

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 advisers.

If you have sold or transferred all your shares in Tongda Hong Tai Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

- (1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(4) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARE FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser and Placing Agent to
the Company



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



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 7 to 33 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 34 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 35 to 58 of this circular.

Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 5 April 2024 to Friday, 12 April 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 5 April 2024 to Friday, 12 April 2024 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at 21/F., Grand Millennium Plaza, 181 Queen's Road Central, Sheung Wan, Hong Kong on Friday, 15 March 2024 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar, 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 so that it is received at least 48 hours before the time appointed (i.e. Wednesday, 13 March 2024 at 3:00 p.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares and is subject to fulfillment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are 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. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

29 February 2024

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EXPECTED TIMETABLE

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

Event	Hong Kong Date and Time
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m., on Friday, 8 March 2024
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	Monday, 11 March 2024 to Friday, 15 March 2024
Latest time for lodging proxy forms for the EGM	3:00 p.m., on Wednesday, 13 March 2024
Record date for determining attendance and voting at the EGM	Friday, 15 March 2024
Expected date and time of the EGM to approve the proposed Share Consolidation and Rights Issue	3:00 p.m., on Friday, 15 March 2024
Announcement of the poll result of the EGM	Friday, 15 March 2024
Register of members the Company re-opens	Monday, 18 March 2024

The following events are conditional on the fulfilment of the conditions relating to the implementation of the Share Consolidation and the Rights Issue and therefore the dates are tentative only:

Effective date of the Share Consolidation	Tuesday, 19 March 2024
Commencement of dealings in the Consolidated Shares	9:00 a.m., on Tuesday, 19 March 2024
Original counter for trading in Existing Shares in board lot of 2,500 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m., on Tuesday, 19 March 2024
Temporary counter for trading in the Consolidated Shares in board lot of 250 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m., on Tuesday, 19 March 2024

EXPECTED TIMETABLE

First day of free exchange of existing share certificates for new share certificates for Consolidated Shares	Tuesday, 19 March 2024
Last day of dealings in the Consolidated Shares on a cum-right basis relating to the Rights Issue	Tuesday, 19 March 2024
First day of dealings in the Consolidated Shares on an ex-right basis relating to the Rights Issue	Wednesday, 20 March 2024
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to be qualified for the Rights Issue	4:30 p.m., on Thursday, 21 March 2024
Closure of register of members to determine the entitlements to the Rights Issue (both dates inclusive)	Friday, 22 March 2024 to Thursday, 28 March 2024
Record date for the Rights Issue	Thursday, 28 March 2024
Register of members of the Company re-opens	Tuesday, 2 April 2024
Expected despatch date of the Prospectus Documents (including the PAL and Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only	Tuesday, 2 April 2024
First day of dealing in nil-paid Rights Shares	Friday, 5 April 2024
Original counter for trading in the Consolidated Shares in board lot of 5,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Friday, 5 April 2024
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m., on Friday, 5 April 2024
Designated broker starts to stand in the market to provide matching services for odd lot of the Consolidated Shares	9:00 a.m., on Friday, 5 April 2024
Latest time for splitting the PAL	4:30 p.m., on Tuesday, 9 April 2024
Last day of dealings in nil-paid Rights Shares	Friday, 12 April 2024
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Wednesday, 17 April 2024
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements	Wednesday, 24 April 2024

EXPECTED TIMETABLE

Commencement of placing of Unsubscribed Rights Shares by the Placing Agent	Thursday, 25 April 2024
Designated broker ceases to provide matching services for odd lot of the Consolidated Shares	4:00 p.m. on Thursday, 25 April 2024
Temporary counter for trading in the Consolidated Shares in board lot of 250 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Thursday, 25 April 2024
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Thursday, 25 April 2024
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent	4:00 p.m. on Monday, 29 April 2024
Latest time for free exchange of existing share certificates for new share certificates	4:00 p.m. on Monday, 29 April 2024
Announcement of results of the Rights Issue to be published on the respective websites of the Stock Exchange and the Company	Monday, 6 May 2024
Despatch of share certificates for fully-paid Rights Shares and completion of Unsubscribed Rights Share Placing to take place	Tuesday, 7 May 2024
Despatch of refund cheques, if any, if the Rights Issue is terminated	Tuesday, 7 May 2024
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Wednesday, 8 May 2024
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any)	Tuesday, 30 May 2024

Notes:

- (1) Shareholders should note that the dates and deadlines specified in the above timetable, and in other parts of this circular are indicative only and subject to change. Further announcement(s) will be made if there is any change to the expected timetable.
- (2) All references to times and dates are references to Hong Kong times and dates.

EXPECTED TIMETABLE

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied by the Company. 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 AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR RIGHTS SHARES

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal no.8 or above, or “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region or a “black” rainstorm warning:

- (i) in is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected timetable of the Share Consolidation and the Rights Issue” above may be affected. The Company will notify the Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Announcements”	the announcements of the Company dated 12 January 2024, 24 January 2024 and 21 February 2024 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, Increase in Authorized Share Capital and the Rights Issue
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the change in board lot size of the Shares for trading on the Stock Exchange from 2,500 Existing Shares to 5,000 Consolidated Shares
“Company”	Tongda Hong Tai Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 2363)
“Compensatory Arrangements”	the arrangement involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Consolidated Share(s)”	ordinary shares of par value HK\$0.1 each in the share capital of the Company after the Share Consolidation becoming effective
“CSRC”	China Securities Regulatory Commission
“CSRC Notice”	the notice of the CSRC “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect” (Announcement [2016] No.21)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the proposed Share Consolidation and the proposed Rights Issue
“Existing Share(s)”	ordinary share(s) of par value HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the Company’s authorised share capital from HK\$10,000,000 divided into 1,000,000,000 Shares to HK\$60,000,000 divided into 6,000,000,000 Shares
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, to be formed for the purpose of giving a recommendation to Independent Shareholders of the Rights Issue
“Independent Financial Adviser”	Dakin Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	any Shareholder(s) other than the Controlling Shareholder Group and their associates and who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Latest Practicable Date”	Monday, 26 February 2024, being the latest practicable date prior to print of this circular for ascertaining certain information included in this circular
“Last Trading Day”	Friday, 12 January 2024, being the date of the Announcement and the last full trading day of the Shares on the Stock Exchange immediately preceding the publication of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 17 April 2024 or such other time and date as the Company may determine, being the latest time and date for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares
“Latest Time for Compensatory Arrangements”	being the latest time for the Placing Agent to determine the list of Placees and to notify the Company of the results of the Placing
“Latest Time for Termination”	4:00 p.m. on Monday, 29 April 2024 or such other time or date as the Placing Agent may agree in writing with the Company, being the latest time for termination of the Placing Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Right Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed

DEFINITIONS

“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Directors, after making enquiries with the legal advisers in the relevant jurisdictions, consider it necessary or expedient not to offer the Rights Issue to such Overseas 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
“NQS Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	professional, institutional, corporate or other investor(s), procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 136,149,382 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement
“Placing Agent”	VBG Capital limited, a licensed corporation carrying out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Placing Agreement”	the placing agreement dated Friday, 12 January 2024 entered into Between the Company and the Placing Agent in relation to the Placing

DEFINITIONS

“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 2 April 2024 or such other date as may be agreed in writing between the Placing Agent and the Company, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Thursday, 28 March 2024 or such other date as may be agreed between the Company and the Placing Agent in writing, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	Union Registrars Limited of Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the proposed issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price, payable in full on acceptance and on the terms and subject to the conditions in the Placing Agreement and the Prospectus Documents
“Rights Share(s)”	Shares to be issued and allotted under the proposed Rights Issue on the basis of two Rights Shares for every one Consolidated Share in issue on the Record Date, being 136,149,382 Shares based on the Company’s issued share capital as at the Latest Practicable Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company from time to time

DEFINITIONS

“Shareholder(s)”	holder(s) of issued Share(s)
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Existing Shares of par value HK\$0.01 each into one (1) Consolidated Share of par value HK\$0.1 each
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.58 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	all such Unsubscribed Rights Shares that have not been placed by the Placing Agent or they have been placed but the places have not paid thereof at 4:00 p.m. on 29 April 2024
“%”	per cent.

LETTER FROM THE BOARD



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

Executive Directors:

Mr. Wong Ming Li (*Chief Executive Officer*)

Mr. Lee King On Jeff

Mr. Wang Ming Zhi

Independent non-executive Directors:

Mr. Chan Shiu Man

Mr. Wan, Aaron Chi Keung

Mr. Chan Luk On

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Room 1203

12th Floor

Shui On Centre

6-8 Harbour Road

Wanchai

Hong Kong

29 February 2024

*To the Qualifying Shareholders and, for information only,
the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(4) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARE FOR EVERY ONE (1)
CONSOLIDATED SHARE HELD ON THE RECORD DATE;
AND
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcements of the Company dated 12 January 2024, 24 January 2024 and 21 February 2024 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size, Increase in Authorized Share Capital and the

LETTER FROM THE BOARD

Rights Issue. The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Shiu Man, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On, to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, and as to the voting action therefor.

The purpose of this circular is to provide you with, among other things, (i) details of the Share Consolidation and the Change in Board Lot Size; (ii) details of the Increase in Authorised Share Capital; (iii) further information regarding the Rights Issue and the transactions contemplated thereunder; (iv) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (vi) other information required under the Listing Rules; and (vii) the notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.10 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000 divided into 1,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 680,746,914 Existing Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and assuming that no further Existing Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become approximately HK\$10,000,000 divided into 100,000,000 Consolidated Shares of par value of HK\$0.10 each, of which 68,074,691 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank pari passu in all respects with each other.

Other than the expenses incurred and to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled.

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of the ordinary resolution by the Shareholders by way of poll to approve the Share Consolidation at the EGM;
- (ii) the Listing Committee granting the listing of, and permission to deal in, the Consolidated Shares in issued and to be issued upon the Share Consolidation becoming effective; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the Listing Rules to effect the Share Consolidation.

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Tuesday, 19 March 2024, being the second Business Day after the fulfilment of the above conditions.

Closure of register of members for the EGM

The register of members of the Company will be closed from Monday, 11 March 2024 to Friday, 15 March 2024 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

Application of listing of the Consolidated Shares

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

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

LETTER FROM THE BOARD

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of existing share certificates held by such holder.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the specified period, submit share certificates for Existing Shares to the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each share certificate for Existing Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of share certificates cancelled/issued is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:00 p.m. on Monday, 29 April 2024, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of ten (10) Existing Shares for one (1) Consolidated Share.

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

Other securities of the Company

As at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

LETTER FROM THE BOARD

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Letter from the Board – Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in the board lot size of 2,500 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 2,500 Existing Shares to 5,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.062 per Existing Share (equivalent to the theoretical closing price of HK\$0.62 per Consolidated Share) as quoted on the Stock Exchange as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$155; (ii) the value of each board lot of 2,500 Consolidated Shares would be HK\$1,550 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 5,000 Consolidated Shares would be HK\$3,100 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

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

For the avoidance of doubt, if the Share Consolidation is not approved at the EGM, the proposed Change in Board Lot Size will not become effective and the Shares will continue to be traded on the Stock Exchange in board lot of 2,500 Existing Shares.

Odd lot arrangements and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed VBG Capital Limited as its agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Friday, 5 April 2024 to 4:00 p.m. on Thursday, 25 April 2024 (both days inclusive). Shareholders who wish to take advantage of this service should contact Mr. Ringo Hui of VBG Capital Limited at 21/F, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong (telephone number: 2200 7611) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

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Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation and the Change in Board Lot Size; (ii) odd lot arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price.

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

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited has further stated that (i) the market price of the Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the fact that the share price of the Company has been trading at a price approaching or below HK\$0.1 for the past two months, and the closing price of the Existing Shares as at the Latest Practicable Date was HK\$0.062 per Share. The value of each existing board lot of 2,500 Existing Shares was HK\$155, which was less than HK\$2,000. Based on the above, the Board resolved to propose the Share Consolidation and the Change in Board Lot Size, resulting in HK\$0.62 per Consolidated Share and HK\$3,100 per board lot of 5,000 Consolidated Shares with the view to complying with the trading requirements under the Listing Rules.

