years from 1 December 2021 to 30 November 2024 and the appointment will be automatically renewed for another successive period of 3 years upon every expiry, unless terminated at any time by either the Company or the Investment Manager by serving not less than one month’s prior notice in writing on the other party. The Investment Manager is entitled to a

* For identification purpose only

monthly management fee of HK\$40,000 and payable monthly in advance. The Investment Manager will provide nondiscretionary investment management services to the Company under the Investment Management Agreement including: (i) identify, review and evaluate investment and disinvestments opportunities for the Company and negotiate the best terms of such investment and disinvestment for the Company; (ii) advise the Board on the merits of investment opportunities or information relevant to the making of judgments about the merits of investment opportunities and to render investment advice to the Board based upon such information as may reasonably be available to it and, in particular, assist the Board in structuring acquisitions and disposals; (iii) provide the Board with such information as may reasonably be available to it on opportunities to acquire or to dispose of investments of which the Investment Manager becomes aware and which in the opinion of the Investment Manager are or may be suitable for the Company; (iv) execute all lawful investment and disinvestments decisions of the Company with due care, skill and diligence in accordance with the instructions of the Board and the terms of the Investment Management Agreement; (v) monitor and keep under review the performance and status of the assets (including but not limited to cash and securities) of the Company from time to time, based on information as may reasonably be available to it, and to provide the Board with any assistance in relation to the Company's investment as it may require; (vi) calculate the net asset value of the Company in accordance with the By-laws and with any valuation method adopted by the Board as at each last dealing day on the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the Board for the purpose of calculating the net asset value of the Company and provide the calculation on request to the Board and the Shareholders; (vii) assess whether it is reasonable to make provision for future expenses and/or any possible diminution in value of investment out of the net amount derived from interest, dividends and other income received by the Company after meeting expenses, and consider the amount of cash required for future investment of the Company; (viii) provide the Board, the auditors of the Company, the company secretary of the Company or such other person as authorised by the Board, from time to time with such information as may be in the possession or control of the Investment Manager as may reasonably be required for the keeping of such accounts, books, records and statements as may be required by applicable law and regulations (including without limitation the Listing Rules) for the proper conduct of the affairs of the Company; and (ix) act in accordance with all reasonable instructions given and authorities delegated to it from time to time by the Board and to keep the Board fully informed as to the discharge of its powers and duties hereunder.

(19) CUSTODIANS

Since all the available-for-sale assets held by the Company are listed and unlisted securities, the Company did not appoint any custodian bank to provide custodian services.

(20) RISK FACTORS OF INVESTING IN THE COMPANY

The Company is an investment company and its funds will be invested in listed and unlisted companies mainly in Hong Kong and PRC. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company's income and its net asset value are liable to be adversely affected by external factors beyond the control of the Company. As a result, income of the Company and its net asset value may therefore go down as well as go up, subject to the prevailing market conditions.

(21) EXPENSES

The expenses in connection with the Rights Issue and the Placing Arrangement, including professional fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.3 million in maximum, and are payable by the Company.

(22) MISCELLANEOUS

- (i) The joint company secretaries of the Company are Mr. Wong Shiu Wah Williamson and Ms. Ho Wing Yan.
- (ii) 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.
- (iii) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (iv) As at the Latest Practicable Date, save as disclosed elsewhere in this circular, there was no material contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group's business.
- (v) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

(23) DOCUMENTS ON DISPLAY

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

- (i) the letter issued by the independent reporting accountant regarding the unaudited pro forma financial information of the Company as set out in appendix II of this circular;
- (ii) the written consents referred to in the paragraph headed “9. Experts and Consents” in this appendix; and
- (iii) the material contracts referred to in the paragraph headed “8. Material contracts” in this appendix.

NOTICE OF SGM



CHINA INVESTMENT DEVELOPMENT LIMITED

中國投資開發有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 204)

NOTICE IS HEREBY GIVEN that an Special General Meeting of the shareholders of China Investment Development Limited (the “**Company**”) will be held at Suite 6303, 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Monday, 3 July 2023 at 11:00 a.m. to consider and, if thought fit, to pass with or without amendments the following ordinary resolution (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 16 June 2023 (the “**Circular**”)):

ORDINARY RESOLUTION

1. “**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant and not having revoked the listing of and permission to deal in the Rights Shares (as defined below):
 - (a) the issue by way of rights (the “**Rights Issue**”) of no more than 363,582,506 new Shares of HK\$0.10 each (“**Rights Shares**” and each a “**Rights Share**”) at the subscription price of HK\$0.15 per Rights Share on the basis of every one (1) Rights Share for every one (1) existing Share of the Company held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on 13 July 2023 (or such other date as may be determined by the directors of the Company (the “**Directors**”)) (the “**Record Date**”) other than those shareholders (the “**Excluded Shareholders**”) of the Company whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the Circular (a copy of which

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marked “A” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

- (b) the placing agreement dated 25 May 2023 entered into between the Company and Cheong Lee Securities Limited and Silverbricks Securities Company Limited (“**Placing Agreement**”) in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (c) the board of Directors (the “**Board**”) or a committee thereof be and is/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 Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (d) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

By order of the Board

China Investment Development Limited

Han Zhenghai

Chairman

Hong Kong, 16 June 2023

Notes:

- (i) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a shareholder of the Company.

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- (ii) For the purpose of determining the entitlement of any shareholder of the Company to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 27 June 2023 to Monday, 3 July 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, by 4:00 p.m. on Monday, 26 June 2023.
- (iii) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (iv) In order to be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301—04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, not less than 48 hours before the time appointed for holding the special general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude members from attending and voting in person at the meeting.
- (v) If Typhoon Signal No. 8 or above, or extreme conditions caused by super typhoons or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the websites of the Company at <http://www.chinainvestment.com.hk> and the webpage of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the rescheduled meeting.
- (vi) Any voting at the meeting shall be taken by poll.

As at the date of this notice, the Board comprises Mr. Chan Cheong Yee and Mr. Chan Yiu Pun Clement as executive Directors; Mr. Han Zhenghai (Chairman), Mr. Deng Dongping, Mr. Liu Lihan, Mr. Zhu Zhikun, Mr. Lyu Ping and Ms. Mo Xiuping as non-executive Directors; and Ms. Mo Li, Mr. Shi Zhu and Ms. Chen Shunqing as independent non-executive Directors.

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this notice 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 notice misleading.

This notice will remain on the "Latest Listed Company Information" page of the Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company's website at <http://www.chinainvestment.com.hk>.