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

If you have sold or transferred all your shares in China Demeter Financial Investments Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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國農金融投資有限公司
China Demeter Financial Investments Limited

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

(Stock Code: 8120)

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE;**
(2) CONNECTED TRANSACTION;
(3) APPLICATION FOR WHITEWASH WAIVER;
AND
(4) NOTICE OF SPECIAL GENERAL MEETING

Underwriter to the Rights Issue

Trinity Worldwide Capital Holding Limited

Independent Financial Adviser to

the Independent Board Committee and the Independent Shareholders



Pelican Financial Limited

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

A letter from the Board is set out on pages 14 to 48 of this circular. A letter from the Independent Board Committee is set out on pages 49 to 50 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 51 to 94 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Monday, 21 June 2021 at Room 2301B, 23/F, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Tricor Tengis Limited at 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the SGM (i.e. before 11:00 a.m. on Saturday, 19 June 2021 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the SGM or any adjourned meeting thereof should you so wish.

Please see the section headed "Precautionary measures for the SGM" in this circular for measures being taken to try to prevent and control the spread of the COVID-19 at the SGM.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, upon completion of the Rights Issue, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho) will, in aggregate, hold more than 50% of the Company's voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

28 May 2021

CHARACTERISTICS OF GEM

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

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

PRECAUTIONARY MEASURES FOR THE SGM

The Board has made reference to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the SGM.

VOTING BY PROXY IN ADVANCE OF THE SGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish, and in such case the proxy form previously submitted will be deemed to be revoked.**

PREVENTIVE MEASURES AT THE SGM

The Company will implement the following preventive measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- Compulsory body temperature checks will be conducted on every attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures.
- Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks.
- Seating at the SGM will be arranged so as to reduce interaction between participants.
- No refreshments will be served and no corporate gifts will be distributed at the SGM.

In the interest of all stakeholders’ health and safety and consistent with recent guidelines for prevention and control of COVID-19, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the SGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the SGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 29 March 2021 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver
“associate”	has the meaning ascribed thereto under the GEM Listing Rules and the Takeovers Code
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	China Demeter Financial Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability the issued shares of which are listed on GEM
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Share Options”	the share options granted to certain eligible participants under the share option scheme of the Company adopted on 30 September 2013 conferring the holders thereof the right to subscribe for up to 15,300,000 Shares at a subscription price of HK\$0.2392 per Share (subject to adjustments) as at the Latest Practicable Date
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of providing recommendation to the Independent Shareholders as to whether the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and on how to vote at the SGM
“Independent Financial Adviser”	Pelican Financial Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver

DEFINITIONS

“Independent Shareholder(s)”	the Shareholder(s) other than: (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter, Mr. Ng Ting Kit, its/his associate(s) and parties acting in concert with any one of them; and (iii) any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver and the Irrevocable Undertakings
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and connected person(s) (as defined under the GEM Listing Rules) of the Company and independent of and not acting in concert with the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them
“Irrevocable Undertakings”	the irrevocable undertakings given by each of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho in favour of the Company, the details of which are set out in the section headed “Proposed Rights Issue – Irrevocable Undertakings” in the Letter from the Board in this circular
“Latest Placing Date”	Monday, 26 July 2021 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares
“Latest Placing Time”	4:00 p.m. on the Latest Placing Date
“Latest Practicable Date”	25 May 2021, being the last practicable date prior to the printing of this circular for the purpose of ascertaining information for inclusion in this circular
“Last Trading Day”	Monday, 29 March 2021, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 20 July 2021 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the offer of Rights Shares

DEFINITIONS

“Latest Time for Termination”	4:30 p.m. on the second Business Day immediately after the Latest Time for Acceptance, or such later time as may be agreed between the Company and the Underwriter
“Licensed Subsidiary”	the subsidiary of the Company which is a licensed corporation to carry out regulated activities under the SFO
“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the Placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, and the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Kingkey Securities Group Limited, a licensed corporation to carry out Type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 29 March 2021 (as amended by the Supplemental Placing Agreements) and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Completion Date”	Thursday, 29 July 2021 or such other date as the Company and the Placing Agent may agree in writing, being the date of completion of the Placing
“Placing Period”	a period commencing from the second Business Day after the Latest Time for Acceptance, which is expected to be Thursday, 22 July 2021, and ending at the Latest Placing Time

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Posting Date”	Tuesday, 6 July 2021 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of the Prospectus Documents
“Prospectus Documents”	the Prospectus, PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
“Qualifying Shareholder(s)”	Shareholder(s) who(se) name(s) appear(s) on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 5 July 2021 or such other date as may be agreed between the Company and the Underwriter, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Tengis Limited, the branch share registrar and transfer office of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing from 29 September 2020, being six months prior to the date of the Announcement (29 March 2021), and up to and including the Latest Practicable Date
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	not less than 459,088,545 Shares and not more than 495,808,545 Shares proposed to be allotted and issued by the Company for subscription pursuant to the Rights Issue

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at 11:00 a.m. on Monday, 21 June 2021 at Room 2301B, 23/F, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong to consider, among others, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.10 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Supplemental Placing Agreements”	the supplemental agreement dated 7 May 2021 and the second supplemental agreement dated 14 May 2021 each entered into between the Company and the Placing Agent to amend certain terms of the Placing Agreement
“Supplemental Underwriting Agreements”	the supplemental agreement dated 7 May 2021 and the second supplemental agreement dated 14 May 2021 each entered into between the Company and the Underwriter to amend certain terms of the Underwriting Agreement
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Underwriter”	Trinity Worldwide Capital Holding Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Ng Ting Kit

DEFINITIONS

“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 29 March 2021 (as amended by the Supplemental Underwriting Agreements) in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	Not less than 375,546,045 Rights Shares to 412,266,045 Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code to waive the obligation of the Underwriter to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them as a result of the subscription of the Underwritten Shares by the Underwriter pursuant to the Underwriting Agreement
“%”	per cent

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue, which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change and further announcement(s) will be made by the Company should there be any changes to the expected timetable:

Event	2021
Latest time for lodging transfer of Shares in order to be qualified for attendance and voting at the SGM	4:30 p.m. on Tuesday, 15 June
Register of members of the Company closes (both dates inclusive)	Wednesday, 16 June to Monday, 21 June
Latest time for lodging proxy forms for the SGM (not less than 48 hours prior to the time of the SGM)	11:00 a.m. on Saturday, 19 June
Record date for determining attendance and voting at SGM	Monday, 21 June
Date and time of the SGM	11:00 a.m. on Monday, 21 June
Announcement of results of the SGM	Monday, 21 June
Last day of dealings in the Shares on a cum-rights basis	Tuesday, 22 June
First day of dealings in the Shares on an ex-rights basis	Wednesday, 23 June
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Thursday, 24 June
Register of members of the Company closes (both days inclusive)	Friday, 25 June to Monday, 5 July
Record Date for the Rights Issue	Monday, 5 July
Register of members of the Company re-opens	Tuesday, 6 July

EXPECTED TIMETABLE

Despatch of the Prospectus Documents Tuesday, 6 July

First day of dealings in nil-paid Rights Shares 9:00 a.m. on
Thursday, 8 July

Latest time for splitting of nil-paid Rights Shares 4:30 p.m. on
Monday, 12 July

Last day of dealings in nil-paid Rights Shares 4:00 p.m. on
Thursday, 15 July

**Latest time for lodging transfer documents of
nil-paid Rights Shares in order to qualify for
the Compensatory Arrangements 4:00 p.m. on
Tuesday, 20 July**

**Latest Time for Acceptance of and payment for
the Rights Shares 4:00 p.m. on
Tuesday, 20 July**

Latest time for termination of
the Underwriting Agreement and for
the Rights Issue to become unconditional 4:30 p.m. on
Thursday, 22 July

Announcement of the number of Unsubscribed Rights
Shares subject to the Compensatory Arrangements and
the NQS Unsold Rights Shares Thursday, 22 July

Commencement of placing of Unsubscribed
Rights Shares and the NQS Unsold Rights
Shares by the Placing Agent Thursday, 22 July

Latest time of placing of the Unsubscribed Rights
Shares and the NQS Unsold Rights
Shares by the Placing Agent 4:00 p.m. on
Monday, 26 July

Announcement of results of the Rights Issue
(including results of the placing of Unsubscribed Rights
Shares and the NQS Unsold Rights Shares and the amount of
the Net Gain per Unsubscribed Rights Shares under
the Compensatory Arrangements and
the NQS Unsold Rights Shares) Wednesday, 28 July

EXPECTED TIMETABLE

Refund cheques, if any, to be despatched (if the Rights Issue is terminated) on or before	Thursday, 29 July
Despatch of certificates for fully-paid Rights Shares and refund cheques (if any) on or before	Thursday, 29 July
Designated broker starts to stand in the market to provide matching services for odd lots of Shares	9:00 a.m. on Friday, 30 July
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Friday, 30 July
Payment of Net Gain to relevant No Action Shareholders (if any)	Friday, 13 August
The last day for the designated broker to provide matching services for odd lots of Shares	Friday, 20 August

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company.

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

The Latest Time for Acceptance and payment for the Rights Shares will be postponed if “extreme conditions” caused by super typhoons is announced by the Hong Kong Government or there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning:

- (1) 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 and in such event, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (2) 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 and in such event, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 4:00 p.m. on the next 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 and payment for the Rights Shares are postponed in accordance with the foregoing, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section may be affected. An announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue,

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

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. A further announcement will be made if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD



國農金融投資有限公司
China Demeter Financial Investments Limited

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

(Stock Code: 8120)

Executive Directors:

Mr. Ng Man Chun Paul (*Chairman*)
Mr. Ng Ting Ho (*Chief Executive Officer*)
Mr. Lam Chun Kei

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Chan Hin Hang
Mr. Yum Edward Liang Hsien
Mr. Hung Kenneth

*Principal place of business
in Hong Kong:*

Office A01, 35/F, United Centre
No. 95 Queensway
Admiralty, Hong Kong

28 May 2021

To the Shareholders

Dear Sir or Madam

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS
SHARES FOR EVERY ONE EXISTING SHARE HELD
ON THE RECORD DATE;
(2) CONNECTED TRANSACTION;
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

References are made to the Announcement and the announcements of the Company dated 7 May 2021 and 14 May 2021 in relation to, among other things, the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the SGM.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Company proposes to raise, before expenses, not less than approximately HK\$45.9 million by issuing not less than 459,088,545 Rights Shares and not more than approximately HK\$49.6 million by issuing not more than 495,808,545 Rights Shares on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.10 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Non-Qualifying Shareholders.

Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	153,029,515 Shares
Number of Rights Shares	:	Not less than 459,088,545 Shares and not more than 495,808,545 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Aggregate nominal value of the Rights Shares	:	Not less than approximately HK\$4.59 million and not more than approximately HK\$4.96 million
Amount to be raised	:	Not less than approximately HK\$45.9 million and not more than approximately HK\$49.6 million before expenses

As at the Latest Practicable Date, save for the outstanding Existing Share Options carrying the right to subscribe for a total number of 15,300,000 Shares at an exercise price of HK\$0.2392 per Share and exercisable from 12 October 2020 to 11 October 2021 (both days inclusive), the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The number of the Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any Shares which may be allotted and issued pursuant to the exercise of the Existing Share Options on or before the Record Date.

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Based on the 153,029,515 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, upon completion of the Rights Issue, 459,088,545 Rights Shares will be issued. If the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date, upon completion of the Rights Issue, 495,808,545 Rights Shares would be issued.

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue, the minimum aggregate number of 459,088,545 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents: (i) 300% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 75% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Assuming that the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date and there would be no other change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue, the number of the total Shares in issue as at the Record Date would be 165,269,515 Shares and the maximum aggregate number of 495,808,545 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents: (i) 300% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Shares pursuant to the full exercise of the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings); and (ii) approximately 75% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Shares pursuant to the full exercise of the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) and issue of the Rights Shares immediately after completion of the Rights Issue.

Basis of provisional allotments

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

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.

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Subscription price

The Subscription Price is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (1) a discount of approximately 17.36% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 4.99% to the theoretical ex-rights price of approximately HK\$0.10525 per Share based on the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (3) a discount of approximately 20.38% to the average closing price of HK\$0.1256 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (4) a discount of approximately 6.02% to the theoretical ex-rights price of approximately HK\$0.1064 based on the average closing price of HK\$0.1256 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (5) a discount of approximately 22.30% to the average closing price of HK\$0.1287 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (6) a discount of approximately 6.69% to the theoretical ex-rights price of approximately HK\$0.107175 based on the average closing price of HK\$0.1287 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (7) a discount of approximately 86.11% to the audited consolidated net asset value per Share of approximately HK\$0.720 based on the published audited consolidated net asset value of the Company of approximately HK\$110.1 million as at 31 December 2020 as extracted from the annual report of the Company for the year ended 31 December 2020 and the issued share capital of the Company of 153,029,515 Shares as at the Latest Practicable Date;
- (8) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 15.29% of the theoretical diluted price of HK\$0.1064 per Share to the bench marked price of HK\$0.1256 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.121 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the 5 consecutive trading days immediately prior to the Last Trading Day of HK\$0.1256 per Share);

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- (9) a discount of approximately 53.27% over the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (10) a discount of approximately 22.18% over the theoretical ex-rights price of HK\$0.1285 per Share based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, (i) the recent closing prices of the Shares; (ii) the financial position of the Group; (iii) the amount of the intended funding needs; and (iv) the reasons and benefits of the Rights Issue as discussed in the section headed "Reasons for the Rights Issue" in this Letter from the Board.

In determining the Subscription Price, the Directors have considered, among other things as mentioned above, the closing price range of the Shares traded on the Stock Exchange in the past two months prior to and including the Last Trading Day ("**Relevant Period**") as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with a closing price range between HK\$0.121 and HK\$0.179 with an average closing price of approximately HK\$0.1432 per Share and that the Subscription Price of HK\$0.10 represents (i) a discount of approximately 17.36% to the lowest closing price of HK\$0.121 per Share; (ii) a discount of approximately 44.13% to the highest closing price of HK\$0.179 per Share; and (iii) a discount of approximately 30.17% to the average closing price of the Shares of approximately HK\$0.1432 per Share. Given the trading prices of the Shares during the Relevant Period have been affected by the general downturn of the stock prices of the stock market in Hong Kong during the same period, the Directors considered that the Subscription Price demonstrated a reasonable discount to the then trading prices and an incentive to the Shareholders to participate in the proposed Rights Issue.

As set out above, the Subscription Price represents a discount of approximately 86.11% to the consolidated net asset value per Share of approximately HK\$0.720 ("**NAV per Share**") based on the published audited consolidated net asset value of the Company of approximately HK\$110.1 million as at 31 December 2020 and the issued share capital of the Company of 153,029,515 Shares as at the Latest Practicable Date. The Directors were of the view that the Shares had been consistently traded at a substantial discount to the NAV per Share during the period since the publication of the audited financial statements of the Group for the year ended 31 December 2019 to the publication of the latest audited financial statements of the Group including the Relevant Period. As such, the Directors considered that when determining the Subscription Price, it would be more appropriate to make reference to the prevailing market price of the Shares, which reflected the fair market value of the Shares traded on the Stock Exchange instead of making reference to the net asset value per Share. The attractiveness of the Rights Issue for the Shareholders to participate in the Rights Issue would be significantly reduced if the Subscription Price was made with reference to the NAV per Share.

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In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors consider that the terms of the Rights Issue and the Underwriting Agreement, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.094, representing (1) a discount of approximately 22.31% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day; (2) a discount of approximately 10.69% to the theoretical ex-rights price of approximately HK\$0.10525 per Share based on the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day; (3) a discount of approximately 56.07% over the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (4) a discount of approximately 26.85% over the theoretical ex-rights price of HK\$0.1285 per Share based on the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Investors whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies 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. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 24 June 2021. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 22 June 2021 and the Shares will be dealt with on an ex-rights basis from Wednesday, 23 June 2021.

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

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For Shareholders with an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date, please refer to the paragraph headed “Non-Qualifying Shareholders” below.

Non-Qualifying Shareholders

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

Based on the latest available register of members of the Company, as at the Latest Practicable Date, the Company had four Overseas Shareholders, one with a registered address in Malaysia holding 25 Shares, one with a registered address in Singapore holding 216 Shares and two with registered addresses in the PRC holding an aggregate of 123 Shares. The Overseas Shareholders collectively held 364 Shares in aggregate, representing approximately 0.00024% of the total number of Shares in issue as at the Latest Practicable Date. The Company is in the course of seeking legal advice from such jurisdictions in relation to the feasibility of extending the offer of the Rights Shares to such Overseas Shareholders. The result of the enquiries and the basis of the exclusion, if any, will be included in the Prospectus. The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send any PAL to them. For the avoidance of doubt, the Non-Qualifying Shareholders may vote at the SGM unless such person is not an Independent Shareholder (in which case they shall abstain).

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. Nonetheless, 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 dealing in nil-paid Rights Shares commence and before dealing in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

The Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company, i.e. the NQS Unsold Rights Shares, together with the Unsubscribed Rights Shares, shall be subject to the Compensatory Arrangements, as further described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements” below.

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Closure of register of members

The register of members of the Company will be closed from Wednesday, 16 June 2021 to Monday, 21 June 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The register of members of the Company will also be closed from Friday, 25 June 2021 to Monday, 5 July 2021 (both days inclusive) for determining the entitlements to the Rights Issue.