The Directors consider that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. Furthermore, the Share Consolidation and the Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

As at the Latest Practicable Date, the Company has (i) no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation; and (ii) does not have any agreement, arrangement, understanding or negotiation (either concluded or in process) on any potential fund-raising activities which will involve issue of shares of the Company and save for the Rights Issue, the Company has no intention or plan to conduct other equity fund-raising activities in the next 12 months upon completion of the Rights Issue. However, if there shall arise any change of the Group’s current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund-raising exercises to support such future developments of the Group. The Company will make further announcement(s) in this regard in accordance with the Listing Rules as and when appropriate.

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In addition, the Board considers that the Share Consolidation and the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level which will increase the attractiveness of investing the Shares from a broader range of institutional and professional investors and thus would help to further broaden the shareholder base of the Company and improve the value of the Shares in the long run.

In view of the above reasons, the Company considers the Share Consolidation and Change in Board Lot Size are justifiable notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation and Change in Board Lot Size are beneficial to and in the interests of the Company and the Shareholders as a whole.

Other corporate actions and fundraising activities in the next twelve months

As at the Latest Practicable Date and except for the fundraising activities mentioned in this circular (i.e. the Rights Issue), (i) the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation; and (ii) the Company currently does not have any plan to conduct any equity fundraising activities in the next 12 months. The Company will update its Shareholders by way of announcement as and when required in accordance with the Listing Rules.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company from HK\$10,000,000 divided into 1,000,000,000 Existing Shares to HK\$60,000,000 divided into 6,000,000,000 Existing Shares (or 600,000,000 Consolidated Shares after the Share Consolidation becoming effective). Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

In order to accommodate the future growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposed the Increase in Authorised Share Capital. The Board considers that the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

Subject to the passing of such ordinary resolution, the Increase in Authorised Share Capital will become effective on the date of the EGM.

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PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of two Rights Shares for every one Consolidated Share held on the Record Date at the Subscription Price of HK\$0.58 per Rights Share, to raise approximately HK\$79.0 million by issuing 136,149,382 Rights Shares to the Qualifying Shareholders. The Rights Issue is only available to Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders:

Rights Issue Statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.58 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	680,746,914 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	68,074,691 Consolidated Shares (assuming there is no further allotment and issue or repurchase of Shares up to the effective date of the Share Consolidation)
Maximum number of Rights Shares	:	136,149,382 Rights Shares (assuming there is no other change in the total number of issued Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$13,614,938.20 (assuming no change in the number of Shares in issue on or before the Record Date)
Total issued shares as enlarged by the Rights Issue (assuming the Rights Issue is fully subscribed)	:	204,224,073 Shares (assuming no change in the number of Shares in issue 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 gross proceeds to be raised from the Rights Issue	:	Approximately HK\$79.0 million

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The Subscription Price

The Subscription Price is HK\$0.58 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 1.69% to the adjusted closing price of HK\$0.59 per Consolidated Share (based on the closing price of HK\$0.059 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (ii) equals to the average of the closing prices of approximately HK\$0.58 per Consolidated Share based on the average closing price of HK\$0.058 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 6.45% to the average of the closing prices of approximately HK\$0.62 per Consolidated Share based on the average closing price of HK\$0.062 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (iv) equals to the theoretical ex-rights price of HK\$0.58 per Consolidated Share based on the closing price of HK\$0.059 per Share as quoted on the Stock Exchange for the Last Trading Day; and
- (v) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 1.69%, represented by the theoretical diluted price of approximately HK\$0.58 per Share to the benchmarked price of approximately HK\$0.59 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation).

As at 31 December 2022 and 30 June 2023, the Group recorded a net liabilities position of approximately HK\$203.4 million and HK\$238.2 million respectively.

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The Subscription Price was determined by Company with reference to the amount of fund raising targeted by the Company under the Rights Issue, the market price of the Shares under the prevailing market conditions and the financial position of the Group. As at 31 December 2022 and 30 June 2023, the Company had net liabilities of approximately HK\$203.4 million and HK\$238.2 million respectively. The Company therefore intends to raise fund in the range of HK\$76.0 million to strengthen the balance sheet position as well as to replenish the general working capital for the Group's business and operation. Further, as illustrated above, the Subscription Price of HK\$0.58 was set at a discount to the recent trading prices of Shares of approximately 6.45% when compared to closing price of Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the Last Trading Day. The Company believes that the discount of the Subscription Price coupled with the 1 to 2 Rights Share allotment basis could encourage the existing Shareholders to participate in the Rights Issue but, at the same time, the dilution effect on those Shareholders who do not participate in the Rights Issue would also be in the acceptable level.

The Directors consider that the terms of the Rights Issue the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Each Rights Share will have a par value of HK\$0.10. The aggregate nominal value of the maximum number of Rights Shares will be HK\$13,614,938.20.

Non-underwritten Basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance 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 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.

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 entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5) of the Listing Rules.

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Status of the Rights Shares

The Rights Shares, when issued and fully paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank pari passu in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the Rights Shares.

Qualifying Shareholders and PRC Southbound Trading Investors

According to the “Stock Connect Southbound Shareholding Search” available on the Stock Exchange’s website, as at the Latest Practicable Date, China Clear held 320,750 Shares, representing approximately 0.0471% of the total number of the issued Shares.

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

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

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong by no later than the Latest Lodging Time.

As at the Latest Practicable Date, the PRC Southbound Trading Investors held a total of 320,750 Shares. The PRC Southbound Trading Investors may participate in the Rights Issue through ChinaClear. ChinaClear will provide nominee services for the PRC Southbound Trading Investors to (a) sell their nil-paid Rights Shares on the Stock Exchange; and/or (b) subscribe for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations.

The PRC Southbound Trading Investors (or the relevant ChinaClear participants as the case may be) whose stock accounts in ChinaClear are credited with nil-paid Rights Shares can only sell those nil-paid Rights Shares through the Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect if such nil-paid Rights Shares are listed on the Stock Exchange but cannot purchase any nil-paid Rights Shares or transfer such nil-paid Rights Shares to other PRC Southbound Trading Investors.

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The PRC Southbound Trading Investors should consult their intermediary (including brokers, custodians, nominees or ChinaClear participants) and/or other professional advisers for details of the logistical arrangements as required by ChinaClear, and provide instructions to such intermediary in relation to the acceptance and/or sale of the nil-paid Rights Shares. Such instructions should be given in advance of the relevant dates set out in the Prospectus and otherwise in accordance with the requirements of the intermediary of the PRC Southbound Trading Investors and/or ChinaClear in order to allow sufficient time to ensure that such instructions are given effect.

The last day of dealing in the Shares on cum-rights basis is Tuesday, 19 March 2024. The Shares will be dealt with on an ex-rights basis from Wednesday, 20 March 2024.

The Company will file the Prospectus with the CSRC in accordance with the CSRC Notice. After the Company completes such filing, the PRC Southbound Trading Investors may participate in the Rights Issue through ChinaClear. ChinaClear will provide nominee services for the PRC Southbound Trading Investors to (a) sell their nil-paid Rights Shares on the Stock Exchange; and/or (b) subscribe for their pro-rata entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations.

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

Rights of Overseas Shareholders (if any)

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents to be despatched in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong and the PRC in accordance with the notice issued by the CSRC of Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Mainland-Hong Kong Stock Connect (Announcement [2016] No. 21).

If there is any Overseas Shareholder at the close of business on the Record Date, pursuant to Rule 13.36(2) 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, such Overseas Shareholders will become Non-Qualifying Shareholders and the Rights Issue will not be extended to them. The Company

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will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders for information purposes only but will not send any PAL to them.

Based on the register of members of the Company, as at the Latest Practicable Date, there are 2 Overseas Shareholders with registered addresses located in BVI and 2 Overseas Shareholders with registered address located in the PRC. The Company has sought legal opinion regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to the Overseas Shareholders and has been advised that there is no restrictions under securities law or other similar laws which would prevent the Company from including the Overseas Shareholder(s) with registered address(es) located in BVI and the PRC in the Rights Issue. Based upon such advice, the Overseas Shareholders having registered address in BVI and the PRC will not be excluded from the Rights Issue and shall therefore be the Qualifying Shareholders. Accordingly, the Rights Issue will be extended to such Overseas Shareholders having registered address in BVI and the PRC.

Arrangements for the NQS Rights Shares

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.

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

Closure of register of members for the Rights Issue

The register of members of the Company will be closed from Monday, 11 March 2024 to Friday, 15 March 2024 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM. The register of members of the Company will be closed from Friday, 22 March 2024 to Thursday, 28 March 2024 for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

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Basis of provisional allotments

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

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

Fractional entitlement to the Rights Shares

The Company will not provisionally allot and will not accept applications for any fraction of Rights Shares. All fractions of the Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

Arrangement on Odd Lot Trading

In order to facilitate the trading of odd lots (if any) of the Shares arising from the Rights Issue, the Company will arrange odd lot trading services during Friday, 5 April 2024 to Thursday, 25 April 2024 (both days inclusive). Shareholders who wish to take advantage of this service should contact Mr. Ringo Hui of VBG Capital Limited at 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong (telephone number: 2200 7611) of such period. Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements as at the close of business on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be offered for subscription by the Placing Agent to the Placees under the Placing.

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Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank pari passu in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Stamp duty and other applicable fees

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.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses at their own risk on or before Tuesday, 7 May 2024. If the Rights Issue is terminated, refund cheques in respect of the applications for Rights Shares are expected to be posted on or before Tuesday, 7 May 2024 by ordinary post to the applicants at their own risk.

Taxation

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

Application for listing

The Company will apply to the Listing Committee for the listing of, and the 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 securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

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Pursuant to the Change in Board Lot Size, the nil-paid Rights Shares shall be traded in the board lot of 5,000 Consolidated Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both 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 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 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.

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

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent places for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent places on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent places on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realized will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 29 April 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Non-Qualifying Shareholders as set out below on a pro-rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) and Non-Qualifying Shareholders in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

The Placing Agreement

Principal terms of the Placing Agreement are summarized as below

On 12 January 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

Date	:	12 January 2024 (after trading hours of the Stock Exchange)
Placing Agent	:	VBG Capital Limited
		As at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties
Placing commission	:	The Company shall pay the Placing Agent a placing commission, being 2.0% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent

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Placing price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process

Placing period : The period from Thursday, 25 April 2024 up to 4:00 p.m. on Monday, 29 April 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements

The Unsubscribed Rights Shares are expected to be placed to investors who (or the case may be, their ultimate beneficial owner(s)) are not Shareholders and otherwise Independent Third Parties

Condition precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the Rights Issue becoming conditional (save for the condition that the Placing Agreement has become unconditional)

Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue

Completion date of the Placing : Monday, 29 April 2024 or such other date as the Company and the Placing Agent may agree

The engagement between the Company and the Placing Agent for the placing of the Placing Shares was determined after arm's length negotiations between the Placing Agent and the Company with reference to the average placing commission of the proposed rights issue exercises as announced in the 3 months period preceding the Last Trading Day on the Stock Exchange, the existing financial position of the Group, the size of the Rights Issue and the market conditions. The Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal commercial terms.

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The Placing Agent shall, on a best efforts basis during the Placing Period, seek to procure placees who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties for all (or as many as possible) to subscribe for the Unsubscribed Rights Shares and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

The Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 after the Placing and the Rights Issue, after the Placing Period, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after Completion, further announcement will be made by the Company.

The Unsubscribed Arrangements are in compliance with the requirements under Rule 7.21(1)(b) under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) given that the Unsubscribed Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Placing Agent confirms that it is an Independent Third Party. The terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

LETTER FROM THE BOARD

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (c) the delivery to the Stock Exchange and the filing and registration with the Registrar in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorized in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed for to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date; and
- (e) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed.

Undertaking

The Company has not received, as at the Latest Practicable Date, any irrevocable undertaking from any substantial Shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

LETTER FROM THE BOARD

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories.

As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group’s sales orders and production yield were negatively impacted by internal and external challenges. The fluctuation of material prices, the continual increase in staff costs, the shortage in the supply of semiconductors, and the continuing increase in competition in the market all put pressure to the operations of the Group. As a result, the Group’s sales declined even though the gross loss improved when compared to the previous year.

In light of the financial performance of the Group for the year ended 31 December 2022, the challenges from the fluctuation of material costs and the continuing increase in competition in the market exerting pressure in the operations of the Group in the foreseeable future, the Board considers that it is vital for the Group to have access to additional funding and working capital in order to maintain its competitiveness in the market.

For the year ended 31 December 2022, the Group recorded an increase in net loss from approximately HK\$197.0 million for the year ended 31 December 2021 to approximately HK\$231.4 million for the year ended 31 December 2022, and recorded a net liabilities position of approximately HK\$203.4 million.

As at 31 December 2022, the Group recorded current liabilities and non-current liabilities of approximately HK\$149.4 million and HK\$200.4 million respectively, in particular interest-bearing loans of approximately HK\$184.0 million bearing interest at 4.75% per annum with a maturity date due on 1 April 2024. As the Group had cash and cash balances of approximately HK\$7.6 million as at 31 December 2022, the Company will be left with very limited cashflow should it use its cash to satisfy the relevant payables, in particular an initial annual accrued interest of not less than HK\$8.7 million from the interest-bearing loans would far exceed the Group’s cash position as at 31 December 2022. In order to turn around from its loss making position, the Directors are of the view that the Company has a pressing need to reduce its level of liabilities in both the short-run and long-run. The Group intends to make partial repayment of payables and interest-bearing loans, subsequently lessening the effect of any accrued interest, and allowing the Group to have greater financial flexibility to allocate any savings towards strategic development and general working capital.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue are expected to be approximately HK\$79.0 million. The net proceeds from the Rights Issue (after deducting the estimated expenses of approximately HK\$3.0 million) are estimated to be approximately HK\$76.0 million. The estimated net subscription price per Rights Shares after deducting the related expenses of the Rights Issue is expected to be approximately HK\$0.565.

LETTER FROM THE BOARD

The Company intends to apply the net proceeds from the proposed Rights Issue of approximately HK\$76.0 million as follows: as to (i) approximately HK\$70.0 million for repayment of loans and other payables of the Group; and (ii) approximately HK\$6.0 million as general working capital of the Group. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be allocated and utilised in accordance to the same proportion to the above uses. The Company intends to utilize the HK\$70 million out of the HK\$76 million net proceeds from the Rights Issue to repay the bank borrowings of the Group which are repayable within one year. It is intended that the full utilization of the proceeds shall be on or before 30 June 2024. The Group is minded to improve its profitability and alleviate the repayment pressure by, among other things, lowering liabilities and finance costs.

The Company has considered (i) placing of new shares; (ii) debt financing; (iii) disposal of assets; and (iv) open offer as fund raising alternatives in comparison to the Rights Issue. However, placing would only be available to certain placees and debt financing would result in additional finance costs and increase the Group's liabilities burden. The Board also considered that debt financing cannot address the high gearing ratio of the Group, and the disposal of assets is not a viable solution to the Group due to the absences of liquid and valuable assets that can generate significant cashflow to improve the financial position of the Group within short time interval. On the other hand, the Board considered that the fundraising by way of the Rights Issue will improve the financial position of the Group immediately. The Board has also considered that open offer is less favorable to the Shareholders compared to the Rights Issue due to the flexibility of the Shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlements under the Rights Issue.

The Rights Issue is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so. However, those Shareholders who do not participate in the Rights Issue to which they are entitled should note that their shareholding interest in the Company will be diluted.

The Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the proposed Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the proposed Rights Issue are able to sell the nil-paid rights in the market; (ii) the proposed Rights issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the date of this circular.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Rights Issue which are for illustrative purpose only.

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Issue in full; and (iii) immediately after completion of the Rights Shares assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after completion of the Rights Issue assuming all Qualifying Shareholders have taken up their respective entitlements of the Rights Share in full		Immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders have taken up their respective entitlements of the Rights Shares in full	
Landmark Worldwide Holdings Limited (<i>Note 1</i>)	187,044,814	27.48%	18,704,481	27.48%	56,113,443	27.48%	18,704,481	9.16%
Public Shareholders								
Places	-	0.00%	-	0.00%	-	0.00%	136,149,382	66.67%
Other public Shareholders	493,702,100	72.52%	49,370,210	72.52%	148,110,630	72.52%	49,370,210	24.17%
Total	<u>680,746,914</u>	<u>100.00%</u>	<u>68,074,691</u>	<u>100.00%</u>	<u>204,224,073</u>	<u>100.00%</u>	<u>204,224,073</u>	<u>100.00%</u>

Note:

- Landmark Worldwide is an investment holding company incorporated in the British Virgin Islands with limited liability, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wang Ya Nan, a non-executive Director, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua. Mr. Wang Ya Nan is the sole director of Landmark Worldwide.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Rights Issue

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 of the Company by more than 50% within 12 months period immediately preceding the date of this circular, the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and 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 resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling shareholder. As Mr. Wong Ming Li, an executive Director and the chief executive officer of the Group, is the nephew of Mr. Wang Ya Nan and the son of Mr. Wong Ah Yu, and given that Landmark Worldwide Holdings Limited, a company beneficially owned as to 25% by each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua is interested in 187,044,814 Shares, representing 27.48% of the total issued Shares. Landmark Worldwide Holdings Limited and the parties acting in concert to it are deemed as an associate of Mr. Wong Ming Li. As such, Landmark Worldwide Holdings Limited and parties acting in concert to it shall abstain from voting on the resolution to approve the Rights Issue at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Shiu Man, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On, has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. Dakin Capital Limited has been appointed as the Independent Financial Adviser by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in these regards.

LETTER FROM THE BOARD

DESPATCH OF THE PROSPECTUS DOCUMENT

Subject to, among other things, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder respectively having been approved by the Independent Shareholders at the EGM and upon the Share Consolidation becoming effective, the Company will despatch the Prospectus Documents to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only but the Company will not send the PAL to the Non-Qualifying Shareholders.

EGM

A notice convening the EGM to be held at 21/F., The Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong on Friday, 15 March 2024 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM, i.e. Wednesday, 13 March 2024 at 3:00 p.m. (Hong Kong time), or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

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

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Chan Shiu Man, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Dakin Capital Limited 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 page 34 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 35 to 58 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

The Directors consider that the terms of the Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE CONSOLIDATED SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraphs headed "Conditions of the Share Consolidation" above. Accordingly, the Share Consolidation may or may not proceed.

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 paragraph headed "Conditions of the Rights Issue" in this circular. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

Accordingly, the Directors also recommend the Shareholders to vote in favour of such resolution to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

For and on behalf of
Tongda Hong Tai Holdings Limited
Lee King On Jeff
Executive Director



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

29 February 2024

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED
SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 29 February 2024 (the “Circular”) of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those 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 terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

The Independent Financial Adviser 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 Placing Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

The Independent Board Committee
Tongda Hong Tai Holdings Limited

Mr. Chan Shiu Man

Mr. Wan, Aaron Chi Keung

Mr. Chan Luk On

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Dakin Capital Limited to the Independent Board Committee and the Independent Shareholders, in relation to the Rights Issue which has been prepared for the purpose of inclusion in this circular.



29 February 2024

*To: the Independent Board Committee and the Independent Shareholders
of Tongda Hong Tai Holdings Limited*

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the 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 to the Shareholders dated 29 February 2024 (the “**Circular**”), of which this letter forms part. Unless otherwise stated, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

On 12 January 2024, the Company announced, amongst others, the Rights Issue. The Company proposed, subject to, among other things, the Share Consolidation becoming effective, to raise gross proceeds of up to approximately HK\$79.0 million before expenses (assuming full subscription under the Rights Issue) by issuing up to 136,149,382 Rights Shares (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.58 per Rights Share, on the basis of two Rights Shares for every one Consolidated Share held on the Record Date and payable in full on acceptance.

Assuming there is no change in the number of issued Shares on or before the Record Date, 136,149,382 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 200% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) approximately 66.7% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Rights Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance 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 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.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any). Qualifying Shareholders must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholders in order to qualify for the Rights Issue.

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 of the Company by more than 50% within 12 months period immediately preceding the date of this Circular, the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and 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 resolution(s) in relation to the Rights Issue at the EGM. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue complies to Rule 7.27B of the Listing Rules.

The Company will seek approval from the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder by way of a poll at the EGM. As at the Latest Practicable Date, the Company has no controlling shareholder. As Mr. Wong Ming Li, an executive Director and the chief executive officer of the Group, is the nephew of Mr. Wang Ya Nan and the son of Mr. Wong Ah Yu, and given that Landmark Worldwide Holdings Limited ("**Landmark Worldwide**"), a company beneficially owned as to 25% by each of Mr. Wang Ya Nan, Mr. Wong Ah Yu, Mr. Wong Ah Yeung and Mr. Wang Ya Hua is interested in 187,044,814 Shares, representing 27.48% of the total issued Shares. Landmark Worldwide and the parties acting in concert to it are deemed as an associate of Mr. Wong Ming Li. As such, Landmark Worldwide and parties acting in concert to it shall abstain from voting on the resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder. Save as Landmark Worldwide, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Rights Issue and will be required to abstain from voting on the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Chan Shiu Man, Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On, has been formed to advise the Independent Shareholders on whether the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We, Dakin Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. During the past two years immediately preceding the Latest Practicable Date, we did not act as the financial adviser or the independent financial adviser of the Company. Apart from normal professional fees for our services to the Company in connection with this engagement described above, no other arrangements exist whereby we will receive any fees and/or benefits from the Group. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, or its substantial Shareholders, Directors, chief executive, or any of their respective associates. We are independent under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date.

The Directors collectively and individually accept full responsibility, including 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 the Circular are accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue and the transactions contemplated thereunder. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the fairness and reasonableness of the Rights Issue and the transactions contemplated thereunder 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 purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

As stated in the Letter from the Board, the Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories.

The table below summarises the general financial information of the Group (i) for the financial years ended 31 December 2021 and 2022 which are extracted from the Company’s annual report for the year ended 31 December 2022 (the “**Annual Report**”); and (ii) for the six months ended 30 June 2022 and 2023 which are extracted from the Company’s interim report for the six months ended 30 June 2023 (the “**Interim Report**”):

	For the year ended 31 December 2021 (audited) <i>HK\$'000</i>	For the year ended 31 December 2022 (audited) <i>HK\$'000</i>	For the six months ended 30 June 2022 (unaudited) <i>HK\$'000</i>	For the six months ended 30 June 2023 (unaudited) <i>HK\$'000</i>
Financial performance				
Revenue	370,693	150,545	81,967	46,836
Gross (loss)/profit	(110,775)	(113,932)	4,627	(6,598)
Finance costs	(7,553)	(5,851)	(1,323)	(395)
Loss for the year/period	(196,960)	(231,423)	(29,822)	(48,513)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2021 (audited) <i>HK\$'000</i>	As at 31 December 2022 (audited) <i>HK\$'000</i>	As at 30 June 2023 (unaudited) <i>HK\$'000</i>
Financial position			
Cash and bank balances	11,038	7,603	2,213
Interest bearing bank borrowings	74,859	–	–
Loan from related parties	213,698	8,041	7,792
Other payables and accruals classified as current liabilities	32,636	88,482	104,871
Other payables classified as non-current liabilities	–	184,013	184,051
Net liabilities	(43,004)	(203,419)	(238,243)
	%	%	%
Gearing ratio (<i>Note</i>)	637.6	89.1	78.8

Note: Gearing ratio is calculated based on total borrowings (i.e. bank borrowings, other payable classified as non-current portion and loans from related parties) less total cash and bank balances (including restricted bank balances) divided by total equity attributable to equity holders of the Company as at year/period-end date and expressed as a percentage.