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

Fractions of Rights Shares

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

Status of Rights Shares

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

Share certificates 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 on Thursday, 29 July 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots of Rights Shares arising from the Rights Issue, the Company will arrange the odd lots matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Rights Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Rights Shares. Details of the odd lots arrangement will be set out in the Prospectus to be despatched to the Shareholders.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

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Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

No part of the share capital of the Company is listed or dealt in or for which listing or permission to deal in is being or is proposed to be sought on any other stock exchange, save for the Stock Exchange.

Irrevocable Undertakings

As at the Latest Practicable Date, (1) Mr. Ng Ting Kit, a substantial Shareholder, owns an aggregate of 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares; (2) Mr. Ng Man Chun Paul, the chairman of the Board and an executive Director, owns an aggregate of 961,250 Shares, representing approximately 0.63% of the existing issued Shares, and the holder of Existing Share Options entitling him to subscribe for a maximum of 1,530,000 new Shares; and (3) Mr. Ng Ting Ho, the chief executive officer of the Company and an executive Director, owns an aggregate of 961,250 Shares, representing approximately 0.63% of the existing issued Shares, and the holder of Existing Share Options entitling him to subscribe for a maximum of 1,530,000 new Shares.

Pursuant to the Irrevocable Undertakings, each of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho has provided irrevocable and unconditional undertakings to the Company that (a) all the above Shares and (where applicable) the Existing Share Options held by them will continue to be beneficially owned by each of them on the Record Date; (b) each of them will accept and pay for all the Rights Shares to be provisionally allotted to each of them under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents; and (c) each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho shall not exercise any of his Existing Share Options up to the date of allotment and issue of the Rights Issue (in their fully-paid form) under the Rights Issue. The Irrevocable Undertakings shall automatically lapse and be of no further force and effect in the event the Underwriting Agreement is terminated in accordance with its terms at or before the Latest Time for Termination or upon completion of the Rights Issue. Other than the above, the Irrevocable Undertakings will not cease to be binding.

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

Pursuant to Rule 10.31(2) of the GEM Listing Rules, as the Underwriter is wholly-owned by Mr. Ng Ting Kit, a substantial Shareholder owning an aggregate of 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares, the Company must make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold 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 10.31(1)(a) of the GEM Listing Rules.

The Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent places on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to those No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 26 July 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid on pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders (but rounded down to the nearest cent) as set out below:

- (1) the Qualifying Shareholders who did not subscribe for the Rights Shares (whether partially or fully) under the PALs and their renounees;
- (2) such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed; and
- (3) the Non-Qualifying Shareholders in respect of the NQS Unsold Rights Shares.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (1) to (3) above which is in an amount of HK\$100 or more will be paid to such No Action Shareholder in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

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Conditions of the Rights Issue

The Rights Issue will be conditional upon, among others, (i) granting of the Whitewash Waiver by the Executive and the satisfaction of any condition attached to the Whitewash Waiver; (ii) obtaining the Independent Shareholders' approval for the Underwriting Agreement and the Whitewash Waiver; and (iii) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination. For details of the conditions of the Underwriting Agreement, please refer to the section headed "The Underwriting Agreement – Conditions of the Underwriting Agreement" in this Letter from the Board.

The Placing Agreement

After trading hours on 29 March 2021, the Company and the Placing Agent entered into the Placing Agreement (as amended by the Supplemental Placing Agreements), pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing Agreement are as follows:

- Date : 29 March 2021 (the original Placing Agreement)
7 May 2021 and 14 May 2021 (the Supplemental Placing Agreements)
- Placing Agent : Kingkey Securities Group Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

The Placing Agent confirmed that each of it and its ultimate beneficial owner(s) is independent of and not connected with the Company and its connected persons or any of their respective associates and not acting in concert with the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them. It is also a term of the Placing Agreement that each of the sub-placing agent(s), if any is appointed by the Placing Agent, and their ultimate beneficial owner(s) is also independent of and not connected with the Company and its connected persons or any of their respective associates and not acting in concert with the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them.

As at the Latest Practicable Date, each of the Placing Agent and its ultimate beneficial owner(s) and their respective concert parties does not hold any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company, and no sub-placing agents has been appointed by the Placing Agent as at the Latest Practicable Date.

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- Placing fee : 2% of the aggregate placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.
- Placing price of the Unsubscribed Rights Shares and/or and the NQS Unsold Rights Shares (as the case maybe) : The placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case maybe) shall be not less than the Subscription Price.
The final price determination is dependent on the demand and market conditions of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of placement.
- Places : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).
- Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.
- Condition Precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional.
- Placing Completion Date : Thursday, 29 July 2021 or such other date as the Company and the Placing Agent may agree in writing.
- Termination : If, prior to the Latest Placing Time:
- (1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or

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- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing,

the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

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The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. The Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are on normal commercial terms.

Given that the Compensatory Arrangements would provide (1) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (2) channel of participation in the Rights Issue for independent investors; and (3) a compensatory mechanism for No Action Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

THE UNDERWRITING AGREEMENT

The Underwriter and the Company entered into the Underwriting Agreement (as amended by the Supplemental Underwriting Agreements) pursuant to which the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings. Material terms of the Underwriting Agreement are set out below:

Date	:	29 March 2021 (the original Underwriting Agreement) 7 May 2021 and 14 May 2021 (the Supplemental Underwriting Agreements)
Underwriter	:	Trinity Worldwide Capital Holding Limited. Please refer to the paragraph headed "The Underwriting Agreement – Information on the Underwriter" in this Letter from the Board below.
Total number of Rights Shares underwritten by the Underwriter	:	375,546,045 Rights Shares to 412,266,045 Rights Shares (being all the Rights Shares other than the 83,542,500 Rights Shares that have been undertaken to be subscribed by Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings).
Commission	:	The Underwriter will not receive any underwriting commission.

The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions.

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It is not in the ordinary course of business of the Underwriter to underwrite issues of shares. The Underwriter's role as an underwriter in respect of the Rights Issue, together with the Irrevocable Undertaking given by Mr. Ng Ting Kit, signify strong support from the substantial Shareholder to the Group and his confidence in the development of the Group.

Having considered the above, the Directors (excluding the members of the Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) consider that the Underwriter, a company wholly-owned by the substantial Shareholder who is willing to support the continuing growth of the Group, as the underwriter for the Rights Issue is in the interests of the Company and the Shareholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Information on the Underwriter

The Underwriter is an investment holding company incorporated in British Virgin Islands with limited liability and is not engaged in underwriting of issue of securities in its ordinary course of business. The Underwriter is wholly-owned by Mr. Ng Ting Kit, a substantial Shareholder who is a cousin of Mr. Ng Man Chun Paul, the chairman of the Board and an executive Director, and the brother of Mr. Ng Ting Ho, the chief executive officer of the Company and an executive Director. As at the Latest Practicable Date, Mr. Ng Ting Kit is beneficially interested in 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares. As such, the Underwriter complies with Rule 10.24A(2) of the GEM Listing Rules. Therefore, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

It is the intention of the Underwriter to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (1) the passing by the Independent Shareholders at the SGM of (i) ordinary resolutions to approve the Rights Issue (including, but not limited to, the exclusion of the offer of the Rights Shares to the Non-Qualifying Shareholders) and the Underwriting Agreement; and (ii) a special resolution to approve the Whitewash Waiver by no later than the Prospectus Posting Date;
- (2) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of any condition attached to the Whitewash Waiver granted;

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- (3) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Prospectus Posting Date;
- (4) the filing and registration of all relevant documents with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (5) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date;
- (6) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (7) the entering into of the Placing Agreement;
- (8) the delivery of the duly signed Irrevocable Undertakings to the Company;
- (9) the SFC having granted the necessary approval or consent for the Underwriter to become a substantial shareholder of the Licensed Subsidiary under the SFO as a result of the taking up of the Underwritten Shares by the Underwriter pursuant to its obligations under the Underwriting Agreement; and
- (10) compliance with and performance of all the undertakings and obligations of the signatory of each of the Irrevocable Undertakings.

None of the above conditions precedent is capable of being waived. If any of the conditions precedent are not satisfied by the Latest Time for Termination (or such later time and/or date as the Underwriter may agree with the Company in writing), the Underwriting Agreement shall terminate and no party will have any claim against any other party for costs, damages, compensation or otherwise.

As at the Latest Practicable Date, other than the conditions precedent (7) and (8) above, none of the above conditions precedent has been fulfilled.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the

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Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or

- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue,

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

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement untrue or incorrect in any material respect comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

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If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed.

SHAREHOLDING STRUCTURE OF THE COMPANY

If the Rights Issue is to proceed, for illustration purposes only:

- (1) Assuming that there is no change in the shareholding structure of the Company from the Latest Practicable Date up to the completion of the Rights Issue:

	(i)		(ii)		(iii)		(iv)	
	As at the Latest Practicable Date		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Places under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (Note 5)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Ng Ting Kit (Note 1)	25,925,000	16.94	103,700,000	16.94	103,700,000	16.94	103,700,000	16.94
Ng Man Chun Paul (Note 2)	961,250	0.63	3,845,000	0.63	3,845,000	0.63	3,845,000	0.63
Ng Ting Ho (Note 3)	961,250	0.63	3,845,000	0.63	3,845,000	0.63	3,845,000	0.63
Underwriter (Note 4)	-	-	-	-	-	-	375,546,045	61.35
<i>Sub-total of the Underwriter and parties acting in concert with it</i>	27,847,500	18.20	111,390,000	18.20	111,390,000	18.20	486,936,045	79.55
Other public Shareholders	125,182,015	81.80	500,728,060	81.80	500,728,060	81.80	125,182,015	20.45
Total	153,029,515	100.00	612,118,060	100.00	612,118,060	100.00	612,118,060	100.00

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- (2) Assuming that (i) the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date; and (ii) there is no other change in the shareholding structure of the Company from the Latest Practicable Date up to the completion of the Rights Issue:

	(i)		(ii)		(iii)		(iv)	
	As at the Record Date assuming the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date		Immediately after completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the Placees under the Compensatory Arrangements		Immediately after completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than those who have provided Irrevocable Undertakings and 100% of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are taken up by the Underwriter (Note 5)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Ng Ting Kit (Note 1)	25,925,000	15.69	103,700,000	15.69	103,700,000	15.69	103,700,000	15.69
Ng Man Chun Paul (Note 2)	961,250	0.58	3,845,000	0.58	3,845,000	0.58	3,845,000	0.58
Ng Ting Ho (Note 3)	961,250	0.58	3,845,000	0.58	3,845,000	0.58	3,845,000	0.58
Underwriter (Note 4)	-	-	-	-	-	-	412,266,045	62.36
<i>Sub-total of the Underwriter and parties acting in concert with it</i>	27,847,500	16.85	111,390,000	16.85	111,390,000	16.85	523,656,045	79.21
Other public Shareholders	137,422,015	83.15	549,688,060	83.15	549,688,060	83.15	137,422,015	20.79
Total	165,269,515	100.00	661,078,060	100.00	661,078,060	100.00	661,078,060	100.00

Notes:

- Mr. Ng Ting Kit is a cousin of Mr. Ng Man Chun Paul, the chairman of the Board and an executive Director, and the brother of Mr. Ng Ting Ho, the chief executive officer of the Company and an executive Director. As at the Latest Practicable Date, Mr. Ng Ting Kit owns 25,925,000 Shares.
- Mr. Ng Man Chun Paul is the chairman of the Board and an executive Director. He is also a cousin of each of Mr. Ng Ting Kit and Mr. Ng Ting Ho. As at the Latest Practicable Date, Mr. Ng Man Chun Paul owns 961,250 Shares and is the holder of 1,530,000 Existing Share Options.
- Mr. Ng Ting Ho is the chief executive officer of the Company and an executive Director. He is the brother of Mr. Ng Ting Kit and a cousin of Mr. Ng Man Chun Paul. As at the Latest Practicable Date, Mr. Ng Ting Ho owns 961,250 Shares and is the holder of 1,530,000 Existing Share Options.
- The Underwriter is wholly-owned by Mr. Ng Ting Kit.

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5. This scenario is for illustrative purpose only. For the Compensatory Arrangements, the Company has entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. The Company will take all appropriate steps to ensure that sufficient public float be maintained upon completion of the Rights Issue and the Compensatory Arrangements in compliance with Rule 11.23(7) of the GEM Listing Rules. To ensure the compliance of the public float requirements under the GEM Listing Rules can be fulfilled by the Company, the Underwriter will enter into a placing agreement which shall only become effective after the completion of the Rights Issue (including the allotment and issue of the Rights Shares and completion of the Compensatory Arrangements) with a placing agent to ensure that, in the event that as a result of the Underwritten Shares that the Underwriter has taken up pursuant to its obligations under the Underwriting Agreement upon completion of the Rights Issue and the Compensatory Arrangements would result in public float could not be maintained, the Underwriter shall place down such number of Shares, such that sufficient public float could be maintained in compliance with Rule 11.23(7) of the GEM Listing Rules. The Underwriter advised that the placing agreement would be entered on or before the publication of the Prospectus which shall only become effective after the completion of the Rights Issue (including the allotment and issue of the Rights Shares and completion of the Compensatory Arrangements).
6. Certain percentage figures included in the above tables have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

REASONS FOR THE RIGHTS ISSUE

The Group is principally engaged in (i) alcoholic beverage distribution and miscellaneous business; (ii) food and beverage business; (iii) money lending business; (iv) provision of children education services; (v) financial services business; and (vi) securities investment business.

The Board believes that the Rights Issue will enable the Company to strengthen its working capital base and to enhance its financial position, while at the same time to key business development for the foreseeable future. As at 31 December 2020, the Group had cash and cash equivalents of approximately HK\$35.6 million. Based on the current funding requirement of the Group, the Group will require maintaining operating cash and general working capital for the different business segments of the Group such as a minimum operating cash for the operation of the Group's food and beverage business, and also for the licensing requirements for the Group's licensed corporation under the SFO for operation of the Group's financial services business, even if disregarding the funding needs for (i) the loan repayment (which amounted to approximately HK\$10 million); (ii) the expected investment cost to be incurred for the new restaurant in the food and beverage business segment (which amounted to approximately HK\$4 to HK\$5 million); and (iii) developing the margin financing business while maintaining at all times capital liquidity to settle all trades and the requirement as set out under the financial resources rules and financial return, details of which are more particularly described in the section headed "Use of proceeds" in this Letter from the Board below. As such, it is expected that the net proceeds from the Rights Issue can help resolve the cash flow need of the Group and thus is in the interests of the Company and its shareholders as a whole.

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In addition, to maintain a healthy business development of the Group, in the view of the drop in rent prices and increasing supply of attractive sites in the market in Hong Kong, the Board is confident to expand the food and beverage business at reasonable pace. Regarding the development of the financial services business, the increasing demand from the U.S. listed Chinese companies and more technology companies seeking to have listings in Hong Kong benefits the average daily turnover over the past 12 months. Hence the appetite for margin financing is increased. Therefore, the Board intends to allot more capitals in margin financing business to capture the opportunities.

Apart from the Rights Issue, the Board has considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Board noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders, and placing will dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Board consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose opinion is set forth in this circular after having been advised by the Independent Financial Adviser) consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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USE OF PROCEEDS

The Company will raise, before expenses, not less than approximately HK\$45.9 million and not more than approximately HK\$49.6 million from the Rights Issue. The estimated expenses, in the sum of approximately HK\$2.4 million, in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, placing fee, printing and translation expenses will be borne by the Company. The Company intends to apply the minimum net proceeds from the Rights Issue of approximately HK\$43.5 million as follows:

- (1) as to approximately HK\$9.0 million to capital expenditure and related expenses on expanding the restaurants of the Group's food and beverage business segment:**

Of such amount, (i) approximately HK\$4 to HK\$5 million will be used for investment costs in opening a new restaurant, the operation of which is expected to commence around August to September 2021. To this end, the Group has entered into a lease of premises in Landmark North, Sheung Shui, New Territories for operation of a Japanese Shabu Shabu restaurant, further particulars of which are set out in the announcement of the Company dated 14 April 2021; and (ii) approximately HK\$4 to HK\$5 million will be used for the replacement for its existing facilities, procurement of machinery and equipment, installing systems for accounting and customer relationship management and exploring opportunities for opening new restaurants.

- (2) as to approximately HK\$20.0 million will be allocated to the Group's financial services business segment for margin financing:**

Approximately HK\$19.5 million will be used to develop the financial services business of the Group through the margin financing services. The remaining approximately HK\$0.5 million will be used in marketing the financial services business. During the year ended 31 December 2020, the stocks market in Hong Kong set new trading activity records, in which the trading volumes on both Stock Connect reached new highs as driven by the strong growth momentum in biotech and new economy company fundraisings. In the same period, the Group's interest income from margin financing has been growing continually from approximately HK\$339,000 to approximately HK\$1.82 million and the receivables from margin clients were up to approximately HK\$45 million while the total marginable value of securities under margin clients' accounts was over approximately HK\$80 million. The Group has benefited in an increase in interest income and commission from the high demand for margin financing and the higher average trading turnover during 2020, and the Group considers that the interest income will increase considerably if the proceeds raised from the Rights Issue as mentioned above can be utilised in the margin financial service.

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- (3) **as to approximately HK\$10.0 million for repayment of a loan of the Group owing to a lender who is an Independent Third Party and is not a Shareholder:**

Such loan was granted to the Group by E Finance Limited, which is an Independent Third Party and is not a Shareholder, in the principal amount of HK\$10,000,000. Such loan bears an interest at 10% per annum, shall mature on 26 July 2021 and is unsecured.

- (4) **as to approximately HK\$4.5 million will be used as general working capital of the Group:**

The Company intends to apply the net proceeds to general working capital purpose which includes salaries and allowance of the staff at the Company's head office and administration expense (including but not limited to rental and management fee of the Company's head office), which based on the Group's estimation, the related expenses would be approximately HK\$1.5 million per month.

The Company confirms that, as at Latest Practicable Date, it has no intention, agreement, arrangement, understanding and/or negotiation (i.e. concluded or otherwise) on any potential equity/debt fundraising activities in the next twelve months after the Rights Issue and the Compensatory Arrangements.

If the Company raises the maximum net proceeds from the Rights Issue of approximately HK\$47.2 million, the Company intends to apply the additional approximately HK\$3.7 million as general working capital of the Group.

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

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

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GEM LISTING RULES IMPLICATIONS

Rights Issue

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules since there is no controlling Shareholder. As such, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho and their respective associates (including Mr. Ng Ting Kit), who as at the Latest Practicable Date holding an aggregate of 27,847,500 Shares (representing approximately 18.20% of the existing issued Shares), shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the SGM.

Underwriting Agreement

The Underwriter is wholly-owned by Mr. Ng Ting Kit. As at the Latest Practicable Date, Mr. Ng Ting Kit is beneficially interested in 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company has not conducted any rights issue or open offer within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

None of the Directors had material interests in the transactions contemplated under the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. Nevertheless, given that the Underwriter is an associate of Mr. Ng Ting Kit, a substantial shareholder who is a cousin of Mr. Ng Man Chun Paul and the brother of Mr. Ng Ting Ho, each an executive Director, each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho has abstained from voting on the Board resolutions which approved the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

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TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, in aggregate, hold 27,847,500 Shares, representing approximately 18.20% of the issued share capital of the Company.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, upon completion of the Rights Issue:

- (1) assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter will be required to take up 375,546,045 Rights Shares. In such circumstances, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, will in aggregate, hold 486,936,045 Shares, representing approximately 79.55% of the issued share capital of the Company as enlarged by the Rights Shares; and
- (2) assuming that the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date and there is no other change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter will be required to take up 412,266,045 Rights Shares. In such circumstances, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, will in aggregate, hold 523,656,045 Shares, representing approximately 79.21% of the issued share capital of the Company as enlarged by the Rights Shares.

Accordingly, in either case, such increase of voting rights of the Company of the Underwriter would therefore trigger an obligation of the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

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An application has been made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. The Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; the Underwriter, its associates and parties acting in concert with the Underwriter; and any Shareholders who are involved in, or interested in, or have a material interest in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, upon completion of the Rights Issue, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho) will, in aggregate, hold more than 50% of the Company's voting rights, the Underwriter may thereafter increase its holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

As at the Latest Practicable Date, the Company believes that the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

As at the Latest Practicable Date, save for the Irrevocable Undertakings, the Company has not received any other irrevocable commitments to accept or reject the Rights Shares or to vote for or against the Rights Issue and/or the Whitewash Waiver.

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DEALINGS OF THE SHARES BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT

As at the Latest Practicable Date, neither the Underwriter, Mr. Ng Ting Kit nor any parties acting in concert with any one of them:

- (a) save for the Shares as set out in the section headed “Shareholding structure of the Company” in the Letter form the Board in this circular, owns, controls or has direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (b) has received any irrevocable commitment to vote for or against the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (c) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (d) save for the Underwriting Agreement and Irrevocable Undertakings given by Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho, details of which are set out in the section headed “Proposed Rights Issue – Irrevocable Undertakings” in the Letter form the Board in this circular, there are no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, with any other persons;
- (e) save that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by the Underwriter as set out in the section headed “The Underwriting Agreement – Conditions of the Underwriting Agreement” in the Letter form the Board in this circular, has any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (f) has dealt in any relevant securities of the Company in the Relevant Period; and
- (g) has entered into any derivative in respect of the relevant securities in the Company which are outstanding.

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As at the Latest Practicable Date:

- (a) apart from the Rights Shares to be subscribed and underwritten by the Underwriter, the Company has not paid and will not pay any other consideration, compensation or benefit in whatever form to the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them in connection with the Rights Issue and the Underwriting Agreement;
- (b) apart from the Underwriting Agreement and the Irrevocable Undertakings, there is no other understanding, arrangement or special deal between the Group on the one hand, and the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them on the other hand; and
- (c) there is no understanding, arrangement or agreement or special deal between (i) any Shareholders (excluding the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them who are Shareholders); and (ii)(x) the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them; or (y) the Company, its subsidiaries or associated companies.

SGM

The register of members of the Company will be closed from Wednesday, 16 June 2021 to Monday, 21 June 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM.

The SGM will be held at 11:00 a.m. on Monday, 21 June 2021 at Room 2301B, 23/F, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong for the Shareholders to consider and, if thought fit, pass the resolution(s) to approve, among other things: (i) the Rights Issue; (ii) the Underwriting Agreement and (iii) the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

In accordance with the GEM Listing Rules and the Takeovers Code, (i) the Underwriter and its associates; (ii) any parties acting in concert with the Underwriter and Mr. Ng Ting Kit; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in, or interested in, the Rights Issue, the Underwriting Agreement or the Whitewash Waiver and the Irrevocable Undertakings, including but not limited to the Underwriter and Mr. Ng Ting Kit and parties acting in concert with any one of them, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. Save as disclosed, no other Shareholder is involved or interested in or has a material interest in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings and, hence, is required to abstain from voting on the resolution(s) in relation to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

LETTER FROM THE BOARD

Moreover, to ensure only Independent Shareholders will vote on the resolutions proposed at the SGM in case they have appointed the chairman of the SGM as a proxy, the chairman of the SGM will not be a de facto concert party and/or presumed to be acting in concert with the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them and those who are involved in and/or interested in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Irrevocable Undertakings.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by 11:00 a.m. on Saturday, 19 June 2021 or not less than 48 hours before the time appointed for holding any adjournment thereof to the office of the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such event, the instrument appointing a proxy shall be deemed to be revoked.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Chan Hin Hang, Mr. Yum Edward Liang Hsien and Mr. Hung Kenneth), to provide recommendation to the Independent Shareholders as to whether the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable and on how to vote at the SGM.

Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

DESPATCH OF THE PROSPECTUS DOCUMENTS

The Prospectus Documents will be despatched to the Qualifying Shareholders on Tuesday, 6 July 2021 after obtaining the approval of the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder and the Whitewash Waiver from the Independent Shareholders at the SGM. Only the Prospectus will be despatched to the Non-Qualifying Shareholders for their information. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Rights Issue.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN SHARES AND RIGHTS SHARES

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

The Shares are expected to be dealt in on an ex-rights basis from Wednesday, 23 June 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 8 July 2021 to Thursday, 15 July 2021 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

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

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

RECOMMENDATION

The Directors (including all the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) believe that the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price), and the Whitewash Waiver, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder, and the special resolution to be proposed at the SGM to approve the Whitewash Waiver.

LETTER FROM THE BOARD

Shareholders are advised to read carefully the letter from the Independent Board Committee of this circular and the letter from the Independent Financial Adviser of this circular. The Independent Board Committee, having taken into account the principal factors and reasons considered by, and the advice of the Independent Financial Adviser, considers that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price), and the Whitewash Waiver are normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole; and (ii) the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; and (ii) the special resolution to be proposed at the SGM to approve the Whitewash Waiver.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group which include, but do not limit to, the following:

Business risks relating to the Group

The Group is principally engaged in (i) alcoholic beverage distribution and miscellaneous business; (ii) food and beverage business; (iii) money lending business; (iv) provision of children education services; (v) financial services business; and (vi) securities investment business.

(1) *Reliance on key personnel*

The effective operations and future success of the Group's business are depending, to a significant extent, on the capability, experience and continued efforts of our key management personnel. If the Group is unable to attract, retain and motivate the necessary key management personnel, the business and operation conditions of the Group may be disrupted and the results and financial positions of the Group may be materially or adversely affected.

LETTER FROM THE BOARD

(2) Reliance on close relationship with the Group's customers

The success of the Group relies heavily on good relationship with its customers. If the Group fails to maintain the current level of business relationship with its customers and retain them in its sales and distribution network, the sales, financial condition and operating results of the Group may be adversely affected.

(3) Risk relating to the food and beverage business

- (a) Uncertainties on obtaining or renewing the licences and permits for the Group's operations – the Group is required to obtain and maintain various type of licences, including (i) general licences and (ii) liquor licence and other approvals or permits, including restricted food permits for its restaurants operation in Hong Kong. Most of the requisite licences are usually valid for one to two years and the licences are required to be renewed before their expiry to comply with the relevant requirements and ensure that business operation can be continued without any disruption. The Group may experience difficulties or failures in obtaining or renewing the necessary approvals, licences and permit for new restaurants in a timely manner or at all for factors beyond its control.
- (b) Rely on individual to hold all the liquor licences of restaurants – all of the liquor licences of the Group's restaurants were held by individuals. Pursuant to Regulation 15 of the Dutiable Commodities (Liquor) Regulations (Chapter 109B of the Laws of Hong Kong), any transfer of a liquor licence must be conducted in the prescribed form with the consent of the liquor licence holder. In case of illness or temporary absence of the liquor licence holder, the secretary of the Liquor Licensing Board may in his/her discretion authorize any person to manage the licenced premises under Regulation 24 of the Dutiable Commodities (Liquor) Regulations, upon application by the liquor licence holder. For any application for cancellation of the liquor licence made by the holder of liquor licence, one must make an application for new issue of a liquor licence to the Liquor Licensing Board. In case of death or insolvency of the liquor license holder, his/her executor or administrator or trustee may carry on the business in the licence premises until the expiration of the licence under section 54 of the Dutiable Commodities Ordinance. If the relevant liquor licence holder in each of the Group's restaurants refuses to give consent to a transfer application when a transfer is required, or fails to make an application in respect of his/her illness or temporary absence or makes a cancellation application without consent, or if an application for new issue of a liquor licence is required in case of death or insolvency of the relevant employee, the relevant restaurant may have to cease its sale of liquor for the time being, in which case may adversely affect its business operation.

LETTER FROM THE BOARD

(4) Risks relating to the money lending business

The money lending business of the Group is exposed to default from the Group's customers, which involves the risk of loss due to the inability or unwillingness of customers to meet their contractual obligations. If the customers of the money lending business of the Group fail to meet their contractual obligations, the Company may incur additional costs to collect the loan principal and corresponding interests. To mitigate this risk, the Board has set up the Credit Committee (which comprises (i) the directors of the subsidiaries of the Company which hold money lending licenses and (ii) the personnel of the finance department of the Group) with relevant experience of this business segment and report to the board of the Company directly. The Credit Committee has full authority to deal with all credit matters. The members of the Credit Committee are appointed by the Board and the quorum of the Credit Committee is at least two committee members. The credit policy of the Group's money lending business is subject to the review and amendments by the Credit Committee and the Board from time to time in line with changes in market environment.

(5) Risk relating to the financial services business

The financial services business of the Group is subject to the performance of the Hong Kong securities market and the performances of the Group's competitors which are beyond its control and the Group cannot assure that our historical level of income can be sustained. In addition, non-compliance with extensive regulatory requirements could cause the Group to incur fines, restriction on financial service activities or even suspension or revocation of some or all of the licences for carrying on the Group's business activities.

Also the Group's brokerage services involved active interactions between its staff and customers and therefore it is subject to human errors, which the Group has to bear the losses resulting therefrom. For placing and underwriting business, the Group is exposed to business risks in case the securities underwritten by the Group are undersubscribed or the placing exercises fail to complete.

(6) Major financial risk exposed to the Group

The Group is exposed to financial risks, including credit, interest rate, liquidity and other price risks. The Group actively and regularly reviews these risks and will adopt measures, if needed, to control and mitigate these risks.

LETTER FROM THE BOARD

(7) Difficulties in recruitment and retention of the Group's employees

The success of the Group depends upon the Group's ability to attract, retain and motivate a sufficient number of qualified employees, including responsible officers, teachers, restaurant staff, chefs and kitchen staff. Highly service-oriented and qualified individuals are in relatively short supply in Hong Kong and competition for these employees is intense. Any failure to employ and retain enough qualified employees could delay planned new restaurant openings, cause untenable teacher-to-pupil ratio to meet the statutory requirement or result in higher employee turnover, either of which could have a material adverse effect on the Group's business operations. In addition, competition for qualified employees could also require the Group to pay higher wages, which could result in higher labour cost.

Risks relating to politics, economics and regulations

The business operations of the Group are primarily based in Hong Kong. Accordingly, the Group's operations and prospects could be adversely affected by economic, political and legal developments in the Hong Kong. Any changes in the political and economic policies/environments of the Hong Kong (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and operations as well as its ability to sustain its expansion strategies and thus future growth.

Risks relating to the Share price

The price and trading volume of the Shares are determined by demand and supply of investors for the Shares in the public market price and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to its business, announcements of new investments, acquisitions or disposals, the depth and liquidity of the market for the Shares, investors' perceptions of the Group and general political, economic, social and market conditions both globally and in the PRC or Hong Kong could cause the market price of the Shares to change substantially.

Risks relating to the Rights Issue

Under the Underwriting Agreement, the Underwriter shall be entitled by notice in writing to the Company to terminate its obligations upon the occurrence of any of the events stated in the section headed "Termination of the Underwriting Agreement" in this circular on or before the Latest Time for Termination.

Should the Rights Issue proceed as intended, the interest of the existing Shareholders will be diluted if they do not or cannot, as the case may be, subscribe for the Rights Shares which they are entitled to.

LETTER FROM THE BOARD

Additional Risks

Additional risks and uncertainties not presently known to the Directors, or not expressed or implied above, or otherwise deemed immaterial by the Directors as at the Latest Practicable Date, may also adversely affect the Group's business in a material aspect.

ADDITIONAL INFORMATION

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

Yours faithfully
On behalf of the Board
China Demeter Financial Investments Limited
Ng Man Chun Paul
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders which is prepared for the purpose of inclusion in this circular.



國農金融投資有限公司
China Demeter Financial Investments Limited

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

(Stock Code: 8120)

28 May 2021

To the Independent Shareholders

Dear Sir or Madam

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE;**
(2) CONNECTED TRANSACTION;
AND
(3) APPLICATION FOR WHITEWASH WAIVER

We refer to the circular of the Company dated 28 May 2021 (“**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price) and the Whitewash Waiver are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the SGM.

Pelican Financial Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. The letter from the Independent Financial Adviser which contains the principal factors and reasons it has taken into consideration on giving its advice, are set out on pages 51 to 94 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by, and the advice of Independent Financial Adviser, we considered that the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (including the Subscription Price), and the Whitewash Waiver are normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of (i) the ordinary resolution to be proposed at the SGM to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder; and (ii) the special resolution to be proposed at the SGM to approve the Whitewash Waiver.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Chan Hin Hang

Mr. Yum Edward Liang Hsien

Mr. Hung Kenneth

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this Circular.



PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three
1 Sunning Road
Causeway Bay
Hong Kong

28 May 2021

*To the Independent Board Committee and the Independent Shareholders of
China Demeter Financial Investments Limited*

Dear Sirs,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE
HELD ON THE RECORD DATE;
(2) CONNECTED TRANSACTION;
AND
(3) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 28 May 2021 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement dated 29 March 2021 in relation to among other things, the fundraising of the Company of, before expense, not less than approximately HK\$45.9 million by the issue of not less than 459,088,545 Rights Shares, and not more than approximately HK\$49.6 million by the issue of not more than 495,808,545 Rights Shares on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.10 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue is conditional on approval by the Independent Shareholders at the SGM by a resolution on which the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour under Rule 10.29(1) of the GEM Listing Rules since there is no controlling Shareholder. As such, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho and their respective associates (including Mr. Ng Ting Kit) shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the SGM.

The Underwriter is wholly-owned by Mr. Ng Ting Kit. As at the Latest Practicable Date, Mr. Ng Ting Kit is beneficially interested in 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions for the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

In addition, as at the Latest Practicable Date, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, in aggregate, hold 27,847,500 Shares, representing approximately 18.20% of the issued share capital of the Company.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, upon completion of the Rights Issue, the Underwriter will be required to take up the Underwritten Shares and in such circumstances, the aggregate shareholding held by the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), would amount to approximately 79.21% to 79.55% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, such increase of voting rights of the Company of the Underwriter would trigger an obligation of the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will not proceed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board currently consists of three executive directors and three independent non-executive directors. The Independent Board Committee, comprising Mr. Chan Hin Hang, Mr. Yum Edward Liang Hsien and Mr. Hung Kenneth, has been established to advise the Independent Shareholders as to whether the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and to make a recommendation to the Independent Shareholders as to whether to vote in favour of or against the relevant resolution(s) to be proposed at the SGM. The Independent Board Committee has approved our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on these matters.