Annual results of the Group for the year ended 31 December 2022

The Group's revenue decreased from approximately HK\$370.7 million for the year ended 31 December 2021 ("FY2021") to approximately HK\$150.5 million for the year ended 31 December 2022 ("FY2022"), representing a decrease of approximately 59.4%. As stated in the Annual Report, such decrease was mainly due to the Group reassessed the projects to improve the Group's operating cashflow and therefore less sales orders were received. During FY2022, the Group recorded a widen in gross loss by approximately 2.8% from approximately HK\$110.8 million for FY2021 to approximately HK\$113.9 million for FY2022. According to the Annual Report, such increase in gross loss was mainly due to the Group recorded inventory provision of approximately HK\$127.3 million for FY2022 (FY2021: approximately HK\$109.1 million). Pursuant to the Annual Report, the Group reassessed its projects aiming to maintain a healthy operating cashflow and reformed the management team and organisation structure aiming to improve the operation efficiency during FY2022. However, the Group's production efficiency and yield were being impacted negatively by the internal and external challenges while the operation restructuring was in progress.

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The Group's finance costs decreased from approximately HK\$7.6 million for FY2021 to approximately HK\$5.9 million for FY2022, representing a decrease of approximately 22.5%. As stated in the Annual Report, such decrease in finance costs was mainly attributable to the fully repayment of bank borrowings during FY2022.

The Group recorded a widen in loss for the year from approximately HK\$197.0 million for FY2021 to approximately HK\$231.4 million for FY2022. According to the Annual Report and the management of the Company, such widen in loss for the year was mainly due to (i) the increase in other operating expenses, net from approximately HK\$4.4 million for FY2021 to approximately HK\$54.7 million for FY2022 which mainly comprised of the impairment of property, plant and equipment of approximately HK\$18.7 million and impairment of right-of-use assets of approximately HK\$13.8 million during FY2022 (FY2021: nil); and partially offset by (ii) the decrease in general and administrative expenses from approximately HK\$69.4 million for FY2021 to approximately HK\$52.9 million for FY2022 which mainly comprised of salary and research and development expenses.

Interim results of the Group for the six months ended 30 June 2023

The Group's revenue decreased from approximately HK\$82.0 million for the six months ended 30 June 2022 ("IR2022") to approximately HK\$46.8 million for the six months ended 30 June 2023 ("IR2023"), representing a decrease of approximately 42.9%. Pursuant to the Interim Report, such decrease in revenue was mainly due to the operation restructuring of the Group commenced during FY2022 continued during IR2023 and the Group had carried on with its reassessment of its projects to improve the operating cashflow, resulting in less sales orders received. As stated in the Interim Report, the Group recorded a gross loss of approximately HK\$6.6 million for IR2023, as compared to a gross profit of approximately HK\$4.6 million for IR2022, which was mainly due to the Group's production efficiency and yield were impacted negatively by external unfavorable challenges such as increasing geopolitical instability and associated risks, the surge of global inflation tackled by interest rate hike policy in many countries, and the significantly tightened currencies of various major economies while the Group's operation restructuring commenced during FY2022 continued during IR2023.

The Group's finance costs decreased from approximately HK\$1.3 million for IR2022 to approximately HK\$0.4 million for IR2023, representing a decrease of approximately 70.1%. As stated in the Interim Report, such decrease in finance costs was mainly attributable to the fully repayment of bank borrowings during FY2022.

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The Group's loss for the period widened from approximately HK\$29.8 million for IR2022 to approximately HK\$48.5 million for IR2023. According to the Interim Report and the management of the Company, such widen in loss for the period was mainly due to (i) the gross loss of approximately HK\$6.6 million recognised during IR2023 (IR2022: gross profit of approximately HK\$4.6 million); (ii) the other expenses of approximately HK\$3.1 million recognised for IR2023 (IR2022: other income of approximately HK\$0.3 million) which mainly comprised of loss in sales of scrap materials; (iii) the increase in other operating expenses, net from approximately HK\$5.4 million for IR2022 to approximately HK\$17.9 million for IR2023 which mainly comprised of loss on disposals of property, plant and equipment and exchange loss due to depreciation of Renminbi during IR2023; and partially offset by (iv) the decrease in general and administrative expenses from approximately HK\$25.6 million for IR2022 to approximately HK\$19.2 million for IR2023 which mainly comprised of salary expense and research and development expenses.

Financial position of the Group

The cash and bank balances of the Group amounted to approximately HK\$11.0 million, HK\$7.6 million and HK\$2.2 million as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively.

The cash and bank balances of the Group decreased from approximately HK\$11.0 million as at 31 December 2021 to approximately HK\$7.6 million as at 31 December 2022, representing a decrease of approximately 31.1%. According to the management of the Company, such decrease in the cash and bank balances of the Group was mainly due to (i) the net cash flows used in operating activities of approximately HK\$29.7 million for FY2022; (ii) the net cash flows used in investing activities of approximately HK\$1.1 million for FY2022; and financed by (iii) the net cash flows generated from financing activities of approximately HK\$26.5 million for FY2022. Pursuant to the Annual Report and the management of the Company, the net cash flows generated from financing activities of approximately HK\$26.5 million during FY2022 was mainly comprised of (i) the loans obtained from bank, related parties and independent third party in aggregate of approximately HK\$173.2 million; (ii) the net proceeds from rights issue completed on 21 February 2022 of approximately HK\$25.7 million; and offset by (iii) the repayment of bank loans of approximately HK\$178.5 million.

The cash and bank balances of the Group further decreased from approximately HK\$7.6 million as at 31 December 2022 to approximately HK\$2.2 million as at 30 June 2023, representing a decrease of approximately 70.9%. As advised by the management of the Company, such decrease in the cash and bank balances of the Group was mainly due to (i) the net cash flows used in financing activities of approximately HK\$5.3 million; and partially offset by (ii) the net cash flows generated from operating activities of approximately HK\$0.4 million for IR2023; and (iii) the net cash flows generated from investing activities of approximately HK\$1 million for IR2023.

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The net liabilities of the Group amounted to approximately HK\$43.0 million, HK\$203.4 million and HK\$238.2 million as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively. According to the management of the Company, such increase in net liabilities position were mainly due to (i) the loss for the year and period of approximately HK\$231.4 million for FY2022 and HK\$48.5 million for IR2023 respectively; (ii) the increase in other payable (classified as non-current liabilities) of approximately HK\$184.0 million as at 31 December 2022 and 30 June 2023 (FY2021: nil) which bears interest rate of 4.75% per annum with a maturity date on 1 April 2024 (“the **Other Payable**”); and partially offset by (iii) the decrease in current liabilities by approximately HK\$316.0 million from approximately HK\$465.4 million as at 31 December 2021 to approximately HK\$149.4 million as at 31 December 2022 and further decrease to approximately HK\$144.2 million as at 30 June 2023.

The Group’s gearing ratio were approximately 637.6%, 89.1% and 78.8% as at 31 December 2021, 31 December 2022 and 30 June 2023 respectively. As advised by the management of the Company, such improvement in gearing ratio was mainly due to (i) the full repayment of interest-bearing bank borrowing during FY2022; (ii) the decrease in loans from related parties from approximately HK\$213.7 million as at 31 December 2021 to approximately HK\$8.0 million as at 31 December 2022 and further decreased to approximately HK\$7.8 million as at 30 June 2023.

Having considered that (i) as at 30 June 2023, the Group did not have adequate cash and bank balances to repay the Other Payable, the loans from related parties and other payables and accruals; (ii) the Group is still in net liabilities and high gearing position as at 30 June 2023; and (iii) the reasons for and benefits of the Rights Issue as discussed in the paragraph headed “2. Reasons for and benefits of the Rights Issue”, we concur with the Directors’ view that the Group has immediate funding need to reduce the level of liabilities and strengthen the Group’s capital base.

2. Reasons for and benefits of the Rights Issue

According to the Letter from the Board, assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$79.0 million and the estimated expenses would be approximately HK\$3.0 million. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$76.0 million. The Directors intends to use the net proceeds from the Rights Issue as to (i) approximately HK\$70.0 million for the repayment of loans and other payables of the Group which is expected to be fully utilised on or before 30 June 2024 after the completion of the Rights Issue; and (ii) approximately HK\$6.0 million for general working capital of the Group which is expected to be utilised for the forthcoming 12 months after the completion of the Rights Issue.

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As stated in the Annual Report, during FY2022, as the COVID-19 pandemic in various countries gradually stabilized and government restrictions eased, the previous surge in demand for personal computers brought by remote working and online classroom have been digested. Also, the fluctuation of material prices, the continual increase in staff costs, the shortage in the supply of semiconductors, and the continuing increase in competition in the market all put pressure to the operations of the Group. To combat these problems, during FY2022, the Directors reviewed their initiatives to maintain a healthy operational cashflow and reformed the management team and organisational structure to increase the operational efficiency. However, during the operation restructuring, the Group's sales orders and production yield were negatively impacted by internal and external challenges. As a result, the Group was still in loss making position for FY2022 and IR 2023.

Pursuant to the Interim Report and the management of the Company, the Group recorded current liabilities and non-current liabilities of approximately HK\$144.2 million and 197.8 million as at 30 June 2023 respectively, in particular the Other Payable which is interest bearing of 4.75% per annum and will be matured on 1 April 2024. In light of this, we have discussed with the management of the Company and be advised that the annual accrued interest of the Other Payable would be approximately HK\$8.7 million and would far exceed the Group's cash and bank balance of approximately HK\$2.2 million as at 30 June 2023. Furthermore, the Group was still in net liabilities position as at 30 June 2023. In order to turn around from the Group's loss making and net liabilities position, we concur with the Directors' view that the Group has immediate funding need to reduce the Group's level of liabilities in both the short-run and long-run, lower the finance costs and allow the Group to have greater financial flexibility to allocate any savings towards strategic development and general working capital.

As discussed in the paragraph headed "1. Background and financial information of the Group" above in this letter, the Group's cash and bank balances was in a decreasing trend from 31 December 2021 to 30 June 2023. According to the Annual Report and the Interim Report, we also noted that the Group recorded (i) net cash flows used in operating activities of approximately HK\$27.7 million and HK\$29.7 million for FY2021 and FY2022 respectively; and (ii) net cash flows generated from operating activities of approximately HK\$0.4 million for IR2023. We also enquired with the management of the Company regarding the Group's general working capital as required. As advised by the management of the Company, the related expenses would generally be approximately HK\$0.5 million per month, which include staff cost and directors' emoluments, audit, legal and professional fees, rental and office expenses. Given that (i) the level of Group's cash and bank balances remained low as at 30 June 2023; and (ii) the Group's net cash flows from operating activities remained unstable for FY2021, FY2022 and IR2023, we consider that the use of proceeds from the Rights Issue for general working capital can enhance liquidity of the Group and support the Group's operation.

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Taking into account (i) the latest cash and bank balances of the Group; (ii) the Group is still in net liabilities and high gearing position as at 30 June 2023; (iii) the decrease in the Group's finance costs after the full repayment of bank borrowings during FY2022 as discussed in the paragraph headed "1. Background and financial information of the Group" above in this letter; (iv) the obligation of the Group to repay the Other Payable during this year; (v) the financial position and liquidity of the Group will be enhanced after the repayment of the Group's indebtedness; and (vi) other alternative fund raising methods may not be feasible as discussed in the paragraph headed "3. Other financing alternatives" below in this letter, we are of the view and concur with the Directors' view that the Rights Issue is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

3. Other financing alternatives

As stated in the Letter from the Board, other financing alternatives, including debt financing, disposal of assets, and other forms of equity financing such as placing of new shares and open offer, have been considered.