We are not connected (financially or otherwise) with the Company, the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and concert parties and we are not aware of any relationships or interests between us and the Company or any of their respective substantial shareholders, directors or chief executives, or of their respective associates, as well as the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them, that could reasonably be regarded as relevant to our independence. In the last two years, there was no other engagement between the Company and us. Apart from normal professional fees payable to us in connection with this appointment of us as the Independent Financial Adviser, no arrangement exists whereby Pelican Financial Limited will receive any fees or benefits from the Company or the Directors, chief executive or substantial Shareholders of the Company or any of their respective associates and concert parties, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the Rights Issue, the Underwriting Agreement and the Whitewash Waiver.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole; and (ii) whether the Independent Shareholders should vote in favour of or against the relevant resolution(s) to be proposed at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have performed relevant procedures and those steps which we deemed necessary in forming our opinions which include, among other things, review of relevant agreements, documents as well as information provided by the Company and verified them, to an extent, to the relevant public information, statistics and market data, the relevant industry guidelines and rules and regulations as well as information, facts and representations provided, and the opinions expressed, by the Company and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Underwriting Agreement, the Irrevocable Undertakings, the Placing Agreement, the Announcement, the first quarterly report of the Company for the three months ended 31 March 2021 (the “**2021 Q1 Report**”), the annual report of the Company for the financial year ended 31 December 2020 (the “**2020 Annual Report**”), the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”) and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in the 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 therein or 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 verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of an in-depth investigation into the business and affairs of the Group. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In arriving at our opinion and recommendation with regard to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, we have taken into account the principal factors and reasons set out below:

1. Background and financial information of the Group

The Company was incorporated in the Cayman Islands and continued in Bermuda with limited liability. The Group is principally engaged in (i) alcoholic beverage distribution and miscellaneous business; (ii) food and beverage business; (iii) money lending business; (iv) provision of children education services; (v) financial services business; and (vi) securities investment business.

Set out below is a summary of the financial information of the Group for the three months ended 31 March 2020 and 31 March 2021 as extracted from the 2021 Q1 Report, and for the two years ended 31 December 2020 as extracted from the 2020 Annual Report.

Table 1: Summarised financial results of the Group

	For the three months ended 31 March		For the financial year ended 31 December	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	2019 HK\$'000 (audited) (restated)
<i>Revenue from continuing operations</i>				
Alcoholic beverage distribution and miscellaneous business	14	213	14,224	12,314
Food and beverage business	30,944	18,268	106,926	68,793
Dividend income from listed equity instruments	–	–	101	86
Loan interest income	766	2,115	5,901	8,476
Provision of children education services	1,238	1,019	4,287	5,427
Provision of financial services	3,127	746	5,433	1,816
Total revenue	36,089	22,361	136,872	96,912
Gross profit	23,594	15,825	86,187	62,741
Loss for the year attributable to owners of the Company	(1,024)	(10,392)	28,453	104,211

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the 2021 Q1 Report, the Group recorded revenue of approximately HK\$36.1 million for the three months ended 31 March 2021 as compared with approximately HK\$22.4 million for the three months ended 31 March 2020, representing an increase of approximately 61.4%. Such growth in revenue was mainly attributable to an increase of approximately 69.4% in revenue from the Group's food and beverage business as compared with that in the previous year. As shown in the above table, the Group's food and beverage business had contributed approximately 85.7% of its total revenue for the three months ended 31 March 2021, hence the growth in revenue from this segment had a major impact on the Group's financial performance.

Another major revenue growth driver for the three months ended 31 March 2021 was the Group's financial services business, the revenue from which had increased by close to 4 times from that for the three months ended 31 March 2020. According to the 2021 Q1 Report, the strong growth momentum in biotech and new economy companies fundraising in the Hong Kong stock market had resulted in a high demand for margin financing services, benefiting the Group with an increase in commission from securities dealing and interest income from securities clients.

As a result of the increase in revenue from the Group's food and beverage and financial services businesses as discussed above, the Group recorded gross profit of approximately HK\$23.6 million for the three months ended 31 March 2021, representing an increase of approximately 49.1% compared with that of approximately HK\$15.8 million for the three months ended 31 March 2020. Due to the gain in the Group's gross profit, the Group's net loss attributable to owners of the Company narrowed to approximately HK\$1.0 million for the three months ended 31 March 2021, as compared with that of approximately HK\$10.4 million for the three months ended 31 March 2020.

According to the 2020 Annual Report, the Group recorded revenue of approximately HK\$136.9 million for the year ended 31 December 2020 as compared with approximately HK\$96.9 million for the year ended 31 December 2019, representing an increase of approximately 41.2%. Similarly, such growth in revenue was mainly attributable to an increase of approximately 55.4% in revenue from the Group's food and beverage business as compared with that in the previous year, as the Group had opened 3 new restaurants in Hong Kong in the second quarter of 2020, and 2 new restaurants in Singapore in the first and fourth quarters of 2020, making there in total 15 restaurants of the Group throughout the year. As shown in the above table, the Group's food and beverage business had been its major business segment for the year ended 31 December 2020, contributing approximately 78.1% of the Group total revenue for the year, hence the growth in revenue from this segment had positively impacted the Group's overall financial performance.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Similar to its financial results for the three months ended 31 March 2021, the Group's financial services business, which had increased by close to 3 times from that for the previous year, had been a key driver for its overall revenue growth. According to the 2020 Annual Report, as the stocks market in Hong Kong set new trading activity records in 2020 and trading volumes on both Stock Connect reached new highs, particularly driven by the growing fundraising activities of biotech and new economy companies, it is noted that the Stock Exchange had raised a total of approximately HK\$400.2 billion for IPO fundraisings in 2020. As a result of the high demand for margin financing services and high average trading turnover in the Hong Kong stock market, the Group recorded an increase in commission from securities dealing and interest income from securities clients, and such growth in commission and interest income had continued to benefit the Group for the three months ended 31 March 2021 as discussed earlier.

Mainly as a result of the increase in revenue from the Group's food and beverage and financial services businesses as discussed above, the Group recorded gross profit of approximately HK\$86.2 million for the year ended 31 December 2020, representing an increase of approximately 37.4% compared with that of approximately HK\$62.7 million in 2019. While we noted that the Group had been in a net loss position for five consecutive years since 2016, due to the gain in the Group's gross profit, the COVID-19-related rent concessions of approximately HK\$4.8 million and the government grant of approximately HK\$6.8 million in respect of COVID-19-related subsidies, the Group's net loss attributable to owners of the Company narrowed to approximately HK\$28.5 million for the year ended 31 December 2020, as compared with that of approximately HK\$104.2 million for the year ended 31 December 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The consolidated assets and liabilities of the Group as at 31 December 2020 and 30 June 2020 as extracted from the 2020 Annual Report and 2020 Interim Report respectively are summarised as follows:

Table 2: Summarised financial position of the Group

	As at 31 December 2020 HK\$'000 (audited)	As at 30 June 2020 HK\$'000 (unaudited)
Total assets		
– Non-current assets	71,442	53,235
– Current assets	171,582	251,719
Total liabilities		
– Current liabilities	100,982	164,411
– Non-current liabilities	31,893	19,885
Net current assets	70,600	87,308
Net assets	110,149	120,658
Equity attributable to owners of the Company	108,766	119,298

As at 31 December 2020, the Group's total assets amounted to approximately HK\$243.0 million, which mainly included (i) trade receivables of approximately HK\$55.9 million; (ii) property, plant and equipment of approximately HK\$38.6 million; (iii) cash and cash equivalents of approximately HK\$35.6 million; (iv) loans and interest receivables of approximately HK\$26.0 million; (v) trust bank accounts of approximately HK\$23.3 million; (vi) financial assets at fair value through profit or loss of approximately HK\$18.1 million; (vii) goodwill of approximately HK\$17.2 million; and (viii) deposits, prepayments and other receivables of approximately HK\$19.8 million. As at 31 December 2020, the Group had total liabilities of approximately HK\$132.9 million, which mainly consisted (i) lease liabilities that were payable after one year of approximately HK\$31.9 million; (ii) lease liabilities that were payable in less than one year of approximately HK\$31.1 million; and (iii) trade and other payables of approximately HK\$59.6 million.

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As at 30 June 2020, the Group's total assets amounted to approximately HK\$305.0 million, which mainly included (i) trust bank accounts of approximately HK\$112.7 million; (ii) loans and interest receivables of approximately HK\$52.4 million; (iii) cash and cash equivalents of approximately HK\$30.1 million; and (iv) trade receivables of approximately HK\$21.6 million. As at 30 June 2020, the Group had total liabilities of approximately HK\$184.3 million, which mainly included (i) trade and other payables of approximately HK\$142.5 million; (ii) lease liabilities that were payable in less than one year of approximately HK\$21.5 million; and (iii) lease liabilities that were payable after one year of approximately HK\$19.9 million.

As shown in the above table, the consolidated equity attributable to owners of the Company decreased from approximately HK\$119.3 million as at 30 June 2020 to approximately HK\$108.8 million as at 31 December 2020.

2. Information on the Underwriters and parties acting in concert with it

The Underwriter is an investment holding company incorporated in British Virgin Islands with limited liability and is not engaged in underwriting of issue of securities in its ordinary course of business.

The Underwriter is wholly-owned by Mr. Ng Ting Kit, a substantial Shareholder who is a cousin of Mr. Ng Man Chun Paul, the chairman of the Board and an executive Director, and the elder brother of Mr. Ng Ting Ho, the chief executive officer of the Company and an executive Director. Accordingly, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho are parties acting in concert with the Underwriter.

As at the Latest Practicable Date, Mr. Ng Ting Kit is beneficially interested in 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares. As such, the Underwriter is a connected person of the Company under Chapter 20 of the GEM Listing Rules and it complies with Rule 10.24A(2) of the GEM Listing Rules by being the substantial Shareholder of the Company.

3. Fund raising activities involving issue of securities in the past 12 months

As set out in the Board Letter, the Company has not conducted any fund raising activities involving issue of securities in the past 12 months immediately preceding the date of the Announcement.

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4. Reasons for the Rights Issue and the intended use of proceeds

As disclosed in the Board Letter, the Board believes that the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time support the Group's key business development for the foreseeable future. In particular, in the view of the drop in rent prices and increasing supply of attractive sites in the Hong Kong market, the Board is confident of expanding the food and beverage business at a reasonable pace. Regarding the development of the financial service business, the increasing demand from the U.S. listed Chinese companies and technology companies seeking to have a (second) listing in Hong Kong has benefited the average daily turnover of share transactions in Hong Kong to reach approximately HK\$154.6 billion over the past 12 months, driving the appetite for margin financing. Therefore, the Board intends to allocate more capitals to its margin financing business in order to capture the opportunities.

As set out in the Board Letter, the Company will raise, before expenses, not less than approximately HK\$45.9 million and not more than approximately HK\$49.6 million from the Rights Issue. The estimated expenses, in the sum of approximately HK\$2.4 million, in relation to the Rights Issue, including the financial, legal, and other professional advisory fees, placing fee, printing and translation expenses, will be borne by the Company.

The Company intends to apply the minimum net proceeds from the Rights Issue of approximately HK\$43.5 million as follows:

- (1) as to approximately HK\$9.0 million to capital expenditure and related expenses on expanding the restaurants of the Group's food and beverage business segment, including but not limited to opening new restaurants, replacement for its existing facilities, procurement of machinery, equipment, and installing systems for accounting and customer relationship management;
- (2) as to approximately HK\$20.0 million will be allocated to the Group's financial services business segment for margin financing;
- (3) as to approximately HK\$10.0 million for repayment of a loan of the Group owing to a lender who is an Independent Third Party and is not a Shareholder; and
- (4) as to approximately HK\$4.5 million will be used as general working capital of the Group.

If the Company raises the maximum net proceeds from the Rights Issue of approximately HK\$47.2 million, the Company intends to apply the additional approximately HK\$3.7 million as general working capital of the Group.

5. Our views on the reasons for the Rights Issue and the intended use of proceeds

5.1. Expand the Group's food and beverage business segment

As stated in the Board Letter, the Group intends to apply part of the net proceeds from the Rights Issue of approximately HK\$9.0 million to expand its food and beverage business, which is currently one of the principal businesses of the Group.

Of such amount, (i) approximately HK\$4 to HK\$5 million will be used to invest in the opening of a new restaurant of the Group, the operation of which is expected to commence around August to September 2021. To this end, the Group has entered into a lease of premises in Landmark North, Sheung Shui, New Territories for operation of a Japanese Shabu Shabu restaurant, further particulars of which are set out in the announcement of the Company dated 14 April 2021; and (ii) approximately HK\$4 to HK\$5 million will be used for the replacement for its existing facilities, procurement of machinery and equipment, installation of systems for accounting and customer relationship management and exploration of opportunities for opening new restaurants.

In this regard, we have reviewed the 2020 Annual Report and noted that the Group had continued to expand its food and beverage business in 2020, and currently has 15 restaurants in full operation (with 3 of them opened in Hong Kong and 2 of them in Singapore in 2020). We also noted that the Group has taken various measures to strengthen its food and beverage business in order to tackle the COVID-19 outbreak. For example, the Group has been expanding the delivery and take-away business of its restaurants and has been implementing cost control measures such as having special work arrangements and rearranging the work schedule of its restaurants where appropriate.

While it is a general understanding that the food and beverage industry in Hong Kong has been hit hard by the COVID-19 pandemic and the relevant social-distancing restrictions, the pandemic is expected to be brought under control in 2021 as the number of vaccine recipients increases, and hence it is expected that those restrictions will be further relaxed, benefiting the food and beverage industry as people can then dine out in larger groups and stay at restaurants and bar till later. On the other hand, we noted that according to the Rating and Valuation Department, the rental index for private retail properties in Hong Kong (which include those for restaurant operation) for the fourth quarter of 2020 had dropped by about 7.4% and 10.6% compared with those for the fourth quarters of 2019 and 2018 respectively¹, implying that the operating cost for food and beverage businesses has decreased, a factor favorable to restaurant operators. Indeed, such view is supported by the fact that the number of new restaurants opened in Hong

¹ Please refer to the website of the Rating and Valuation Department at <https://www.rvd.gov.hk>

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Kong from December 2020 to March 2021 had outweighed the number of restaurants closed during the same period, according to the market insights published by the online food and restaurant guide named OpenRice².

Given that the food and beverage business had been a key driver for the Group's revenue and that the food and beverage business in Hong Kong is expected to benefit as the COVID-19 pandemic becomes more controlled, we consider allocating part of the net proceeds from the Rights Issue to invest in the opening of a new restaurant of the Group and to improve the Group's current facilities in this business segment as fair and reasonable so far as the Independent Shareholders are concerned.

5.2. Expand the Group's financial services business segment for margin financing

As stated in the Board Letter and as discussed with the Company, the Group intends to allocate the net proceeds from the Rights Issue of approximately HK\$19.5 million to increase its provision of margin loans, and remaining net proceeds of approximately HK\$0.5 million to the marketing of its margin financing business, given that in view of the quantitative easing among countries, interest income from its margin financing services is expected to maintain a steady growth.

We noted that despite the economic hit brought by the COVID-19 pandemic, the stock market in 2020 had demonstrated resilience and overall recorded gain for the year. Indeed, despite stock market volatility was observed in the early 2021, PricewaterhouseCoopers Hong Kong expected that the Hong Kong stock market will raise between HK\$420 and HK\$460 billion, the most funds among the global IPO fundraising markets, in 2021³. With such active stock market, it is expected that the demand for margin financing services will grow substantially. In fact, even amid the outbreak of the COVID-19 pandemic in 2020, the number of active margin clients in Hong Kong had been increasing significantly from 2015 to 2020, with the annual growth rates being 10.4%, 26.4%, 37.43%, 29.7% and 144% respectively, according to the financial review of the security industry in Hong Kong conducted by the Securities and Future Commission of Hong Kong⁴. As such, we consider it fair and reasonable so far as the Independent Shareholders are concerned that the Company intends to allocate part of the net proceeds from the Rights Issue to this business segment, as it would allow the Group to capture opportunities from the active stock market and hence high demand for margin financing services.

² Please refer to the website of Openrice Group Inc. at <https://biz.openrice.com/hk/en/restaurants/insights>

³ Please refer to the website of PricewaterhouseCoopers Hong Kong at <https://www.pwchk.com/en/press-room/press-releases/pr-040121.html>

⁴ Please refer to the website of the Securities & Futures Commission of Hong Kong at https://www.sfc.hk/-/media/EN/files/IS/publications/Financial-Review-of-the-Securities-Industry_Eng.pdf, https://www.sfc.hk/-/media/EN/files/ER/Annual-Report/2019-20/24_Breakdown_of_SFC_activity_data_EN.pdf, and https://www.sfc.hk/-/media/EN/files/ER/Reports/Securities-Industry-Financial-Review-Report_31-Dec-2020.pdf

5.3. Repay a loan of the Group

As discussed in the Board Letter, the loan which the Group intends to repay using part of the net proceeds from the Rights Issue refers to the loan in the principal amount of HK\$10.0 million that was obtained from E Finance Limited, an Independent Third Party. Such loan bears an interest rate of 10% per annum and is unsecured, and shall mature on 26 July 2021. According to our discussion with the Company, the said loan had been utilized for administrative expenses in 2020. Besides its current internal financial resources, the Group intends to allocate part of the net proceeds from the Rights Issue of approximately HK\$4.5 million (as further discussed in the next sub-section) for administrative expenses. It is also the Group's plan to repay the principal amount of the loan of HK\$10.0 million using part of the net proceeds from the Rights Issue of approximately HK\$10.0 million, and to repay any interest accrued on the said loan using the Group's general working capital.

Given the upcoming repayment schedule of the said loan, we consider it reasonable to allocate part of the net proceeds from the Rights Issue to the repayment of the principal amount of such.

5.4. Strengthen the Group's working capital position

As discussed in the Board Letter, the Company intends to apply part of the net proceeds from the Rights Issue of approximately HK\$4.5 million into the Group's general working capital for items such as salaries, allowance for staff at the Company's head office and administration expenses (including but not limited to rental and management fees incurred by the Company's head office). Based on the Group's estimation, the related expenses would be approximately HK\$1.5 million per month.

In this regard, we noted that according to the 2020 Annual Report, as at 31 December 2020, the Group has cash and cash equivalents of approximately HK\$35.6 million and current liabilities of approximately HK\$101.0 million. We also noted that the current ratio was about 2.89 as at 31 December 2019 and about 1.70 as at 31 December 2020, reflecting a significantly decrease in the Group's liquidity. Given the need to maintain a sufficient level of current assets, particularly cash, for the Group's operation, we consider allocating part of the net proceeds from the Rights Issue into the Group's working capital would allow the Group to enjoy more flexibility in its working capital management.

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Despite the cash position of the Group as at 31 December 2020, taking into consideration (i) the expected investment cost to be incurred for the opening of a new restaurant which will amount to approximately HK\$4 to HK\$5 million; (ii) the development of the Group's margin financing business which will require a level of capital and liquidity of the Group at all times for its provision of margin loans; and (iii) the upcoming loan repayment which will amount to approximately HK\$10 million, the Group considers, and we agree that, its current level of working capital may not be sufficient to cater both the development plan for its food and beverage business and financial services business, as well as its capital needs for daily operation. As such, we concur with the Board that the net proceeds from the Rights Issue can help resolve the cash flow need of the Group, and the intended use of proceeds is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5.5. Fund raising activities in the past and fund raising alternatives

As set out in the Board Letter, the Company has not conducted any fund raising activities involving issue of securities in the past 12 months immediately preceding the Latest Practicable Date.

In addition, apart from the Rights Issue, the Board has considered the below debt/equity fund raising alternatives such as bank borrowings, placing or an open offer.

(i) Bank borrowing

As discussed with the Company, we understand the Board is of the view that additional bank borrowing will incur further interest burden on the Group and therefore negatively affect the gearing of the Group. Additional bank borrowing may also require the provision of security and make creditors rank before the Shareholders. In view of the uncertain outlook of the global economy, it may also be difficult for the Group to obtain long term bank borrowings in favourable terms.

Given that the equity raised through the Rights Issue would not be interest-bearing, we agree that the Rights Issue would allow the Company to strengthen its capital base and liquidity without incurring interest costs as it would through bank borrowing.

(ii) Placing

The Board is of the view, and we concur, that placing will dilute the interests of the Shareholders without giving them the opportunity to take part in the exercise.

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(iii) Open offer

Finally, the Board considers, and we concur, in comparison to rights issue, open offer does not provide the flexibility to the Shareholders in dealing with the nil-paid rights attaching to the Rights Shares.

In view of the above, we concur with the Board that the Rights Issue is a more beneficial way of fund raising when compared to alternative fund-raising methods and that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, given that the Rights Issue (i) allows the Company to strengthen its capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio; (ii) offers all the Qualifying Shareholders equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; (iii) allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits and allows other Qualifying Shareholders to acquire these nil-paid Rights Shares; and (iv) allows the Qualifying Shareholders to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares in addition to their entitlements under the Rights Shares through the Compensatory Arrangements, despite the absence of excess application arrangements.

6. Principal terms of the Rights Issue

Set out below is a summary of the principle terms of the Rights Issue:

Issue price	:	Three (3) Rights Shares for every one (1) Share held on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	153,029,515 Shares
Number of Rights Shares	:	Not less than 459,088,545 Shares and not more than 495,808,545 Shares, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date

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Aggregate nominal value of the Rights Shares	:	Not less than approximately HK\$4.59 million and not more than approximately HK\$4.96 million
Amount to be raised	:	Not less than approximately HK\$45.9 million and not more than approximately HK\$49.6 million before expenses

As at the Latest Practicable Date, save for the outstanding Existing Share Options carrying the right to subscribe for a total number of 15,300,000 Shares at an exercise price of HK\$0.2392 per Share and exercisable from 12 October 2020 to 11 October 2021 (both days inclusive), the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

The number of the Rights Shares which may be issued pursuant to the Rights Issue will be increased in proportion to any Shares which may be allotted and issued pursuant to the exercise of the Existing Share Options on or before the Record Date.

Based on the 153,029,515 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, upon completion of the Rights Issue, 459,088,545 Rights Shares will be issued. If the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date, upon completion of the Rights Issue, 495,808,545 Rights Shares would be issued.

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue, the minimum aggregate number of 459,088,545 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents: (i) 300% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) 75% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Assuming that the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date and there would be no other change in the issued share capital of the Company from the Latest Practicable Date up to the completion of the Rights Issue, the number of the total Shares in issue as at the Record Date would be 165,269,515 Shares and the maximum aggregate number of 495,808,545 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represents: (i) 300% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Shares pursuant to the full exercise of the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings); and (ii) approximately 75% of the enlarged issued share capital of the Company as enlarged by the allotment and issue of the Shares pursuant to the full exercise of the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) and issue of the Rights Shares immediately after completion of the Rights Issue.

7. Our analysis of the principal terms of the Rights Issue and the Underwriting Agreement

7.1. Subscription price

The Subscription Price is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, (i) the recent closing prices of the Shares; (ii) the financial position of the Group; (iii) the amount of the intended funding needs; and (iv) the reasons and benefits of the Rights Issue as discussed in the section headed "Reasons for the Rights Issue" in the Board Letter. The Subscription Price represents:

- (i) a discount of approximately 17.36% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 4.99% to the theoretical ex-rights price of approximately HK\$0.10525 per Share based on the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 20.38% to the average closing price of HK\$0.1256 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 6.02% to the theoretical ex-rights price of approximately HK\$0.1064 based on the average closing price of HK\$0.1256 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 22.30% to the average closing price of HK\$0.1287 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 6.69% to the theoretical ex-rights price of approximately HK\$0.107175 based on the average closing price of HK\$0.1287 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

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- (vii) a discount of approximately 86.11% to the audited consolidated net asset value per Share of approximately HK\$0.720 based on the published audited consolidated net asset value of the Company of approximately HK\$110.1 million as at 31 December 2020 as extracted from the 2020 Annual Report and the issued share capital of the Company of 153,029,515 Shares as at the Latest Practicable Date;
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 15.29% of the theoretical diluted price of HK\$0.1064 per Share to the bench marked price of HK\$0.1256 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.121 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the 5 consecutive trading days immediately prior to the Last Trading Day of HK\$0.1256 per Share); and
- (ix) a discount of approximately 53.27% over the closing price of HK\$0.214 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.094, representing (1) a discount of approximately 22.31% to the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day; and (2) a discount of approximately 10.69% to the theoretical ex-rights price of approximately HK\$0.10525 per Share based on the closing price of HK\$0.121 per Share as quoted on the Stock Exchange on the Last Trading Day.

We noted that the Subscription Price of HK\$0.10 per Rights Share represents a deep discount of approximately 86.11% to the audited net asset value per Share of approximately HK\$0.720 as at 31 December 2020. In this regard, as discussed in the next sub-section below, we noted that the market price of the Shares ranged from HK\$0.121 to HK\$0.370 during the Review Period (as defined hereinafter), and from HK\$0.121 to HK\$0.275 during the six-month and up to the Last Trading Day. Given that the unaudited consolidated net asset value per Share as at 30 June 2020 and audited consolidated net asset value per Share as at 31 December 2020 were approximately HK\$0.79 and HK\$0.720 respectively, the Shares had been trading at a deep discount to the audited/unaudited net asset value per Share for the last year and up to the Last Trading Day.

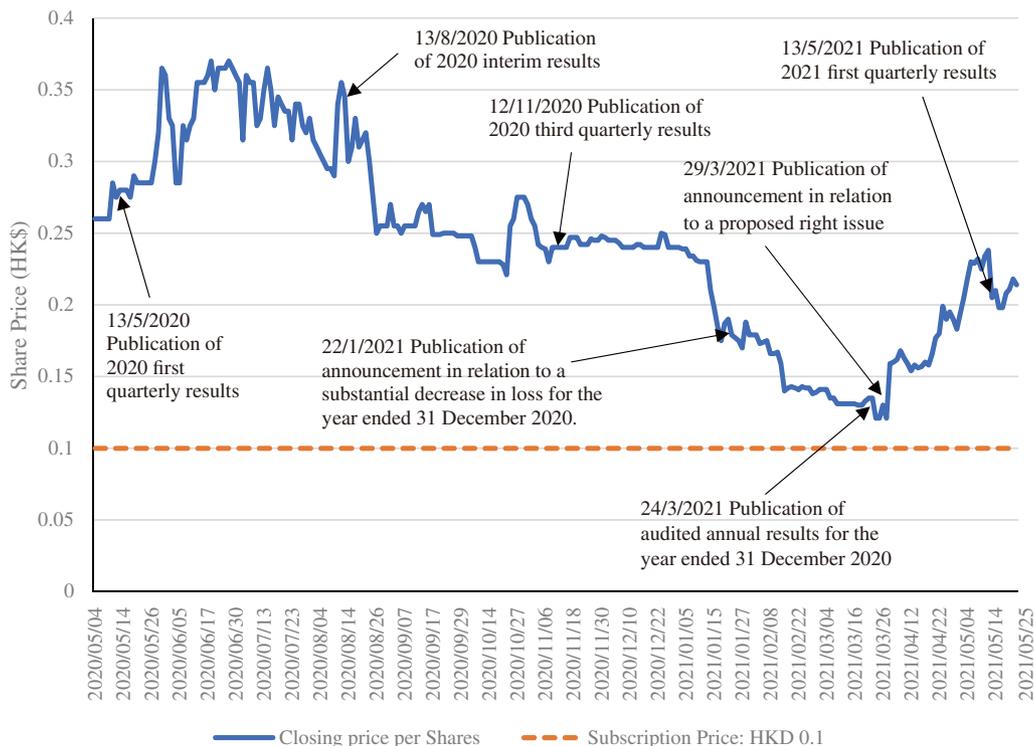
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In view of the above and the fact that the prevailing market prices of the Shares have already reflected the market valuation of the Company in general, we consider that (i) the discount of the Subscription Price to the audited/unaudited net asset value per Share is justifiable; and (ii) it is fair and reasonable so far as the Independent Shareholders are concerned to make reference to the market prices of the Shares rather than the audited/unaudited net asset value per Share when determining and assessing the Subscription Price.

7.2. Historical Share price performance

In assessing the fairness and reasonableness of the Subscription Price, we have taken into account the daily closing price of the Shares as quoted on the Stock Exchange commencing on 1 May 2020 up to and including 25 May 2021, being the Latest Practicable Date (the “**Review Period**”). We consider that such sampling period of approximately 12-month is adequate as it represents a reasonable period to provide a general overview of the recent price performance of the Shares. The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart: Historical closing prices of the Shares during the Review Period



Source: the website of the Stock Exchange

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As illustrated in the chart above, during the Review Period, the closing price of the Shares demonstrated an overall downward trend before the publication of the Announcement, decreasing from its highest at HK\$0.37 per Share on 18 June 2020 to its lowest at HK\$0.121 per Share on 24, 25 and 29 March 2021. After the publication of the Announcement, likely because of the positive public response to the Rights Issue, the Share price rebounded to HK\$0.159 per Share and reached its highest point at HK\$0.238 during the remaining Review Period, despite returning to HK\$0.214 per Share as at the Latest Practicable Date. During the Review Period, the closing prices of the Shares showed an average of HK\$0.243 per Share. Accordingly, the Subscription Price represents (i) a discount of approximately 17.4% to the lowest closing price of the Shares; (ii) a discount of approximately 73.0% to the highest closing price of the Shares; and (iii) a discount of approximately 58.8% to the average closing price of the Shares during the Review Period.

As further discussed in the sub-section below, we noted that it is a common market practice for listed issuers in Hong Kong to set the subscription price of their rights issue at a discount to the prevailing market prices of the relevant shares in order to enhance the attractiveness of rights issue to existing shareholders. In this regard, while we noted that the Subscription Price represents significant discounts of approximately 17.4% and 58.8% respectively to the lowest and average closing prices of the Shares during the Review Period, taking into account (i) the Group had been in a net loss position for five consecutive years since 2016; (ii) the closing prices of the Shares had demonstrated an overall downward trend during the Review Period; (iii) the Subscription Price, which represents a discount of approximately 17.36% to the closing price per Share on the Last Trading Day, and a discount of approximately 4.99% to the theoretical ex-rights price per Share on the Last Trading Day, show discounts that are within the ranges of those represented by the Comparable Transactions (as defined hereinafter) as discussed in further details in the next sub-section headed "Comparable analysis" below; and (iv) a favourable discount to prevailing market prices of the Shares would attract the Qualifying Shareholders to participate in the Rights Issue and invest in the Company so as to enable the Company to satisfy its funding and capital needs, we are of the view that the Subscription Price is not only fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, but also in alignment with the market practice.

7.3. *Comparable analysis*

To further assess the fairness and reasonableness of the terms of the Rights Issue, we have further considered recent market rights issue listed on the Stock Exchange (the “**Comparable Transactions**”) announced since 1 November 2020 up to and including the Latest Practicable Date, being a sampling period of approximately six months (the “**Comparable Review Period**”). The Comparable Transactions were selected on the basis that (i) they were conducted by companies that are listed on the Stock Exchange; (ii) they were conducted during a six-month Comparable Review Period which we consider would provide a reasonable sample size to reflect the recent market practice regarding rights issue transactions; and (iii) there was no artificial selection or filtering on our part so that the Comparable Transactions would represent a reasonable reference to the recent market trends on similar rights issue transactions conducted by other issuers listed on the Stock Exchange. Nonetheless, it should be noted that the issue ratio of the Comparable Transactions, as well as the market capitalisation, industry, financial performance and funding needs of the companies which conducted Comparable Transactions, may not be the same as those of the Company and we have not conducted any investigation into these aspects. Accordingly, we have prepared the Comparable Transactions here only for cross-checking purposes. Set out below is a fair and exhaustive list of the 29 Comparable Transactions we were able to identify based on the aforementioned selection criteria during the Comparable Review Period.

Table 4: Analysis of the Comparable Transactions

Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) of the subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission capacity (Approx. %)	Underwriter	Excess application	Maximum dilution (Note 2) (Approx. %)
04 November 2020	Top Form International Limited (333)	2 for 5	(21.88)	(16.67)	(6.25) Y	Nil	Controlling shareholder	N		28.57
05 November 2020	Asia-Pac Financial Investment Company Limited (8193)	3 for 1	(10.70)	(3.70)	(9.90) N	N/A	N/A	N		75
10 November 2020	China Fortune Holdings Limited (110)	1 for 1	(5.36)	(2.75)	(2.75) N	N/A	N/A	Y		50
20 November 2020	Global Strategic Group Limited (8007)	4 for 1	(20.79)	(4.76)	(17.56) Y	3	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y		80

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Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) of the subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
03 December 2020	Capital Finance Holdings Limited (8239)	2 for 1	1.50	4.65	3.10	N	N/A	N/A	N	66.67
14 December 2020	Chimlink International Holdings Limited (997)	3 for 1	(4.58)	(13.64)	(11.70)	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	75
22 December 2020	FDG Kinetic Limited (378) ("FDG") (Note 3)	9 for 1	(51.00)	(91.30)	(82.10)	N	N/A	N/A	N	90
31 December 2020	Pacific Century Premium Developments Limited (432)	1 for 2	0.00	0.00	0.40	N	N/A	N/A	Y	33.33

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Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) of the subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
06 January 2021	Sinolink Worldwide Holdings Limited (1168)	4 for 5	(31.37)	(42.86)	(20.09)	N	N/A	N/A	Y	44.44
20 January 2021	Roma Group Limited (8072)	3 for 1	(10.07)	(31.32)	(23.63)	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	75
25 January 2021	Beaver Group (Holding) Company Limited (8275)	3 for 2	(17.32)	(34.38)	(20.63)	N	N/A	N/A	N	60

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission capacity (Approx. %)	Underwriter carrying out Type 1 (dealing in securities) regulated activity	Excess application	Maximum dilution (Note 2) (Approx. %)
27 January 2021	Cornerstone Financial Holdings Limited (8112)	4 for 1	(21.11)	(22.57)	Y	3	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	80
27 January 2021	Esprit Holdings Limited (330)	1 for 2	(25.00)	(8.68)	Y	1.625	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	33.33
05 February 2021	Bossini International Holdings Limited (592)	1 for 2	(23.40)	(8.47)	N	N/A	N/A	Y	33.33