According to the paragraph headed "1. Background and financial information of the Group" above in this letter, as at 30 June 2023, (i) the net liabilities of the Group amounted to approximately HK\$238.2 million; and (ii) the gearing ratio of the Group was approximately 78.8%. As advised by the Directors, debt financing would increase the Group's finance costs and liabilities burden. The Directors also considered that debt financing cannot address the high gearing ratio of the Group. Regarding the disposal of the Group's assets, the Directors also considered that it is not a viable solution to the Group due to the absences of liquid and valuable assets that can generate significant cashflow to improve the financial position of the Group within short term interval. Based on the recent financial position of the Group, we concur with the Directors' view that it may not be feasible for the Group to obtain debt financing and raising funds by way of disposing the Group's assets.

In addition to debt financing and disposal of assets, we understand that the Directors had considered to conduct equity financing such as placing of new shares and open offer. According to the Directors, (i) placing of new shares would only be available to certain placees who were not necessarily the existing Shareholders and would directly dilute the shareholding of the existing Shareholders; and (ii) open offer does not offer the Qualifying Shareholders the option to sell the nil-paid Rights Shares in the market when they do not wish to take up the entitlements under the Rights Issue.

In view of the above, the Directors considered that the Rights Issue is the most suitable equity financing method available to the Group as

- (i) the Qualifying Shareholders have the option to subscribe for the Rights Shares at their sole discretion;

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- (ii) the Qualifying Shareholders who do not take up their entitlements can sell the nil-paid Rights Shares in the market; and
- (iii) the Rights Issue offers all the Qualifying Shareholders an equal opportunities to participate in the enlargement of the Group's capital base and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so.

After considering that (i) debt financing would increase the Group's finance costs and liabilities burden and cannot address the high gearing ratio of the Group; (ii) the absence of liquid and valuable assets for disposal which can generate significant cashflow to improve the Group financial position; (iii) placing of new shares without first offering the existing Shareholders the opportunity to participate in the Company's equity fund raising exercise would result in direct dilution of shareholding of the existing Shareholders; (iv) open offer does not offer the Qualifying Shareholders the option to sell the nil-paid Rights Shares in the market; and (v) the Rights Issue will enable the Shareholders to maintain their proportionate interests in the Company should they so wish, we concur with the Directors' view that the Rights Issue is fair and reasonable and in the interest of Company and Shareholders as a whole.

4. Principal terms of the Rights Issue

The Company proposed, subject to, among other things, the Share Consolidation becoming effective, to raise gross proceeds of up to approximately HK\$79.0 million before expenses (assuming full subscription under the Rights Issue) by issuing up to 136,149,382 Rights Shares (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.58 per Rights Share, on the basis of two Rights Shares for every one Consolidated Share held on the Record Date and payable in full on acceptance.

The Rights Issue will be proceeded on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and will not be extended to the Non-Qualifying Shareholders (if any). For details of the Rights Issue, please refer to the paragraph headed "Proposed Rights Issue" in the Letter from the Board.

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(a) *The Subscription Price*

The Subscription Price is HK\$0.58 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 1.69% to the adjusted closing price of HK\$0.59 per Consolidated Share (based on the closing price of HK\$0.059 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (ii) equals to the average of the closing prices of approximately HK\$0.58 per Consolidated Share based on the average closing price of HK\$0.058 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 6.45% to the average of the closing prices of approximately HK\$0.62 per Consolidated Share based on the average closing price of HK\$0.062 as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (iv) equals to the theoretical ex-rights price of HK\$0.58 per Consolidated Share based on the closing price of HK\$0.059 per Share as quoted on the Stock Exchange for the Last Trading Day; and
- (v) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 1.69%, represented by the theoretical diluted price of approximately HK\$0.58 to the benchmarked price of approximately HK\$0.59 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation).

As stated in the Letter from the Board, the Subscription Price was determined by Company with reference to the amount of fund raising targeted by the Company under the Rights Issue, the market price of the Shares under the prevailing market conditions and the financial position of the Group. As at 31 December 2022 and 30 June 2023, the Company had net liabilities of approximately HK\$203.4 million and HK\$238.2 million respectively. The Directors therefore intends to raise fund in the range of HK\$76.0 million to strengthen the balance sheet position as well as to

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replenish the general working capital for the Group's business and operation. Further, as illustrated above, the Subscription Price of HK\$0.58 was set at a discount to the recent trading prices of Shares of approximately 6.45% when compared to closing price of Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to the Last Trading Day. The Directors believes that the discount of the Subscription Price coupled with the 1 to 2 Rights Share allotment basis could encourage the existing Shareholders to participate in the Rights Issue but, at the same time, the dilution effect on those Shareholders who do not participate in the Rights Issue would also be in the acceptable level.

(b) Historical performance of Share price

In order to assess the fairness and reasonableness of the Subscription Price, we performed a review on the historical adjusted closing price of the Shares (the "Closing Prices") during the period from 12 January 2023, being 12 months immediately preceding the Last Trading Day, and up to the Last Trading Day (the "Review Period"). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares which reflect prevailing market sentiments and the comparison between the Closing Prices and the Subscription Price. The chart below illustrates the historical Closing Prices during the Review Period:



Source: The Stock Exchange (<http://www.hkex.com.hk>)

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During the period between 12 January 2023 and 11 April 2023, we noted that the Closing Prices are on a generally downward trend and the highest Closing Price and the lowest Closing Price are HK\$1.26 on 1 February 2023 and HK\$0.82 on 6 April 2023 and 11 April 2023 respectively, with an average Closing Price of approximately HK\$1.04. Then, the Closing Prices rose from HK\$0.82 on 11 April 2023 to the highest Closing Price during the Review Period of HK\$1.60 on 24 April 2023 and dropped back to HK\$0.90 on 26 April 2023. After that, the Closing Prices are on a generally sideways trend throughout the period between 26 April 2023 and the Last Trading Day, with the highest Closing Price of HK\$0.90 on 26 April 2023, the lowest Closing Price of HK\$0.51 on 5 January 2024 and average Closing Price of approximately HK\$0.68.

We noted that the Subscription Price of HK\$0.58 per Rights Share is generally below the Closing Prices throughout the majority of the Review Period. The Subscription Price represents (i) a discount of approximately 63.75% to the highest Closing Price of HK\$1.60 on 24 April 2023; (ii) a premium of approximately 13.73% to the lowest Closing Price of HK\$0.51 on 5 January 2024; and (iii) a discount of approximately 26.58% to the average Closing Price of approximately HK\$0.79 during the Review Period.

With reference to the sub-paragraph headed “(d) Comparison with recent rights issue exercises” below in this paragraph, we note that it is a common market practice that the subscription price of a rights issue is set at a discount to the prevailing market prices of the relevant shares to encourage the existing shareholders to participate in a rights issue as to meet the need of equity fund raising. We concur with the Directors’ view that the Subscription Price, which is set at a discount to the prevailing market prices of the Shares is in line with the general market practice and is acceptable.

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(c) *Historical liquidity of the Shares*

The table below sets out information of the trading liquidity of the Shares during the Review Period:

Month/Period	Total trading volume <i>Number of Shares</i>	Number of trading days	Average daily trading volume <i>Number of Shares</i>	Percentage of average daily trading volume to the total number of issued Shares <i>(Note)</i> %
2023				
From 12 January 2023 to				
31 January 2023	1,219,750	11	110,886	0.016
February	11,183,500	20	559,175	0.082
March	363,250	23	15,793	0.002
April	104,889,249	17	6,169,956	0.906
May	4,421,001	21	210,524	0.031
June	3,840,000	21	182,857	0.027
July	719,250	20	35,963	0.005
August	1,614,250	23	70,185	0.010
September	124,250	19	6,539	0.001
October	1,342,752	20	67,138	0.010
November	221,000	22	10,045	0.001
December	320,000	19	16,842	0.002
2024				
From 2 January 2024 to				
12 January 2024	128,000	9	14,222	0.002

Source: The Stock Exchange (<http://www.hkex.com.hk>)

Note: It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

As shown in the above table, the average daily trading volume of the Shares in each month/period ranged from 6,539 Shares in September 2023 to 6,169,956 Shares in April 2023 during the Review Period, representing approximately 0.001% to 0.906% of the total number of issued shares as at the end of the month/period respectively. We noted from the above table that the liquidity of the Shares was generally thin during the Review Period.

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As aforementioned, the Subscription Price of HK\$0.58 is generally below the Closing Prices throughout the majority of the Review Period. Given that (i) the generally thin liquidity of the Shares during the Review Period; and (ii) the general sideways trend of the Closing Prices from 26 April 2023 to the Last Trading Day, we consider that it is reasonable to offer a slight discount for the Subscription Price to encourage the Qualifying Shareholders to subscribe for the Rights Shares; or the Unsubscribed Rights Shares and the NQS Rights Shares to the Placee(s) pursuant to the Placing Agreement.

(d) Comparison with recent rights issue exercises

In order to assess the fairness and reasonableness of the terms of the Rights Issue, we also conducted market research on the recent proposed rights issue exercise which were announced in the six-month period preceding the Last Trading Day (i.e. from 12 July 2023 to 12 January 2024). We identified an exhaustive list of 16 comparables (the “**Rights Issue Comparable(s)**”) based on the selection criteria that (i) the shares of the company are listed on the Stock Exchange; and (ii) the proposed rights issue is subject to the shareholders’ approval. We consider that the aforementioned selection criteria of the Rights Issue Comparables during the six months prior to and including 12 January 2024 allows us to (i) capture the Rights Issue Comparables, which could provide a general reference for the recent market practice in relation to the principal terms of rights issue; and (ii) generate a sufficient sample size for the purpose of our comparable analysis. Shall the Rights Issue Comparables be different in their principal activities, business nature, market capitalisations, financial performance and financial positions as compared to the Company, having considered that our analysis is mainly concerned of the principal terms of the rights issues under the prevailing market condition and sentiment, we consider that the Rights Issue Comparables can provide a general reference in relation to the terms of rights issue under recent market condition and sentiment. In view of the above, we are of the view that the Rights Issue Comparables are fair and representative.

Details of the Rights Issue Comparables are set out below:

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No.	Name of company (stock code)	Date of initial announcement	Basis of entitlement	Premium/ (Discount) of the subscription price over/ (to) the average closing price for the Premium/ (Discount) of the subscription price over/(to) the last five consecutive trading days immediately prior to and including the respective last trading day			Excess application	Placing commission <i>Note 1</i>	Maximum dilution effect of shareholding <i>Note 2</i>	Theoretical dilution effect
				last trading day	last trading day	last trading day				
1	Tasty Concepts Holding Limited (8096)	14 July 2023	5 for 2	4.70	3.60	1.50	N	Fixed fee of HK\$100,000 or 2.5%, whichever is higher (<i>Note 3</i>)	71.43	2.60
2	Artgo Holdings Limited (3313)	28 July 2023	2 for 1	(4.76)	(5.93)	(0.42)	N	1.0	66.67	6.50
3	Almana Limited (8186)	11 August 2023	3 for 1	(26.70)	(29.00)	(8.30)	N	1.0	75.00	22.60
4	Wisdomcome Group Holdings Limited (8079)	15 August 2023	3 for 1	(22.40)	(18.20)	(6.30)	Y	N/A	75.00	16.80
5	Royal Century Resources Holdings Limited (8125)	15 September 2023	5 for 1	(19.30)	(17.90)	(3.80)	N	1.0	83.33	16.10
6	Universe Printshop Holdings Limited (8448)	3 October 2023	3 for 2	(14.81)	(18.44)	(8.00)	N	1.5	60.00	11.06
7	GoFintech Innovation Limited (290)	17 October 2023	3 for 1	(9.09)	(12.28)	(2.44)	N	1.0	75.00	9.97
8	Da Yu Financial Holdings Limited (1073)	17 November 2023	1 for 1	11.11	11.11	4.90	Y	N/A	50.00	N/A (<i>Note 4</i>)
9	Cool Link (Holdings) Limited (8491)	20 November 2023	3 for 1	(28.70)	(28.70)	(9.50)	N	1.5	75.00	22.10