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) of the subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
17 February 2021	China LotSynergy Holdings Limited (1371)	2 for 1	(15.97)	(30.07)	(23.93)	N	N/A	N/A	Y	66.67
19 February 2021	Enterprise Development Holdings Limited (1808)	1 for 2	(39.09)	(49.15)	(16.38)	Y	1	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	33.33
17 March 2021	Qingdao Holdings International Limited (499)	1 for 1	(10.30)	(18.80)	(9.40)	Y	4.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	50

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Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) of the subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission capacity (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
24 March 2021	Noble Engineering Group Holdings Limited (8445)	1 for 2	(25.30)	(33.80)	(11.90)	N	N/A	N/A	N	33.33
26 March 2021	Kaisa Group Holdings Limited (1638)	1 for 7	(22.70)	(25.13)	(3.44)	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activity	Y	12.5
23 April 2021	PFC Device Inc. (8231)	1 for 2	(23.37)	(20.00)	(7.79)	N	N/A	N/A	Y	33.33
28 April 2021	Sandmartin International Holdings Limited (482)	1 for 2	(11.21)	(16.00)	(5.33)	N	N/A	N/A	N	33.33

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Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) of the subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
04 May 2021	China Investment Development Limited (204)	1 for 2	(10.31)	(6.98)	(3.56)	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activities	Y	33.3
04 May 2021	Coolpad Group Limited (2369)	1 for 2	(41.10)	(31.70)	(14.50)	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activities	Y	33.3
11 May 2021	Great Wall Belt & Road Holdings Limited (524)	1 for 4	(18.90)	(15.70)	(3.78)	N	N/A	N/A	Y	20
11 May 2021	China Best Group Holding Limited (370)	1 for 2	(45.21)	(37.89)	(15.93)	N	N/A	N/A	N	33.3

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Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) of the subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
13 May 2021	Ta Yang Group Holdings Limited (1991)	1 for 2	(22.22)	(7.39)	N	N/A	N/A	Y	33.3
14 May 2021	Golden Power Group Holdings Ltd (3919)	1 for 2	(24.40)	(7.10)	Y	7.07	Licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities	Y	33.3
18 May 2021	Champion Technology Holdings Limited (92)	3 for 1	8.70	N/A	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activities	Y	75

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Date of announcement	Company name (stock code)	Basis of provisional allotment	Premium/ (Discount) subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	Premium/ (Discount) subscription price over/ to the closing price per share on the last trading day (Approx. %)	Theoretical dilution effect (Approx. %)	Underwritten (Approx. %)	Underwriting commission (Approx. %)	Underwriter capacity	Excess application	Maximum dilution (Note 2) (Approx. %)
20 May 2021	China Internet Investment Finance Holdings Limited (810)	1 for 2	(51.22)	(41.18)	(17.88)	Y	2.5	Licensed corporation carrying out Type 1 (dealing in securities) regulated activities	Y	33.3
Excluding FDG Kinetic Limited which we consider as outlier										
		Maximum	8.70	2.04	3.10		7.07			80.00
		Minimum	(51.22)	(41.18)	(23.93)		1.00			12.50
		Average	(22.98)	(15.75)	(11.00)		2.90			46.14
		Median	(22.05)	(15.84)	(9.40)		2.50			33.33

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Date of announcement	29 March 2021	Company name (stock code)	The Company	Basis of provisional allotment	3 for 1	Premium/ (Discount) subscription price over/ to the theoretical ex-right price per share based on the closing price per share on the last trading day (Approx. %)	(17.36)	Theoretical dilution effect (Approx. %)	(15.29)	Y	Underwritten (Approx. %)	0	Underwriting commission (Approx. %)	0	Underwriter capacity	corporation wholly-owned by a substantial Shareholder (Note 4)	Excess application	N	Maximum dilution (Note 2) (Approx. %)	62.36
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Source: The website of the Stock Exchange

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Notes:

- (1) The relevant announcements did not disclose the theoretical dilution effect. The theoretical dilution effect of these companies was calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the GEM Listing Rules for companies listed on GEM.
- (2) Maximum dilution is calculated according to the basis of entitlement of each rights issue with formula: $(\text{number of new shares to be issued under the basis of entitlement}) / (\text{number of existing shares held for the entitlement for the new shares under the basis of entitlement} + \text{number of new shares to be issued under the basis of entitlement}) \times 100\%$
- (3) As disclosed in the circular of FDG dated 22 December 2020, FDG was being petitioned for winding-up by one of its creditors, and the assets, properties and undertakings of FDG had been placed under receivership and the net current assets value of FDG was negative; as such, the rights issue of FDG formed part of a rescue proposal for FDG. According to the letter from the board included in the said circular, the subscription price of FDG's rights issue was commercially determined by FDG having considered the financial position of the FDG group and the winding-up petition against FDG and the receivership over all of its assets, property and undertaking as well as comparable precedent restructuring cases. As stated in the said letter from the board, the board of FDG considered a substantial discount to the market price of FDG's shares would be necessary to attract FDG's share holders and potential investors to participate in the rights issue for the rescue of FDG.

In addition, pursuant to Note 2 to Rule 7.27B of the Listing Rules, FDG had consulted the Stock Exchange regarding its rights issue and the Stock Exchange was satisfied that there were exceptional circumstances for FDG to conduct the rights issue which would result in a theoretical dilution effect of over 25%.

In view that the figures of FDG appear to be abnormally low as compared to the rest of the Comparables, the figures have been excluded from the computations as FDG is considered as an outlier which may skew the overall results.

- (4) The underwriter is wholly-owned by Mr. Ng Ting Kit, who is a substantial Shareholder.

7.3.1. Subscription price and dilution effect

As shown in the above table, it is a common market practice that the pricing of a rights issue represents a discount to both the closing share prices on the last trading day and to the theoretical ex-entitlement prices of the shares. After excluding the outlier (i.e. FDG Kinetic Limited) from the Comparable Transactions, we noted that the subscription prices of the Comparable Transactions ranged from a discount of approximately 51.22% to a premium of approximately 8.70%, with an average discount of approximately 22.98% and a median discount of approximately 22.05% as compared to their respective closing prices per share on the last trading day prior to/on the dates of the relevant announcements of the Comparable Transactions. The discount of approximately 17.36% as represented by the Subscription Price to the closing price per Share on the Last Trading Day, therefore falls within the range of those of the Comparable Transactions; and

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We also noted that the subscription prices of the Comparable Transactions ranged from a discount of approximately 41.18% to a premium of approximately 2.04%, with an average discount of approximately 15.75% and a median discount of approximately 15.84% as compared to their respective average theoretical ex-rights prices per share based on the closing prices on the last trading day prior to/on the dates of the relevant announcements of the Comparable Transactions. The discount of approximately 4.99% as represented by the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day, therefore also falls within the range of those of the Comparable Transactions.

In addition, it is noted that after excluding the outlier from the Comparable Transactions, the theoretical dilution effect of the Comparable Transactions ranged from a discount of approximately 23.93% to a premium of approximately 3.10%, with an average discount of approximately 11.00% and a median discount of approximately 9.40%. In this regard, we noted that among the 28 Comparable Transactions (after excluding the outlier) that were conducted during the Comparable Review Period (among them 21 Comparable Transactions were conducted in 2021), 9 of them would have resulted in a discount of the theoretical dilution effect of above 15%, with 8 of them conducted in 2021. As such, despite being higher than the average and median discounts of the theoretical dilution effect of the Comparable Transactions, the discount of the theoretical dilution effect of the Rights Issue of approximately 15.29% (i) falls within the range of those of the Comparable Transactions; (ii) is comparable to the theoretical dilution effect of most of the recent Comparable Transactions of above 15%; and (iii) is in compliance with Rule 10.44A of the GEM Listing Rules as such theoretical dilution effect is less than 25%.

In respect of the maximum dilution effect of the Comparable Transactions, it is noted that after excluding the outlier from the Comparable Transactions, the maximum dilution effect of the Comparable Transactions ranged from approximately 12.5% to approximately 80%, with an average of approximately 46.14% and a median of approximately 33.33%. As such, the maximum dilution effect of the Rights Issue of approximately 62.36% falls within the range of those of the Comparable Transactions despite being higher than the average and median maximum dilution effect of the Comparable Transactions.

Given that the above ranges represented by the Comparable Transactions are rather wide, the above comparable analysis should be regarded as a general reference for cross-checking purposes only in relation to the terms of rights issues under recent market conditions. In this regard, we have taken into account the following factors in determining whether the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned.

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- (i) the need for the Group to develop its key businesses and strengthen its working capital base as detailed in the above section headed “Reasons for the Rights Issue and the intended use of proceeds”, as well as the decreased liquidity of the Group in view of its current ratio of about 2.89 as at 31 December 2019 and about 1.70 as at 31 December 2020 as discussed in the sub-section headed “Strengthen the Group’s working capital position” under the section headed “Our views on the reasons for the Rights Issue and the intended use of proceeds” of this letter;
- (ii) the reasons for and benefits of the Rights Issue and the intended use of proceeds is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole;
- (iii) the Right Issue is considered to be a better financing alternative over bank borrowings, placing or an open offer, especially when the Rights Issue allows the Company to strengthen its capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio, as detailed in the above section headed “Reasons for the Rights Issue and the intended use of proceeds” of this letter;
- (iv) the Group had been in a net loss position for five consecutive years since 2016, the closing prices of the Shares had demonstrated an overall downward trend and the Subscription Price had been below the closing prices of the Shares during the Review Period as discussed in the above subsection headed “Historical Share price performance”;
- (v) it is common for listed issuers in Hong Kong to issue rights shares at a discount to prevailing market prices in order to enhance the attractiveness of a rights issue as illustrated in this sub-section; and
- (vi) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue and are offered the same discounts of the Subscription Price to the closing price of the Share on the Last Trading Day and to the theoretical ex-rights price and the same potential maximum dilution.

In light of the above, we are of the view that the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned.

7.3.2. Excess application

As stated in the Board Letter, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules. From our review, we also noted that 21 out of the 29 Comparable Transactions (including the outlier, namely FDG Kinetic Limited) allowed for application of excess rights shares, implying that most of the rights issues on the market do allow for excess application. In this regard, we understand that pursuant to Rule 10.31(2) of the GEM Listing Rules, as the Underwriter is wholly-owned by Mr. Ng Ting Kit, a substantial Shareholder owning an aggregate of 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares, the Company must make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees (including Qualifying Shareholders who wish to take up more of these shares in addition to their entitlements under the Rights Shares) for the benefit of the Shareholders to whom they were offered by way of the rights. In light of the above, we are of the view despite the absence of excess application arrangements, the interests of the Qualifying Shareholders are well-protected as they can subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares in addition to their entitlements under the Rights Shares through the Compensatory Arrangements. Such Compensatory Arrangement is further described in the paragraph headed "Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares, and the Compensatory Arrangements" in the Board Letter.

The Company therefore has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees (including Qualifying Shareholders who wish to take up more of these shares in addition to their entitlements under the Rights Shares) on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees) that is realised from the Placing will be paid to those No Action Shareholders. Any unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Based on our review, we are also not aware of any unusual arrangement of the Rights Issue as compared to those of the Comparable Transactions which do not offer excess application. Accordingly, we consider that the arrangement of the Rights Issue is consistent with normal market practice.

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In addition, given that despite the absence of excess application arrangements, (i) Qualifying Shareholders can subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares in addition to their entitlements under the Rights Shares through the Compensatory Arrangements; (ii) Qualifying Shareholders can sell the nil-paid Rights Shares in the market for economic benefits if they decide not to take up their entitlements under the Rights Issue so that other Qualifying Shareholders can acquire these nil-paid Rights Shares; and (iii) the Underwriter will only take up the unsold Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements if the Qualifying Shareholders decide not to take up their entitlements under the Compensatory Arrangements, we consider the interests of the Qualifying Shareholders are well-protected.

7.4. Irrevocable Undertaking

As at the Latest Practicable Date, (1) Mr. Ng Ting Kit, a substantial Shareholder, owns an aggregate of 25,925,000 Shares, representing approximately 16.94% of the existing issued Shares; (2) Mr. Ng Man Chun Paul, the chairman of the Board and an executive Director, owns an aggregate of 961,250 Shares, representing approximately 0.63% of the existing issued Shares, and the holder of Existing Share Options entitling him to subscribe for a maximum of 1,530,000 new Shares; and (3) Mr. Ng Ting Ho, the chief executive officer of the Company and an executive Director, owns an aggregate of 961,250 Shares, representing approximately 0.63% of the existing issued Shares, and the holder of Existing Share Options entitling him to subscribe for a maximum of 1,530,000 new Shares.

Pursuant to the Irrevocable Undertakings, each of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho has provided irrevocable and unconditional undertakings to the Company that (a) all the above Shares and (where applicable) the Existing Share Options held by them will continue to be beneficially owned by each of them on the Record Date; (b) each of them will accept and pay for all the Rights Shares to be provisionally allotted to each of them under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents; and (c) each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho shall not exercise any of his Existing Share Options up to the date of allotment and issue of the Rights Issue (in their fully-paid form) under the Rights Issue. The Irrevocable Undertakings shall automatically lapse and be of no further force and effect in the event the Underwriting Agreement is terminated in accordance with its terms at or before the Latest Time for Termination or upon completion of the Rights Issue.

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Considering the Irrevocable Undertakings can provide certainty of funding to the Company as each of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho have undertaken to take up an aggregate of 83,542,500 Rights Shares on a firm commitment basis regardless of the participation level of other Qualifying Shareholders, we concur with the Directors that the Irrevocable Undertakings are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

7.5. *Underwriting Agreement*

The Underwriter and the Company entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to fully underwrite all the Rights Shares other than those agreed to be taken up by Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings. Material terms of the Underwriting Agreement are set out below:

Date	:	29 March 2021
Underwriter	:	Trinity Worldwide Capital Holding Limited. Please refer to the paragraph headed "Information on the Underwriter" under the section headed "The Underwriting Agreement" in the Board Letter.
Total number of Rights Shares underwritten by the Underwriter	:	375,546,045 Rights Shares to 412,266,045 Rights Shares (being all the Rights Shares other than the 83,542,500 Rights Shares that have been undertaken to be subscribed by Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings).
Commission	:	The Underwriter will not receive any underwriting commission.

As mentioned in the Board Letter, the terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions.

In assessing the principal terms of the Underwriting Agreement, namely the underwriting commission, we have reviewed the underwriting commissions of the Comparable Transactions, if any, and noted that their underwriting commissions ranged from about 1.0% to 4.5%, with an average and median of about 2.5%. Given that the Underwriter did not charge any underwriting commission for the Rights Issue, such underwriting arrangement is more favourable to the Group than those to the Comparable Transactions.

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Having considered the zero-commission arrangement under the Underwriting Agreement which is more favourable to the Group, and that Mr. Ng Man Chun Paul and Mr. Ng Ting Ho (each an executive Directors who has undertaken to subscribe for the Rights Shares pursuant to the Irrevocable Undertakings) have abstained from voting on the Board resolutions approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver, we concur with the Board that the terms of the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

8. Potential dilution effect on the interests of the Independent Shareholders

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market.

Based on the 153,029,515 Shares in issue as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, upon completion of the Rights Issue, 459,088,545 Rights Shares will be allotted and issued. If the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date, upon completion of the Rights Issue, 495,808,545 Rights Shares will be allotted and issued.

Details of such dilution effect are presented in the section headed "Shareholding structure of the Company" in the Board Letter. According to that section, the maximum dilution effect of the Rights Issue was approximately 62.36%.

Among the Comparable Transactions as set out in the sub-section headed "Comparable analysis" under the above section headed "Our analysis of the principal terms of the Rights Issue and the Underwriting Agreement" of this letter, the maximum dilution effect of the Rights Issue of approximately 62.36% is above the average and median maximum dilution effect of the rights issues conducted by the Comparable Transactions are approximately 46.14% and 33.33% respectively.

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However, having considered that (i) the shareholding interests of the Qualifying Shareholders who take up their provisional allotments of the Rights Issue in full will not be diluted; (ii) the proposed Rights Issue offers the Qualifying Shareholders an equal opportunity to subscribe for the Rights Shares for the purpose of maintaining their proportionate interests in the Company at a discount as compared to the prevailing market prices of the Shares; (iii) all Qualifying Shareholders are offered the same discounts of the Subscription Price to the closing price of the Share as well as the same potential maximum dilution; (iv) the Qualifying Shareholders who do not wish to take up the Rights Shares would have the opportunity to sell their nil-paid Rights Shares in the market and (v) the Compensatory Arrangements would provide adequate safeguard to protect the interest of the Company's minority Shareholders and ensure the Underwriter will not be in a more favorable position than the Shareholders as they would provide (1) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (2) a channel of participation in the Rights Issue for independent investors; and (3) a compensatory mechanism for No Action Shareholders, we are of the view that the dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

9. Financial effects of the Rights Issue

It should be noted that the analysis below is for illustrative purposes only and does not purport to represent how the financial position of the Company would be upon the completion of the Rights Issue.

9.1. Working capital

According to the 2020 Annual Report, the cash and cash equivalents of the Group amounted to approximately HK\$35.6 million as at 31 December 2020. As part of the net proceeds from the Rights Issue will be applied as additional working capital of the Group, the Group's liquidity position would be improved upon completion of Rights Issue.

9.2. NAV

According to the 2020 Annual Report, the NAV of the Group as at 31 December 2020 amounted to approximately HK\$110.1 million. According to the Company, assuming the completion of the Rights Issue had taken place on 31 December 2020, the unaudited pro forma adjusted consolidated NAV of the Group would have increased to at least approximately HK\$153.6 million immediately after the completion of the Rights Issue because of the issue of the Rights Shares. Accordingly, there will be a positive impact on the NAV of the Group.

9.3. *Gearing*

According to the 2020 Annual Report, the Group's gearing ratio ("**Gearing Ratio**"), which is calculated on the basis of the Group's total liabilities to the total assets, was approximately 55% as at 31 December 2020. Since part of the net proceeds will be utilised for repaying a loan of the Group, the borrowings level of the Group is expected to decrease.

On the other hand, the capital base of the Group is expected to be enlarged by the Rights Shares upon completion of the Rights Issue. Accordingly, the gearing ratio of the Group will be improved as a result of the Rights Issue.

Based on the above analysis, we noted that the Rights Issue is expected to have a positive effect on the Group's working capital, NAV and gearing position. Accordingly, we are of the view that the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

10. Whitewash waiver

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, in aggregate, hold 27,847,500 Shares, representing approximately 18.20% of the issued share capital of the Company.

If there had been no acceptance by the Qualifying Shareholders under the Rights Issue (other than the acceptance of Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho pursuant to the Irrevocable Undertakings) and no placement can be made under the Compensatory Arrangements, upon completion of the Rights Issue:

- (1) assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter will be required to take up 375,546,045 Rights Shares. In such circumstances, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, will in aggregate, hold 486,936,045 Shares, representing approximately 79.55% of the issued share capital of the Company as enlarged by the Rights Shares; and

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- (2) assuming that the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date and there is no other change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the Underwriter will be required to take up 412,266,045 Rights Shares. In such circumstances, the Underwriter and parties acting in concert with it (comprising the Underwriter, Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho), taken together, will in aggregate, hold 523,656,045 Shares, representing approximately 79.21% of the issued share capital of the Company as enlarged by the Rights Shares.

Accordingly, in either case, such increase of voting rights of the Company of the Underwriter would trigger an obligation of the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive.

An application will be made by the Underwriter to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the SGM by way of poll; and (ii) the approval by more than 50% of the Independent Shareholders at the SGM by way of poll in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Rights Issue will not proceed.

In view that (i) it is in the interests of the Company and the Shareholders as a whole to raise long term equity capital through the Rights Issue for the Group's expansion and operation needs; (ii) the Rights Issue is currently the most appropriate and equitable fund raising method available to the Company; and (iii) the terms of the Rights Issue and the Underwriting Agreement, including the Subscription Price and underwriting commission, are fair and reasonable so far as the Independent Shareholders are concerned as analysed in the above section headed "Our analysis of the principal terms of the Rights Issues and the Underwriting Agreement" of this letter, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of proceeding with the Rights Issue.

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RECOMMENDATION

Taking into consideration the below principal factors and reasons that:

- (i) the intended use of proceeds is fair and reasonable so far as the Independent Shareholders are concerned considering (a) the growing market opportunities in the food and beverage as well as margin financing services industries in Hong Kong; (b) the upcoming repayment schedule of the loan from E Finance Limited, an Independent Third Party; and (c) the need for the Group to maintain a sufficient level of cash so that it can enjoy more flexibility in its working capital management;

the Rights Issue is a more beneficial way of fund raising when compared to alternative fund-raising methods given that the Rights Issue (a) allows the Company to strengthen its capital base and liquidity without incurring interest costs and also enables the Company to reduce its gearing ratio; (b) offers all the Qualifying Shareholders an equal opportunity to subscribe for their pro-rata provisional allotments of the Rights Shares without diluting their shareholding interests and allows the Qualifying Shareholders to participate in the future development of the Company; (c) allows the Qualifying Shareholders who decide not to take up their entitlements under the Rights Issue to sell the nil-paid Rights Shares in the market for economic benefits and allows other Qualifying Shareholders to acquire these nil-paid Rights Shares; and (d) allows the Qualifying Shareholders to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares in addition to their entitlements under the Rights Shares through the Compensatory Arrangements, despite the absence of excess application arrangements;

- (ii) in addition to the “nil-paid right” arrangement under the Rights Issue, the Compensatory Arrangements would provide adequate safeguard to protect the interests of the Company’s minority Shareholders and ensure the Underwriter will not be in a more favorable position than the Shareholders, as they would provide (1) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (2) a channel of participation in the Rights Issue for independent investors (including Qualifying Shareholders who wish to take up more of these shares in addition to their entitlements under the Rights Shares); and (3) a compensatory mechanism for No Action Shareholders;

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- (iii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned given that (a) the Group had been in a net loss position for five consecutive years since 2016; (b) the closing prices of the Shares had demonstrated an overall downward trend before the publication of the Announcement and despite after the publication of the Announcement, the Share price rebounded and reached its highest point at HK\$0.238 during the remaining Review Period, the Share price returned to HK\$0.214 per Share as at the Latest Practicable Date; (c) the Subscription Price had remained below the closing prices of the Shares during the Review Period; (d) a favourable discount to prevailing market prices of the Shares would attract the Qualifying Shareholders to participate in the Rights Issue and invest in the Company; and (e) it is common for listed issuers in Hong Kong to issue rights shares at a discount to prevailing market prices in order to enhance the attractiveness of a rights issue;
- (iv) it is common for rights issues to not allow for excess application as demonstrated by the Comparable Transactions and we are also not aware of any unusual arrangement of the Rights Issue as compared to those of the Comparable Transactions which do not offer excess application;
- (v) the Underwriter's role as an underwriter in respect of the Rights Issue, together with the Irrevocable Undertaking given by Mr. Ng Ting Kit, signify strong support from the substantial Shareholder to the Group and his confidence in the development of the Group;
- (vi) the zero-commission arrangement under the Underwriting Agreement is more favourable to the Group than those underwriting agreements of the Comparable Transactions which charged underwriting commissions;
- (vii) the potential dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned given that among others, (a) the proposed Rights Issue offers the Qualifying Shareholders an equal opportunity to subscribe for the Rights Shares for the purpose of maintaining their proportionate interests in the Company at a discount as compared to the prevailing market prices of the Shares; and (b) all Qualifying Shareholders are offered the same discounts of the Subscription Price to the closing price of the Share as well as the same potential maximum dilution;
- (viii) the Rights Issue is expected to have a positive effect on the Group's working capital, NAV and gearing position; and
- (ix) the approval of the Whitewash Waiver is a prerequisite for the completion of the Rights Issue,

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as set out in this letter, we are of the view that the terms of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the SGM. We also recommend the Independent Shareholders to vote in favour of the resolution(s) relating to the Rights Issue, the Underwriting Agreement and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

1. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Company for the years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements of the Company for the three months ended 31 March 2021, together with accompanying notes have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinademeter.com) as follows:

- (a) Annual report for the year ended 31 December 2020 (pages 122 to 293)
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000780.pdf>
- (b) Annual report for the year ended 31 December 2019 (pages 119 to 297)
<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0330/2020033000896.pdf>
- (c) Annual report for the year ended 31 December 2018 (pages 122 to 325)
<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0328/gln20190328075.pdf>
- (d) First quarterly report for the three months ended 31 March 2021 (pages 3 to 23)
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0513/2021051300865.pdf>

The following is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2018, 2019 and 2020 as extracted from the published annual financial statements of the Group for the relevant years and the unaudited consolidated results of the Group for the three months ended 31 March 2021 as extracted from the first quarterly report of the Company for the three months ended 31 March 2021:

	For the	For the year ended 31 December		
	three months			
	ended			
	31 March	2018		
	2021	2020	2019	2018
	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	36,089	138,247	112,144	73,423
Loss before tax	(995)	(27,768)	(105,381)	(40,974)
Income tax expense	(52)	(757)	(132)	(320)
Loss attributable to:				
Owners of the Company	(1,024)	(28,453)	(104,211)	(40,542)
Non-controlling interests	(23)	(72)	(1,302)	(752)
	<u>(1,047)</u>	<u>(28,525)</u>	<u>(105,513)</u>	<u>(41,294)</u>
Total comprehensive expense for the year attributable to:				
Owners of the Company	(677)	(28,784)	(106,690)	(55,819)
Non-controlling interests	(23)	(110)	(1,268)	(1,406)
	<u>(700)</u>	<u>(28,894)</u>	<u>(107,958)</u>	<u>(57,225)</u>
				(Restated)
Loss per share				
Basic (HK\$)	(0.67) cents	(18.59) cents	(68.10) cents	(28.46) cents
Diluted (HK\$)	(0.67) cents	(18.59) cents	(68.10) cents	(28.46) cents
Dividends (HK\$'000)	Nil	Nil	Nil	Nil
Dividends per Share (HK\$)	Nil	Nil	Nil	Nil

No modified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's report of the Company for each of the years ended 31 December 2018, 2019 and 2020. Baker Tilly Hong Kong Limited, the auditors of the Company, did not issue any qualified opinion on the financial statements of the Group for the years ended 31 December 2018, 2019 and 2020. There were no items of income or expense, which are material, recorded in the consolidated financial statements of the Group for each of the years ended 31 December 2018, 2019 and 2020 and for the three months ended 31 March 2021.

2. INDEBTEDNESS

As at the close of business on 31 March 2021, being the Latest Practicable Date prior to the printing of this circular for the purpose of this statement of indebtedness, the total indebtedness of Group (other than normal trade payables) amounted to approximately HK\$65.3 million, which comprised of unsecured borrowing from an independent third party to the Group of approximately HK\$10 million and lease liabilities in respect of various offices, warehouses and restaurants of approximately HK\$55.3 million.

Save as aforesaid and apart from intra-group liabilities, as at the close of business on 31 March 2021, the Group did not have any material debt securities issued and outstanding, or authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or outstanding mortgages or charges, or contingent liabilities or guarantees.

3. WORKING CAPITAL STATEMENT

As at the Latest Practicable Date, the Directors were of the opinion that, after taking into account the effect of the Rights issue, the cash flows generated from the operating activities of the Group, and the financial resources available to the Group, including internally generated funds, the existing borrowings and in the absence of unforeseeable circumstances, the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL CHANGE

The Directors confirmed that, save and except as disclosed below, there had been no material change in the financial or trading position or outlook of the Group since 31 December 2020, being the date on which the latest published audited financial statements of the Company were made up, up to and including the Latest Practicable Date.

As stated in the annual report for the year ended 31 December 2020, the onset of the unprecedented and protracted COVID-19 pandemic after the social events in Hong Kong had put unrelenting pressure on the normal operations of the Group in 2020. Despite such business environment, as disclosed in the annual report for the year ended 31 December 2020, the Group had managed to achieve gains in its gross profit due to the revenue growth in its food and beverage business and financial services business, and as a result, the Group's net loss attributable to owners of the Company decreased from approximately HK\$104.2 million for the year ended 31 December 2019 to approximately HK\$28.5 million for the year ended 31 December 2020. Nonetheless, while the Board is cautiously optimistic about the prospect of the Group, in view that the COVID-19 pandemic has not yet come to an end, the Board is of the view that the business and operation of the Group are still subject to uncertainties in the short term.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

During the year ended 31 December 2020, the COVID-19 outbreak has brought huge challenges on the global and local economy. Further, the duration of various factors including the continued tensions between the United States and China and the COVID-19 pandemic are yet to be resolved and will not come to end within a short period of time. As shown in the first quarterly report of the Company for the three months ended 31 March 2021, the Group recorded revenue of approximately HK\$36.1 million for the three months ended 31 March 2021 as compared with approximately HK\$22.4 million the same period in 2020, representing an increase of approximately 61.4%. The growth in revenue of the Group for the three months ended 31 March 2021 was mainly attributable to the increase in revenue from the Group's food and beverage business segment and financial services business segment. Given that the operating environment is envisaged to remain challenging, the Group will adhere to a flexible and prudent approach in the operations of each business segment.

For the Group's food and beverage business segment, the Group recorded an increase of approximately 69.4% in revenue for the three months ended 31 March 2021 as compared with the same period in 2020, of which revenue from the food and beverage business segment contributed to approximately 85.7% of the Group's total revenue for the three months ended 31 March 2021. When the effects of the COVID-19 pandemic has lessened and the overall pandemic situation is under control, the Group is looking forward to developing the food and beverage business at reasonable pace with factors that are accessed to be favourable. In order to further sharpen the competitiveness from the peers and expand the presence in Hong Kong, the Group will: (1) continue to enhance market penetration of the Group's restaurants and establish restaurants in different shopping malls near residential regions in Hong Kong with different types of cuisines. Of which, the Group expects that Japanese style hotpot restaurants will be one of the main focus in the Group's expansion plans; (2) strengthen the operations for the food and beverage business to provide the necessary efficiency and cost effective advantages; (3) set up a more advanced point-of-sale system to obtain more comprehensive sales reports and other data in order to predict more precisely future trends and develop personal client communication. Such approach can also help the Group to have better management on the operations to enhance development; and (4) refine the sophistication of the customer relationship management (CRM) system of the food and beverage business, so as to help the management to effectively manage and analyse the contacts' information and orders to improve customer relationship for different types of restaurants.

For the financial services business segment, the Group offered brokerage, margin financing and asset management services since 2016. Despite a challenging year, the stocks market in Hong Kong, yet set new trading activity records in 2020, and trading volumes on both Stock Connect reached new highs. Driven by the strong growth momentum in biotech and new economy company fundraisings, Hong Kong Stock Exchange ranked second globally for IPO fundraisings in 2020, raising a total of HK\$400.2 billion, the highest amount since 2010. Buoyed by an inflow of global capital seeking better returns and Chinese funds seeking value, the Hong Kong Stock Exchange reported a strong surge in market turnover to an average of HK\$224.4 billion every day in the first quarter of 2021. For the three months ended 31 March 2021, the revenue from the Group's financial services business segment had increased by over four times as compared with the same period in 2020, and the Group was benefited an increase in interest income and commission from the high demand for margin financing and the higher average trading turnover respectively. Such business model for the financial services business segment was able to provide steady revenue and cash flows to the Group. The pandemic changed the ways of interaction between consumers and service provider, accelerating the rate of digital adoption in financial services markets. During the year ended 31 December 2020, the Group has hosted online seminars and posted online videos to capture viewers' attention. It improved the efficiency of the Group's marketing campaign and the success rate to capture new clients for the financial services business segment. In view of the strong growth momentum in the fundraising and higher average turnover in stock markets, the Group will allocate more capital in the segment to seize the opportunities.

The pandemic has brought many challenges to the Group throughout the year ended 31 December 2020, and it has continued to do so since the end of the reporting year. Nevertheless, it has also offered the chance to demonstrate and consolidate some of the Group's core strengths, and to prepare some aspects of future development. Therefore, leveraging on the solid foundation supported by its existing core businesses, the Group will formulate business strategies according to the market trends and continue to explore new investment opportunities, in an effort to enhance the Group's long term development. In addition, the Group will carefully review the development in all segments, and will allocate more resources to business with sustainable growth potential. The Board believes that the Group's strategic investments and diversified businesses will help to boost performances and consolidate the Group's market position.

6. EVENTS AFTER 31 DECEMBER 2020 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

- (1) As disclosed in the announcement of the Company dated 14 April 2021, Global Promise Limited, an indirect wholly-owned subsidiary of the Company, accepted and entered into an offer letter with Sun Hung Kai Real Estate (Sales and Leasing) Agency Limited (as agent for the landlord, SHK Sheung Shui Landmark Investment Limited) in respect of a lease (“**New Lease**”) of Shop No. 513 on Level 5 of Landmark North, No. 39 Lung Sum Avenue, Shek Wu Hui, Sheung Shui, New Territories for a term of three years commencing on 8 August 2021 and ending on 7 August 2024 (both days inclusive) with the tenant’s option to renew for a further term of three years subject to the terms of the New Lease, with a total aggregated value of consideration payment of HK\$4,343,580 in aggregate (exclusive of service and management charges, rates and promotion levy) during the term, subject to additional turnover rent, for operation of one of the Group’s restaurants. The value of the right-of-use assets recognised by the Company under the New Lease is amounted to approximately HK\$3.9 million in accordance with HKFRS 16 Leases. Each of the landlord and its agent and their respective ultimate beneficial owners and their respective concert parties is an Independent Third Party and not a Shareholder.

- (2) As disclosed in the announcement of the Company dated 14 April 2021, Town Ally Investment Company Limited, an indirect wholly-owned subsidiary of the Company, disposed of an aggregate 1,255,000 shares of Eternity Technology Holdings Limited (恒達科技控股有限公司) (“**Target Company**”), a company the shares of which are listed on Main Board of the Stock Exchange (stock code: 1725), representing an approximately 0.42% of the issued share capital of the Target Company as at the date of the announcement), to Kuk Po Shun, an individual, by way of an off-market block trade at an aggregate consideration of HK\$3,514,000. Kuk Po Shun and his respective concert parties is an Independent Third Party and not a Shareholder.