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No.	Name of company (stock code)	Date of initial announcement	Basis of entitlement	Premium/ (Discount) of the subscription price over/ (to) the average closing price for the Premium/ (Discount) last five consecutive trading days immediately prior to and including the respective last trading day			Excess application	Placing commission	Maximum dilution effect of shareholding	Theoretical dilution effect
				last trading day	last trading day	last trading day				
10	Lapco Holdings Limited (8472)	24 November 2023	3 for 1	(30.23)	(19.35)	(9.77)	N	2.5	75.00	22.67
11	IBO Technology Company Limited (2708)	28 November 2023	3 for 1	(25.17)	(25.68)	(7.56)	Y	N/A	75.00	19.26
12	China Financial Leasing Group Limited (2312)	1 December 2023	1 for 1	(32.60)	(32.40)	(19.50)	Y	N/A	50.00	16.30
13	Finsoft Financial Investment Holdings Limited (8018)	5 December 2023	3 for 1	(28.16)	(26.00)	(8.92)	N	3.5	75.00	21.12
14	Major Holdings Limited (1389)	14 December 2023	2 for 3	(53.10)	(51.77)	(40.35)	N	3.0	40.00	21.24
15	Sun Kong Holdings Limited (8631)	28 December 2023	2 for 1	(34.78)	(34.78)	(15.49)	N	1.0	66.67	23.49
16	Teamway International Group Holdings Limited (1239)	10 January 2024	1 for 1	(32.77)	(32.77)	(19.60)	N	0.5	50.00	16.39
			Average	(21.67)	(21.16)	(9.60)		1.6	66.44	16.55
			Maximum	11.11	11.11	4.90		3.5	83.33	23.49
			Minimum	(53.10)	(51.77)	(40.35)		0.5	40.00	2.60
	The Company	12 January 2024	2 for 1	(1.69)	-	-	N	2.0	66.67	1.69

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Source: The Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. N/A denotes that the respective Rights Issue Comparables did not involve placing agents;
2. Calculation formula of maximum dilution effect of shareholding: $(\text{number of new shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the new shares under the basis of entitlement} + \text{number of new shares to be issued under the basis of entitlement}) \times 100\%$;
3. Such Rights Issue Comparable is different from usual market practice of placing commission charging on a percentage, the placing commission of such Rights Issue Comparable is determined on fixed amount or percentage of the placing commission, whichever is higher. As such, it is excluded from the analysis; and
4. Such Rights Issue Comparable has no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the theoretical diluted price of approximately HK\$0.143 per share is higher than the benchmarked price of HK\$0.135 per share (as defined under Rule 7.27B of the Listing Rules, which is the higher of the closing price on the last trading day of HK\$0.135 per share and the average closing prices of the shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the last trading day of approximately HK\$0.135 per Share).

As shown in the above table, we noted that 14 out of 16 Rights Issue Comparables set the subscription price at a discount to their prevailing market price. It demonstrates that it is common to set the subscription price of a rights issue at a discount to its prevailing market price in order to encourage the existing shareholders to participate the rights issue.

Based on the above Rights Issue Comparables, we can also summarize our findings:

- (i) the subscription price to the closing price on the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 53.10% to a premium of approximately 11.11%, with an average discount of approximately 21.67%. The Subscription Price represents a slight discount of approximately 1.69% to the theoretical closing price per Consolidated Share on the Last Trading Day, which is within the range of that of the Rights Issue Comparables;
- (ii) the subscription price to the average closing price for the last five consecutive trading days immediately prior to and including the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 51.77% to a premium of approximately 11.11%, with an average discount of approximately 21.16%. The Subscription Price represents no discount to the theoretical average closing price per Consolidated Share for the last five consecutive trading days immediately prior to and including the Last Trading Day, which is also within the range of that of the Rights Issue Comparables;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iii) the subscription price to the theoretical ex-right price on the respective last trading day of the Rights Issue Comparables ranged from a discount of approximately 40.35% to a premium of approximately 4.90%, with an average discount of approximately 9.60%. The Subscription Price represents no discount to the theoretical ex-rights price per Consolidated Share on the Last Trading Day, which is also within the range of that of the Rights Issue Comparables; and
- (iv) the theoretical dilution effect of the Rights Issue Comparables ranged from approximately 2.60% to 23.49%, with an average of approximately 16.55%. The theoretical dilution effect of the Rights Issue of approximately 1.69% is lower than all the Rights Issue Comparables.

Having considered that

- (i) it is a common market practice for the companies listed on the Stock Exchange to set the subscription price of a rights issue at a discount to the market price in order to encourage the existing shareholders to participate the rights issue;
- (ii) the discounts represented by the Subscription Price to the theoretical closing price on the Last Trading Day, the average theoretical closing price for the last five consecutive trading days immediately prior to and including the Last Trading Day and the theoretical ex-rights price per Consolidated Share fall within the respective range of that of the Rights Issue Comparables;
- (iii) the closing price of the Shares was generally in sideways trend from 26 April 2023 to the Last Trading Day;
- (iv) the trading volume of the Shares was thin during the Review Period;
- (v) the immediate funding needs of the Group to reduce the Group's level of liabilities in both the short-run and long-run, lower the finance costs and allow the Group to have greater financial flexibility to allocate any savings towards strategic development and general working capital;
- (vi) the Rights Issue would strengthen the capital base of the Group;
- (vii) other alternative fund raising methods may not be feasible as discussed in the paragraph headed "3. Other financing alternatives" above in this letter; and

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(viii) all the Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and to take up their entitlements in full at the same price to maintain their respective shareholdings in the Company,

nothing has come to our attention that the Subscription Price is not fair and reasonable and not in the interest of the Company and the Shareholders as a whole.

(e) No excess application

As stated in the Letter from the Board, there will be no excess application arrangements in relation to the Rights Issue. As shown in the table of the Rights Issue Comparables, 12 out of 16 Rights Issue Comparables also did not offer excess application for their shareholders. As such, we consider that the absence of excess application in rights issue is not an uncommon market practice. Instead of the arrangement of the excess application, the Company has arranged the Compensatory Arrangements and the Placing.

(f) Placing commission

On 12 January 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares as part of the Compensatory Arrangements. For further details of the principal terms of the Placing Agreement, please refer to paragraph headed "The Placing Agreement" in the Letter from the Board.

Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission, being 2.0% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent. Based on the above table of the Rights Issue Comparables, we noted that the placing commission of the Rights Issue Comparables ranged from 0.5% to 3.5%, with an average of approximately 1.6%. The placing commission under the Placing Agreement is within the range of the Rights Issue Comparables. Based on the above, we are of the view that the placing commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. Potential dilution effects of the Rights Issue on the shareholding structure of the Group

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. According to the paragraph headed "Effects on the shareholding structure of the Company" in the Letter from the Board, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 66.67%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to several factors such as the actual results of acceptance of the Rights Issue.

With reference to the Letter from the Board, there will be a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 1.69%, represented by the theoretical diluted price of approximately HK\$0.58 to the benchmarked price of approximately HK\$0.59 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation).

We are aware of the potential dilution effects of the Rights Issue. Nonetheless, we consider that the foregoing should be balanced by the following factors:

- (i) the immediate funding needs for the Company to repay the indebtedness, lower the finance costs and allow the Group to have greater financial flexibility to allocate any savings towards strategic development and general working capital;
- (ii) Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- (iii) Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company;
- (iv) Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) Qualifying Shareholders who wish to increase their shareholding interests in the Company through the Rights Issue may, subject to availability, acquire additional nil-paid Rights Shares in the market;
- (vi) the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders;
- (vii) the maximum dilution effect of shareholding of the Rights Issue of approximately 66.67% is close to the average maximum dilution of approximately 66.44% and within the range of the maximum dilution of the Rights Issue Comparables;
- (viii) the theoretical dilution effect of the Rights Issue of approximately 1.69% is lower than all the Rights Issue Comparables; and
- (ix) the Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue through their votes at the EGM.

Having considered the above, we are of the view that the potential dilution effect on the shareholding is acceptable.

6. Possible financial effects of the Rights Issue

Regarding the financial effects of the Rights Issue, Shareholders should consider the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as stated in the section headed "Appendix II Unaudited pro forma financial information of the Group" (the "**Pro Forma Information**") in this Circular for details.

As stated in the Pro Forma Information, as at 30 June 2023, the Group had net tangible liabilities of approximately HK\$238.2 million. According to the Pro Forma Information, assuming completion of the Rights Issue took place on 30 June 2023, the net tangible liabilities position would improve from approximately HK\$238.2 million to HK\$162.3 million.

It should be noted that the aforementioned analyses is for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration of the above factors and reasons, we are of the view and concur with the Directors' view that the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolution(s) at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Dakin Capital Limited
Tam Kin Fong
Managing Director

Note: Mr. Tam Kin Fong is a responsible officer of Dakin Capital Limited, which is licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December, 2020, 2021 and 2022 and the six-month period ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.tongdahongtai.com>) respectively:

- (i) the unaudited financial information of the Group for the six-month period ended 30 June 2023 is disclosed in the 2023 interim report of the Company for the six months ended 30 June 2023 published on 14 September 2023, from pages 12 to 20
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0914/2023091400402.pdf>);
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 17 April 2023, from pages 39 to 108
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0417/2023041701493.pdf>);
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 06 April 2022, from pages 37 to 108
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0406/2022040600800.pdf>); and
- (iv) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021, from pages 37 to 104
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200969.pdf>).

B. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 January 2024, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the respective indebtedness of the Group is as follows:

Borrowings

As at the close of business on 31 January 2024, the Group had outstanding borrowings of approximately HK\$267.2 million, comprising (i) unguaranteed and unsecured borrowings from the independent third parties of approximately HK\$259.0 million; (ii) unguaranteed and unsecured borrowings from the related parties of approximately HK\$5.8 million; (iii) unguaranteed and unsecured Shareholder's loan of approximately HK\$2.4 million.

Lease liabilities

As at the close of business on 31 January 2024, the Group had lease liabilities of approximately HK\$9.5 million.

Save as disclosed above, at the close of business on 31 January 2024, the Group did not have any other loan capital issued and outstanding or agreed to be issued but unissued, loans, bank overdrafts or other similar indebtedness, lease liabilities or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits, mortgage, charges, guarantees or other material contingent liabilities.

C. WORKING CAPITAL STATEMENT

The Board, after due and careful consideration, is of the opinion that, after taking into account the estimated net proceeds from the Rights Issue and its presently available financial resources, including funds internally generated from operation, the Group will have sufficient working capital for its operation for at least the next twelve months from the date of this circular.

D. MATERIAL ADVERSE CHANGE

The Board confirms that there has been no material adverse change in the financial or trading position of the Group since 31 December 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.

E. BUSINESS REVIEW AND FINANCIAL AND TRADING PROSPECTS

The Group is a “one-stop” manufacturing solution provider of casings for notebooks and other accessories. The Group is principally engaged in the manufacturing and the sales of the casings and components of notebooks.

As set out in the interim report of the Company for the six months ended 30 June 2023, the Group’s revenue decreased from approximately HK\$82.0 million for the six months ended 30 June 2022 (“IR2022”) to approximately HK\$46.8 million for the six months ended 30 June 2023 (“IR2023”), representing a decrease of approximately 42.9%. Such decrease in revenue was mainly due to the operation restructuring of the Group commenced during FY2022 continued during IR2023 and the Group had carried on with its reassessment of its projects to improve the operating cashflow, resulting in less sales orders received. The Group recorded a gross loss of approximately HK\$6.6 million for IR2023, as compared to a gross profit of approximately HK\$4.6 million for IR2022, which was mainly due to the Group’s production efficiency and yield were impacted negatively by external unfavorable challenges such as increasing geopolitical instability and associated risks, the surge of global inflation tackled by interest rate hike policy in many countries, and the significantly tightened currencies of various major economies while the Group’s operation restructuring commenced during FY2022 continued during IR2023.

In order to improve the business operations and diverse the risks, the Group will continuously implement the tightened cost controls and adjustments on organization structure. The Group will continue to pay attention to the latest development trend of the market of notebook computers, explore the possibilities of relocating its production facilities to lower-cost areas such as South-East Asia and explore to capture business opportunities in the manufacturing of electric vehicles and their infrastructures as well as research and investment in innovative technology projects by making use of our existing production facilities and production techniques.

Given the tough industry challenges, the Group is confident that the business strategies outlined as aforesaid will set it on the trajectory for preserving and generating value to the shareholders of the Company, and will strive to explore more development opportunities to further improve its profitability and create better returns for its shareholders.

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

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been taken place on 30 June 2023.

The unaudited pro forma financial statement of adjusted consolidated net tangible assets of the Group attribute to equity holders of the Company is prepared based on the unaudited net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023, as extracted from the published interim report of the Company for the six months ended 30 June 2023 and is adjusted for the effect of the Rights Issue.

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, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to equity holders of the Company immediately after completion of the Rights Issue or at any future dates.

Unaudited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 30 June 2023 <i>(Note 2)</i> HK\$'000	Unaudited consolidated net tangible liabilities of the Group per Share as at 30 June 2023 <i>(Note 3)</i> HK\$	Estimated net proceeds from the Rights Issue <i>(Note 4)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group immediately after the completion of the Rights Issue HK\$'000	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group immediately after the completion of the Rights Issue HK\$
Based on 136,149,382 Rights Shares to be issued at the Subscription Price of HK\$0.58 per Rights Share				
<u>(238,243)</u>	<u>(3.50)</u>	<u>75,967</u>	<u>(162,276)</u>	<u>(0.79)</u>

Notes:

1. Based on the 136,149,382 Rights Shares to be issued at the Subscription Price of HK\$0.58 per Rights Share pursuant to the Rights Issue on the basis of two Rights Shares for every one Consolidated Share held and 68,074,691 Shares in issue after Share Consolidation as at the Latest Practicable Date.
2. The unaudited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at 30 June 2023 is based on the capital and reserves attributable to the equity holders of the Company as at 30 June 2023 of approximately HK\$238,243,000, as extracted from the published interim report of the Company for the six months ended 30 June 2023.
3. The calculation of consolidated net tangible assets of the Group per Consolidated Share is based on the 68,074,691 Consolidated Shares in issue as at 30 June 2023 as if the Share Consolidation had become effective as at 30 June 2023.
4. The estimated net proceeds from the Rights Issue are calculated based on 136,149,382 Rights Shares, derived on the basis of two Rights Shares for every one Consolidated Share to be held on the Record date based on 68,074,691 Consolidated Shares in issue immediately before the Rights Issue, to be issued at the Subscription Price of HK\$0.58 per Rights Share, after deduction of the estimated related expenses, including among others, financial advisory fee and other professional fees, which are directly attributable to the Rights Issue, of approximately HK\$3,000,000.

HK\$'000

Gross proceed	78,967
Less: Transaction costs	(3,000)
	<hr/>
Net proceed	75,967
	<hr/> <hr/>

5. The unaudited pro forma adjusted consolidated net tangible liabilities per Consolidated Share immediately after the completion of the Rights Issue is calculated based on 204,224,073 Consolidated Shares, comprising 68,074,691 Consolidated Shares in issue as at 30 June 2023 as if the Share Consolidation had become effective as at 30 June 2023 and 136,149,382 Rights Shares expected to be issued on the completion of the Rights Issue.
6. No adjustments have been made to reflect any trading results of other transactions of the Group entered into subsequent to 30 June 2023.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE GROUP**

The following is the text of the independent reporting accountants' assurance report received from D & Partners CPA Limited, Certified Public Accountants, the reporting accountants of the Company, in respect of the Company's unaudited pro forma financial information prepared for the purpose of incorporation in this document.

**To the Directors of Tongda Hong Tai Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Tongda Hong Tai Holdings Limited (the “**Company**”) and its subsidiaries (herein after 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 as at 30 June 2023 and related notes as set out on pages II-1 to II-2 of Appendix II to the Circular issued by the Company dated 29 February 2024 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the rights issue of 136,149,382 rights shares at HK\$0.58 per rights share on the basis of two rights shares for every one consolidated share (the “**Rights Issue**”) on the Group’s financial position as at 30 June 2023 as if the Rights Issue had taken place at 30 June 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2023, 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 (“**AG**”) 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “**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 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or 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 the unaudited pro forma financial information included in the Circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights issue had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue 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 Rights Issue, 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 Rights Issue 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

D & PARTNERS CPA LIMITED
Certified Public Accountants

Hong Kong, 29 February 2024

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(a) Share Capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Share Consolidation; (iii) immediately upon completion of the Change in Board Lot Size; (iv) immediately upon completion of increase in authorized share capital; (v) immediately upon completion of the Rights Issue; and (vi) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

(a) *As at the Latest Practicable Date*

Authorised:		<i>HK\$</i>
<u>1,000,000,000</u>	Existing Shares	<u>10,000,000.00</u>
Issued and fully paid:		
<u>680,746,914</u>	Existing Shares	<u>6,807,469.14</u>

(b) *Immediately upon completion of the Share Consolidation and the Change in Board Lot Size but before the completion of the Rights Issue (assuming no change in the number of issued Shares)*

Authorised:		<i>HK\$</i>
<u>100,000,000</u>	Consolidated Shares	<u>10,000,000.00</u>
Issued and fully paid:		
<u>68,074,691</u>	Consolidated Shares	<u>6,807,469.10</u>

- (c) *Immediately upon completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)*

Authorised:		<i>HK\$</i>
<u>100,000,000</u>	Consolidated Shares	<u>10,000,000.00</u>
Issued and fully paid:		
<u>204,224,073</u>	Consolidated Shares	<u>20,422,407.30</u>

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

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

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

3. DISCLOSURE OF INTERESTS

Interest in the Company

(i) *Substantial shareholders and other persons' interests in Shares and underlying Shares*

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each of such person's interests in such securities, together with particulars of any options in respect of such capital:

Long position in the Shares:

Name	Number of shares held, capacity and nature of interest				Approximate percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Notes	Total	
Mr. Wang Ya Hua	-	187,044,814	1	187,044,814	27.48%
Mr. Wong Ah Yeung	-	187,044,814	1	187,044,814	27.48%
Mr. Wong Ah Yu	-	187,044,814	1	187,044,814	27.48%
Mr. Wang Ya Nan	-	187,044,814	1	187,044,814	27.48%

Notes:

- (1) 187,044,814 Shares are held by Landmark Worldwide, the issued share capital of which is beneficially owned as to 25% by each of Mr. Wong Ah Yu, Mr. Wang Ya Nan Mr. Wong Ah Yeung and Mr. Wang Ya Hua.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement; or (ii) was a continuous contract with a notice period of 12 months or more; or (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

7. LITIGATIONS

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially or adversely affect the operations of the Company and no litigation, arbitration or claim which would materially or adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any member of the Group.

8. EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinion or advice which are contained in this circular:

Name	Qualifications
Dakin Capital Limited	a licensed corporation carrying out type 6 (advising on corporate finance) regulated activity under the SFO
D & Partners CPA Limited	Certified Public Accountants

Each of Dakin Capital Limited and D & Partners CPA Limited have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letter, report and/or references to their name in the form and context in which they respective appear.

As at the Latest Practicable Date, each of Dakin Capital Limited and D & Partners CPA Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Dakin Capital Limited and D & Partners CPA Limited did not have any direct or indirect interests in any assets which have been, since 31 December 2022 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

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

- (a) the Placing Agreement.

10. EXPENSES

The expenses in connection with the Rights Issue, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK\$3.0 million, which are payable by the Company.

11. CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Head office and principal place of business in Hong Kong	Room 1203, 12th Floor Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
Authorised representatives	Mr. Lee King On Jeff Mr. Wong Ming Li

Company secretary	Mr. Lee King On Jeff Room 1203, 12th Floor Shui On Centre 6-8 Harbour Road Wanchai, Hong Kong
Legal advisor to the Company	<i>As to Hong Kong laws:</i> CFN Lawyers in association with Broad & Bright Room Nos. 4101-4104, 41/F, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong <i>As to Cayman Islands laws:</i> Conyers Dill & Pearman, Cayman Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Financial adviser and Placing agent	VBG Capital Limited 21/F., The Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong
Independent Financial Adviser	Dakin Capital Limited Suite 3111A, 31/F Tower 2, Lippo Centre 89 Queensway Hong Kong
Auditor	D & Partners CPA Limited <i>Certified Public Accountants</i> 2201, 22/F, West Exchange Tower 322 Des Voeux Road Central Sheung Wan Hong Kong

Principal share registrar	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Principal bankers	In Hong Kong Hang Seng Bank Limited 83 Des Voeux Road Central Central Hong Kong Standard Chartered Bank (Hong Kong) Limited 32nd Floor, 4-4A Des Voeux Road, Central Hong Kong In the PRC China Construction Bank Changshu Branch 34 North Hai Yu Road Changshu Jiangsu Province PRC United Overseas Bank (China) Limited Suzhou Branch Unit 1801, Tower 1 Jinghope Square No. 88, Huachi Street Suzhou Industrial Park Suzhou Jiangsu Province PRC

12. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Correspondence address
<i>Chief Executive Director</i>	
Mr. Wong Ming Li	Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Mr. Lee King On Jeff	Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Mr. Wang Ming Zhi	Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. Chan Shiu Man	Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Mr. Wan, Aaron Chi Keung	Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Mr. Chan Luk On	Room 1203 12th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong

Audit committee

Mr. Chan Shiu Man (*Chairman*)
Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Wan, Aaron Chi Keung
Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Chan Luk On
Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Nomination committee

Mr. Chan Shiu Man (*Chairman*)
Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Wan, Aaron Chi Keung
Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Chan Luk On
Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Remuneration committee

Mr. Wan, Aaron Chi Keung (*Chairman*) Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Chan Shiu Man Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Chan Luk On Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Senior management

Mr. Guo Qi Cai Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Mr. Ba Ping An Room 1203
12th Floor Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

13. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**Executive Directors**

Mr. Wong Ming Li, aged 41, is an executive Director and the chief executive officer (the “CEO”) of the Group. He is responsible for overall strategic directions and business operations of the Group. He has been the general manager of Tongda Suzhou since May 2010 and was re-designated as an executive Director on 21 March 2016 and appointed as the CEO on 24 September 2018. He was employed by Tongda Shishi as a manager of the procurement department from September 2007 to May 2010. Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products and Mr. Wong Ming Li was responsible for the overall management of the procurement cycle. He graduated from Macquarie University, Australia with a bachelor’s degree of Commerce in April 2007. He has over 11 years’ experience in the electronics and electrical industry. He is a son of Mr. Wong Ah Yu, a substantial shareholder and nephew of Mr. Wang Ming Zhi, an executive Director and the nephew of Mr. Wong Ah Yeung and Mr. Wang Ya Hua, each of whom is a substantial shareholder of the Company.

Mr. Lee King On Jeff (“Mr. Lee”), aged 42, was appointed as Executive Director and Company Secretary of the Group on 2 December 2022. He is responsible for the finance, strategic planning, and treasury of the Group. Mr. Lee holds a Bachelor of Accounting Degree from The University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants since 2010 and Association of Chartered Certified Accountants since 2020.

Mr. Lee has more than 15 years of experience in listed companies and audit firms and possesses extensive experience in accounting, audit, and financial management. He worked for UMP Healthcare Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 722), from July 2009 to February 2021 with his last position as senior accounting manager and was responsible for, including but not limited to, managing the group treasury functions including cash flow management, risk management and funding. Before that, Mr. Lee worked in different audit firms and was responsible for accounting and auditing.

Mr. Wang Ming Zhi, aged 41, is an executive Director and is responsible for overall strategic directions and financial reporting of the Group. He was appointed as a financial manager of Tongda Suzhou in May 2010 and was re-designated as an executive Director on 21 March 2016. He was an accounting, financial laws and regulations teacher in Shishi Peng Shan Trade and Industrial School* (石獅鵬山工貿學校) from August 2004 to September 2006. From September 2006 to October 2009, he served as an office supervisor in Shishi Wannian Plastic Co., Ltd.* (石獅萬年塑料有限公司) which principally operates in the plastic packaging business and he was responsible for the overall human resources and administration of the company. He has held the position of leader of cost department in Tongda Shishi from October

2009 to May 2010, which he was mainly responsible for cost control, budget forecast and cost analyses of Tongda Shishi. As mentioned above, Tongda Shishi principally manufactures and sells casings and accessories for handsets and electrical appliance products. He has over 10 years' experience in the electronics and electrical industry. He obtained a bachelor's degree in Management (School of Tourism) from Fujian Agriculture and Forestry University (福建農林大學) in July 2004.

Independent non-executive Directors

Mr. Wan, Aaron Chi Keung ("Mr. Wan"), aged 74, obtained an Executive Master of Business Administration from The Chinese University of Hong Kong in 2008 and a Master of Buddhist studies from The University of Hong Kong in 2010. Mr. Wan was appointed as a Justice of the Peace (JP) in 1997 and was awarded the Bronze Bauhinia Star (BBS) in the Hong Kong Special Administrative Region 2004 Honours List. Mr. Wan is engaged in the business of property and chattel valuation and auction and has over 37 years of related experience. Mr. Wan is a fellow of The Royal Institution of Chartered Surveyors, an associate of The Institution of Business Agents, an associate of The Land Institute (London), an associate of The Chartered Institute of Arbitrators and a fellow of The Institute of Administrative Accounting. Mr. Wan is currently appointed as the chairman of the board of Associated Surveyors & Auctioneers Limited, the chief auctioneer of Pruden Asset Consulting and Auctioneers Limited, the honorary chairman of Prucom Digital Solutions Limited, the program presenter of Radio Television Hong Kong TV Programming and Administration Unit "New Legco Review", the program host of Now TV "Comprehensive current affairs", the chairman of EN Lighting Solutions Company Limited and Associated Credit Management Limited, the independent non-executive director of Lee & Man Chemical Company Limited (a company listed on the main board of the Stock Exchange, stock code: 746) and CNC Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8356). He was an independent non-executive director of Universe Printshop Holdings Limited (a company listed on GEM of the Stock Exchange, stock code: 8448) from February 2018 to July 2022.

Mr. Chan Shiu Man ("Mr. Chan"), aged 57, was appointed as an independent non-executive Director on 2 December, 2022. He is also a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. Mr. Chan is a certified public accountant in Hong Kong. He holds a master degree in finance from University of Hawaii at Manoa of the United States of America (the "US").

Mr. Chan has over 30 years of experience in financial management and control, corporate restructuring, corporate finance and investment projects evaluation. He has worked for various companies in the US, including a NASDAQ listed company to establish financial operation in Japan, Europe, and the People's Republic of China (the "PRC"). Mr. Chan also has experience in consulting on corporate finance, project financing and accounting issues to companies in US,

Europe and the PRC. From October 2011 to April 2019, Mr. Chan was an independent nonexecutive director of Zhongda International Holdings Limited (stock code: 0909). From August 2016 to September 2022, Mr. Chan was an independent non-executive director of Zhao Xian Business Ecology International Holdings Limited (formerly known as On Real International Holdings Limited) (stock code: 8245). From July 2017 to August 2018, Mr. Chan was a non-executive Director of Century Energy International Holdings Limited (formerly known as China Oil Gangran Energy Group Holdings Limited) (stock code: 8132).

Mr. Chan Luk On (“**Mr. Chan**”) aged 62, is a senior educator in Hong Kong, especially in national education and innovation and technology education. Mr. Chan Luk On graduated from the Far Eastern Aviation School majoring in radio communications engineering. Mr. Chan Luk On has more than 35 years of experience in education and talent training and has established a number of cram schools and training institutions. Mr. Chan Luk On has established multiple cram schools in Hong Kong and has assisted its students to achieve excellent results. He is currently the Director-General of the International Cultural Exchange Center of the Hong Kong Federation of Education Workers and at the same time, he is also the director of the Innovation and Technology Education Center of the Hong Kong Federation of Education Workers, promoting innovation and technology knowledge among teachers in Hong Kong and the Greater Bay Area, and has cooperated with many well-known high-tech companies, such as SenseTime, China Mobile and NetDragon Websoft in the PRC. In addition, Mr. Chan Luk On serves as a consultant and voluntary work for a number of social groups, such as, the Secretary General of the Hong Kong Scientists Association, the Vice Chairman of the Society of Hong Kong History, member of the Animal Experimentation Ethics Committee of The Chinese University of Hong Kong, consultant of the Good Home Good Man Association, etc.

Senior Management

Mr. Guo Qi Cai (“**Mr. Guo**”), aged 72, has been a deputy general manager and a chief engineer of the Group since May 2010 who is primarily responsible for the overall research and development activities for mould fabrication and technologies applied by the Group. Before joining the Group, Mr. Guo worked in Nanjing 6902 Factory* (南京6902工廠) from 1970 to 1985 as an engineer. He then worked in Xiamen Gaoning Electronics Co., Ltd.* (廈門高寧電子有限公司) from 1985 to 1994 and his last position was a general manager. Mr. Guo worked in Tongda Shishi from 1994 to 2010 as the assistant general manager and chief engineer. He has over 40 years of experience in design and development of moulds in the electronics industry. He studied machinery manufacturing in Chongqing Institution of Communication Engineering* (重慶通訊工程學院) from 1975 to 1978. He has not held any directorships in any public listed companies in the past three years.

Mr. Yang Zhi Ling (“**Mr. Yang**”), aged 52, has been a general manager of the Group since February 2022 who is primarily responsible for the overall project development and to improve the production process of the Group. Mr. Yang has over 20 years of experience in monitoring new factory and facilities setup and business improvement. Before joining the Group, Mr. Yang worked in Wonderful Technology (Henan) Co., Limited from 2013 to 2022 and his last position was a general manager. Mr. Yang worked in Tongda Shishi from 2007 to 2013 as the BU manager. He has not held any directorships in any public listed companies in the past three years.

Company Secretary

Mr. Lee King On Jeff, aged 42, was appointed by the Board as the Company Secretary on 2 December 2022. The biographical details of Mr. Lee are set out under the section headed “**PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**” in this report.

The primary duties of the Company Secretary include, but are not limited to, the following: (a) to ensure the Board procedures are followed and that the activities of the Board are carried out efficiently and effectively; (b) to assist the chairman to prepare agendas and Board papers for meetings and disseminate such documents to the Directors and Board committees in a timely manner; (c) to timely disseminate announcements and information relating to the Group; and (d) to maintain formal minutes of the Board meetings and other Board committee meetings.

Mr. Lee has confirmed that he had received no less than 15 hours of relevant professional training for the year ended 31 December 2023.

14. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Chan Shiu Man (the chairman of the Audit Committee), Mr. Wan, Aaron Chi Keung and Mr. Chan Luk On. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “**13. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT**” in this appendix. The primary duties of the Audit Committee include, among other things, reviewing and supervising the financial reporting process and internal control systems, as well as the overall risk management of the Group, reviewing the consolidated financial statements and the interim and annual reports of the Group, reviewing the terms of engagement and scope of audit work of the external auditor, and performing the corporate governance function.

15. DOCUMENTS ON DISPLAY

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

- (a) the Memorandum of Association and the Articles of Association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2020, 2021 and 2022;
- (c) Interim report of the Company for six months ended 30 June 2023;
- (d) the letter from the Board, the text of which is set out on pages 7 to 33 of this circular;
- (e) the letter from the Independent Board Committee, the text of which is set out on page 34 of this circular;
- (f) the letter from the Independent Financial Adviser, the text of which is set out on pages 35 to 58 of this circular;
- (g) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (h) the material contracts referred to in the paragraph headed “9. Material contracts” in this appendix;
- (i) the written consents from the Experts referred to in paragraph headed “8. Experts and Consents” of this appendix; and
- (j) this circular.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (c) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

NOTICE OF EGM



TONGDA HONG TAI HOLDINGS LIMITED

通達宏泰控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2363)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Tongda Hong Tai Holdings Limited (the “Company”) will be held at 21/F., The Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong on Friday, 15 March 2024 at 3:00 p.m. (Hong Kong time), or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolutions:

ORDINARY RESOLUTIONS

1. “THAT

subject to and conditional upon (i) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Consolidation (as defined below), and (ii) the Listing Committee of the Stock Exchange (as defined below) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below) arising from the Share Consolidation, with effect from the next business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”):

- (a) every ten (10) issued and unissued shares of par value HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of par value HK\$0.1 (each a “Consolidated Share”), and such Consolidated Share(s) shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “Share Consolidation”);
- (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the board of directors (the “Directors”) of the Company may think fit; and

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- (c) 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 Share Consolidation.”
2. **“THAT:**
- (a) the authorised share capital of the Company be increased from HK\$10,000,000 divided into 1,000,000,000 Existing Shares (equivalent to 100,000,000 Consolidated Shares assuming the Share Consolidation has become effective) to HK\$60,000,000 divided into 6,000,000,000 Existing Shares (equivalent to 600,000,000 Consolidated Shares assuming the Share Consolidation has become effective) by the creation of an additional 5,000,000,000 new Existing Shares (equivalent to 500,000,000 new Consolidated Shares assuming the Share Consolidation has become effective) (the **“Increase in Authorised Share Capital”**) and to do all things and execute all document in connection with or incidental to the Increase in Authorised Share Capital.
- (b) the directors of the Company (the **“Directors”**) be and are hereby authorised to execute all such documents, instruments and agreements and to do all such acts or things they consider necessary, desirable or expedient to give effect to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”
3. **“THAT** subject to and conditional upon fulfillment of the conditions of the Placing Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:
- (a) For the purpose of these resolutions, **“Rights Issue”** means the proposed issue by way of rights issue of 136,149,382 shares (the **“Rights Share(s)”**) of HK\$0.10 each in the capital of the Company at the subscription price of HK\$0.58 per Rights Share to the qualifying shareholders (the **“Qualifying Shareholders”**) of the Company whose names appear in the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the **“Non-Qualifying Shareholders”**) with registered addresses outside Hong Kong whom the directors (the **“Directors”**) of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of two Rights Shares

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for every one Consolidated Share (the “**Share(s)**”) of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Placing Agreement (as defined below);

- (b) the placing agreement dated 12 January 2024 (the “**Placing Agreement**”) entered into between the Company and VBG Capital Limited in relation to the placing of the Rights Shares that are not subscribed by the Qualifying Shareholders and Rights Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be) (the “**Unsubscribed Shares**”) at the placing price of at least HK\$0.58 per Unsubscribed Share on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) any the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (d) any the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

By order of the Board
Tongda Hong Tai Holdings Limited
Lee King On Jeff
Executive director

Hong Kong, 29 February 2024

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

Principal place of business in Hong Kong:
Room 1203, 12th Floor
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

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Notes:

- (1) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
- (2) Where The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
- (3) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, 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 no later than 48 hours before the time appointed for holding the EGM, i.e. Wednesday, 13 March 2024 at 3:00 p.m. (Hong Kong time), or any adjournment thereof.
- (4) The register of members of the Company will be closed from Monday, 11 March 2024 to Friday, 15 March 2024, both days inclusive, to determine the eligibility of the Shareholders to attend and vote at the Meeting. The record date for determining the entitlement of the Shareholders to attend and vote at the Meeting will be Friday, 15 March 2024. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with 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, for registration no later than Thursday, 21 March 2024 at 4:30 p.m. (Hong Kong time).
- (5) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) 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 any 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 of the Company in respect of the joint holding.
- (7) The voting at the Meeting shall be taken by way of poll.

As at the date of this notice, the Directors are:

Executive Directors:

Mr. Wong Ming Li

(Chief Executive Officer)

Mr. Lee King On Jeff

Mr. Wang Ming Zhi

Independent non-executive Directors:

Mr. Chan Shiu Man

Mr. Wan, Aaron Chi Keung

Mr. Chan Luk On