The information set out in this Appendix does not form part of the Accountants' Report issued by Baker Tilly Hong Kong Limited, the Company's reporting accountants, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial information of the Group" set out in Appendix I.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION 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 the owners of the Company ("**Unaudited Pro Forma Financial Information**") has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules to illustrate the effect of the Rights Issue on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2020, as extracted from the published annual report of the Group for the year ended ended 31 December 2020, and is adjusted for the effect of the Rights Issue had taken place on 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 or at any future dates immediately after completion of the Rights Issue.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2020 <i>HK\$'000</i> <i>(Note 1)</i>	Full exercise of subscription rights attached to the outstanding Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) <i>HK\$'000</i> <i>(Note 2)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue as at 31 December 2020 <i>HK\$'000</i> <i>(Note 4)</i>
Based on 459,088,545 Rights Shares to be issued at the subscription price of HK\$0.10 each	91,033	–	43,509	134,542
Based on 495,808,545 Rights Shares to be issued at the subscription price of HK\$0.10 each	91,033	2,928	47,181	141,142
				<i>HK\$</i>
Audited consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 31 December 2020 before the completion of the Rights Issue <i>(Note 5)</i>				0.59
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company immediately after completion of the Rights Issue <i>(Note 6)</i>				
Based on 459,088,545 Rights Shares to be issued				0.22
Based on 495,808,545 Rights Shares to be issued				0.21

Notes:

1. It represents the audited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$108,766,000 less audited intangible assets of approximately HK\$500,000 and audited goodwill of approximately HK\$17,233,000 as at 31 December 2020, which are extracted from the published audited consolidated statement of financial position of the Group as at 31 December 2020.
2. The estimated net proceeds from exercise of all outstanding Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) of approximately HK\$2,928,000 are based on 12,240,000 Shares to be issued at exercise price of HK\$0.2392 each.
3. The estimated net proceeds from the Rights Issue of approximately HK\$43,509,000 are based on 459,088,545 Rights Shares to be issued, assuming no outstanding Existing Share Options have been exercised prior to the Record Date, after deduction of the estimated related expenses of approximately HK\$2,400,000.

The estimated net proceeds from the Rights Issue of approximately HK\$47,181,000 are based on 495,808,545 Rights Shares to be issued, and assuming 12,240,000 Shares has been issued upon exercise in full of all the outstanding Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) on or before the Record Date, after deduction of the estimated related expenses of approximately HK\$2,400,000.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after the completion of the Rights Issue represents the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2020 plus the estimated net proceeds from the exercise of Existing Share Options and the Rights Issue as set out in Notes 2 and 3 above, as appropriate.
5. The calculation of the audited consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 31 December 2020 before the completion of the Rights Issue is based on the audited consolidated net tangible assets of HK\$91,033,000 as set out in Note 1 above divided by 153,029,515 Shares as at 31 December 2020.
6. Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share attributable to the owners of the Company as at 31 December 2020 immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue of approximately HK\$134,542,000 or HK\$141,142,000 set out in Note 4 above, divided by 612,118,060 Shares or 661,078,060 Shares which represent:
 - (i) 153,029,515 Shares in issue as at 31 December 2020; and
 - (ii) 459,088,545 Rights Shares to be issued, assuming no outstanding Existing Share Options have been exercised prior to the Record Date; or 495,808,545 Rights Shares to be issued, assuming 12,240,000 Shares have been issued upon exercise in full of all the outstanding Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) on or before the Record Date.
7. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

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

The following is the text of a report received from the reporting accountants, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular.

**Independent Reporting Accountants' Assurance Report on the Compilation of
Unaudited Pro Forma Financial Information**

To the Directors of China Demeter Financial Investments Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Demeter Financial Investments Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 December 2020 as set out on pages II-1 to II-3 of the circular issued by the Company dated 28 May 2021 (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-3 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Rights Issue (the "**Proposed Transactions**") on the Group's consolidated net tangible assets as at 31 December 2020 as if the Proposed Transactions had taken place at 31 December 2020. As part of this process, information about the Group's net tangible assets has been extracted by the Directors from the Group's audited consolidated financial statements for the year ended 31 December 2020, on which the annual report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

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

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

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 28 May 2021

Tong Wai Hang

Practising certificate number P06231

1. RESPONSIBILITY STATEMENT

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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the allotment and issue of the Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the completion of the Rights Issue) will be as follows:

(1) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares of HK\$0.01 each	<u>1,000,000,000</u>
 <i>Issued and paid-up share capital:</i>		
<u>153,029,515</u>	Shares of HK\$0.01 each	<u>1,530,295</u>

- (2) **Immediately following the allotment and issue of the Rights Shares (assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the completion of the Rights Issue)**

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares of HK\$0.01 each	<u>1,000,000,000</u>
<i>Issued and paid-up share capital:</i>		
153,029,515	Shares of HK\$0.01 each in issue as at the Latest Practicable Date	1,530,295
459,088,545	Rights Shares to be allotted and issued upon completion of the Rights Issue	4,590,886
<u>612,118,060</u>	Shares of HK\$0.01 each	<u>6,121,181</u>

- (3) **Immediately following the allotment and issue of the Rights Shares (assuming (i) the Existing Share Options (other than those undertaken not to be exercised pursuant to the Irrevocable Undertakings) were exercised in full on or before the Record Date; and (ii) there is no other change in the shareholding structure of the Company on or before the completion of the Rights Issue)**

<i>Authorised:</i>		<i>HK\$</i>
<u>100,000,000,000</u>	Shares of HK\$0.01 each	<u>1,000,000,000</u>
<i>Issued and paid-up share capital:</i>		
165,269,515	Shares of HK\$0.01 each in issue as at the Latest Practicable Date	1,652,695
495,808,545	Rights Shares to be allotted and issued upon completion of the Rights Issue	4,958,086
<u>661,078,060</u>	Shares of HK\$0.01 each	<u>6,610,781</u>

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

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

The Company had not issued any Shares since 31 December 2020, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had outstanding Existing Share Options entitling the holders thereof to subscribe for a total number of 15,300,000 Shares at an exercise price of HK\$0.2392 per Share and exercisable from 12 October 2020 to 11 October 2021 (both days inclusive), of which (a) 1,530,000 share options were granted to Mr. Ng Man Chun Paul, executive Director; (b) 1,530,000 share options were granted to Mr. Ng Ting Ho, executive Director; and (c) remaining 12,240,000 share options were granted to two directors of subsidiaries of the Company and six employees of the Group.

As at the Latest Practicable Date, other than the above outstanding Existing Share Options carrying, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. MARKET PRICES

The table below shows the closing prices of the Shares as quoted on the Stock Exchange (i) on the last trading day in the Shares took place at the end of each of the calendar months during the Relevant Period, (ii) on the Last Trading Day, and (iii) on the Latest Practicable Date:

	Closing price per Share HK\$
30 September 2020	0.248
30 October 2020	0.270
30 November 2020	0.248
31 December 2020	0.240
29 January 2021	0.179
26 February 2021	0.138
29 March 2021 (The Last Trading Day)	0.121
31 March 2021	0.160
30 April 2021	0.194
25 May 2021 (The Latest Practicable Date)	0.214

The lowest and highest closing prices per Share recorded on the Stock Exchange during the period commencing on 29 September 2020 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK\$0.460 on 23 December 2020, and HK\$0.120 on 24 March 2021, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have taken under such provisions of the SFO), or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) were as follows:

Long position

Name of Director	Capacity	Number of Shares	Number of underlying Shares	Approximate percentage of interest (Note 1)
Mr. Ng Man Chun Paul (Note 2)	Beneficial Owner	3,845,000	1,530,000	0.81%
Mr. Ng Ting Ho (Note 3)	Beneficial Owner	3,845,000	1,530,000	0.81%

Notes:

- The percentage of interest in the Company was calculated by reference to the maximum number of Shares in issue as at the completion of the Rights Issue, that is 661,078,060.
- Mr. Ng Man Chun Paul is the chairman of the Board and an executive Director. Mr. Ng Man Chun Paul owns 961,250 Shares and is the holder of 1,530,000 Existing Share Options. Pursuant to the Irrevocable Undertakings, Mr. Ng Man Chun Paul has undertaken to accept and pay for all the 2,883,750 Rights Shares to be provisionally allotted to him under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.
- Mr. Ng Ting Ho is the chief executive officer of the Company and an executive Director. Mr. Ng Ting Ho owns 961,250 Shares and is the holder of 1,530,000 Existing Share Options. Pursuant to the Irrevocable Undertakings, Mr. Ng Ting Ho has undertaken to accept and pay for all the 2,883,750 Rights Shares to be provisionally allotted to him under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the Part XV of the SFO (including interests and/or short positions which he was taken or deemed to have under such provisions of the SFO), or (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or the Takeovers Code.

(b) Substantial Shareholder(s) and other person(s)' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following person(s) (not being Directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long position

Name	Capacity	Number of Shares	Approximate percentage of interest (Note 1)
Ng Ting Kit (Note 2)	Beneficial owner	103,700,000	78.05%
	Interest in a controlled corporation	412,266,045	
The Underwriter (Note 3)	Underwriter	412,266,045	62.36%

Notes:

- The percentage of interest in the Company was calculated by reference to the maximum number of Shares in issue as at the completion of the Rights Issue, that is 661,078,060.
- These interests comprise of (a) 25,925,000 Shares held by Mr. Ng Ting Kit; (b) the 77,775,000 Rights Shares to be provisionally allotted to Mr. Ng Ting Kit under the Rights Issue pursuant to the terms and conditions of the Prospectus Documents in which he has undertaken to accept and pay for pursuant to the Irrevocable Undertakings; and (c) the interests held by Trinity Worldwide Capital Holding Limited, the Underwriter. The Underwriter is wholly-owned by Mr. Ng Ting Kit.
- The Underwriter is wholly-owned by Mr. Ng Ting Kit.

Save as disclosed above, the Directors and chief executive of the Company are not aware, as at the Latest Practicable Date, of any person (who are not Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group.

5. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors or any proposed Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group. Nevertheless, the Company entered into the Underwriting Agreement with the Underwriter, a company wholly-owned by Mr. Ng Ting Kit, a substantial Shareholder, who is a cousin of Mr. Ng Man Chun Paul and the brother of Mr. Ng Ting Ho, each an executive Director. Even though each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho did not have a material interests in the transactions contemplated under the Underwriting Agreement, each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho had abstained from voting on the Board resolutions which approved the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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.

7. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES

- (1) As at the Latest Practicable Date, save for the Shares and the Existing Share Options as set out in the section headed "Shareholding structure of the Company" in the Letter from the Board of this circular, neither the Underwriter nor any parties acting in concert with it nor the directors of the Underwriter owned, controlled or had direction over any Shares and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or held any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

- (2) As at the Latest Practicable Date, neither the Underwriter nor any parties acting in concert with it nor the Company has received any irrevocable commitment to vote for or against the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver in the SGM.
- (3) As at the Latest Practicable Date, none of the Underwriter and any parties acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.
- (4) As at the Latest Practicable Date, none of the Company and the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.
- (5) Save for the Underwriting Agreement and the Irrevocable Undertakings, none of the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them and the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (6) None of the Company and the Directors had dealt for value in any shares, convertible securities, warrants, options or derivatives of the Underwriter during the Relevant Period.
- (7) None of the Company and the Directors held any shares, convertible securities, warrants, options or derivatives of the Underwriter or similar rights which are convertible or exchangeable into shares of the Underwriter.
- (8) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there were no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver, with any other persons.
- (9) None of the subsidiaries of the Company, pension funds of the Company or of any member of the Group or by a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who was an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code had owned or controlled, or had dealt for value in, any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.

- (10) No Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.
- (11) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period.
- (12) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings.
- (13) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no understanding, arrangement or agreement or special deal between (i) any Shareholders; and (ii) the Underwriter and parties acting in concert with it; or the Company, its subsidiaries or associated companies.
- (14) As at the Latest Practicable Date, there was no agreement, arrangement or understanding between the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them and other persons in relation to the transfer, charge or pledge of the Shares that will be issued and allotted to the Underwriter pursuant to the Rights Issue or may be issued and allotted to the Underwriter pursuant to the fulfillment of its obligations under the Underwriting Agreement.

- (15) As at the Latest Practicable Date, save that the Rights Issue and the Underwriting Agreement are conditional upon obtaining of the Whitewash Waiver by the Underwriter and other conditions as set out in the section headed “The Underwriting Agreement – Conditions of the Underwriting Agreement” in the Letter from the Board in this circular, there was no agreement or arrangement to which the Underwriter or any party acting in concert with it is a party which related to the circumstances in which it might or might not invoke or seek to invoke a pre-condition or a condition to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver.
- (16) Mr. Ng Ting Kit, Mr. Ng Man Chun Paul and Mr. Ng Ting Ho had executed the Irrevocable Undertakings to accept the relevant Rights Shares to be provisionally allotted to each of them under the Rights Issue. Each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho and their respective associates (including Mr. Ng Ting Kit) shall abstain from voting in favour of the resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder at the SGM in accordance with Rule 10.29(1) of the GEM Listing Rules. Each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho and their respective associates (including Mr. Ng Ting Kit) shall also abstain from voting on the resolution to approve the Whitewash Waiver at the SGM. Save for Mr. Ng Man Chun Paul and Mr. Ng Ting Ho, none of the Directors held any Share as at the Latest Practicable Date.
- (17) As at the Latest Practicable Date, no benefit had been given or would be given to any Directors as compensation for loss of office or otherwise in connection with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings.
- (18) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by the Underwriter, Mr. Ng Ting Kit and parties acting in concert with any one of them in which any Director had a material personal interest.
- (19) As at the Latest Practicable Date, save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings or otherwise connected with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver and the Irrevocable Undertakings.

8. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which: (a) (including both continuous and fixed terms contracts) had been entered into or amended within six months before the date of the Announcement; (b) was a continuous contract with a notice period of 12 months or more; (c) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (d) is not expiring or determinable by the Company or any member of the Group within one year without payment of compensation other than statutory compensation, other than those as set out below:

- (1) Mr. Ng Ting Ho has entered into a service contract with the Company for a fixed term of one year commencing from 1 December 2020 and expiring on 30 November 2021. He is entitled to a fixed salary of HK\$80,000 per month and also entitled to a discretionary management bonus. There is no agreed formula for calculating such discretionary management bonus, which is determined by the Board in its sole discretion, taking into account Mr. Ng Ting Ho's performance and the Company's performance during the applicable fiscal year and no annual bonus or minimum amount thereof is guaranteed. Except for a total remuneration of HK\$823,000 received from the Company, the HK\$18,000 retirement scheme contributions made by the Company and the equity-settled share option of HK\$83,000, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2020;
- (2) Mr. Lam Chun Kei has entered into a letter of appointment with the Company for a fixed term of one year commencing from 16 October 2020 and expiring on 15 October 2021. He is entitled to a fixed salary of HK\$50,000 per month and there is no variable remuneration payable under such letter of appointment with the Company. Except for a total remuneration of HK\$598,000 received from the Company and the HK\$18,000 retirement scheme contributions made by the Company, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2020;
- (3) Mr. Chan Hin Hang has entered into a letter of appointment with the Company for a fixed term of one year commencing from 13 November 2020 and expiring on 12 November 2021. He is entitled to a fixed director's fee of HK\$10,000 per month and there is no variable remuneration payable under such letter of appointment with the Company. Except for the director's fee of HK\$120,000 received from the Company, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2020;

- (4) Mr. Yum Edward Liang Hsien has entered into a letter of appointment with the Company for a fixed term of one year commencing from 13 November 2020 and expiring on 12 November 2021. He is entitled to a fixed director's fee of HK\$10,000 per month and there is no variable remuneration payable under such letter of appointment with the Company. Except for the director's fee of HK\$120,000 received from the Company, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2020; and
- (5) Mr. Hung Kenneth has entered into a letter of appointment with the Company for a fixed term of one year commencing from 27 October 2020 and expiring on 26 October 2021. He is entitled to a fixed director's fee of HK\$10,000 per month and there is no variable remuneration payable under such letter of appointment with the Company. Except for the director's fee of HK\$120,000 received from the Company, he did not receive any bonus payments, whether fixed or discretionary in nature, or other emoluments for the year ended 31 December 2020.

9. LITIGATION

So far as is known to the Directors, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

10. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
Pelican Financial Limited	A corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO
Baker Tilly Hong Kong Limited	Certified Public Accountants

As at the Latest Practicable Date:

- (1) each of the above experts has given and has not withdrawn its written consent to the issue of this circular with copies of its letter and/or reports and the references to its name included in this circular in the forms and contexts in which they are respectively included;

- (2) each of the above experts has confirmed that it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (3) each of the above experts has confirmed that it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

11. MATERIAL CONTRACTS

Save for the contracts set out below, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

- (1) the loan extension agreement dated 23 May 2019 entered into between Delight Sky Finance Limited, a wholly-owned subsidiary of the Company, as lender, and the borrower in relation to the extension of the term of outstanding principal amount of HK\$12,500,000 under a previous loan to 25 May 2020 which bears interest at a rate of 14% per annum (default rate at 14% per annum). Please refer to the Company's announcement dated 23 May 2019 for details;
- (2) the placing agreement dated 3 June 2019 entered into between the Company and Yellow River Securities Limited, as placing agent, pursuant to which the Company has conditionally agreed to place through Yellow River Securities Limited, on a best endeavour basis, up to 30,600,000 new Shares, to not less than six places who and whose ultimate beneficial owner are Independent Third Parties at a price of HK\$0.22 per placing Share. As the condition under such placing agreement was not fulfilled on or before 24 June 2019, being the long stop date of such placing agreement, such placing agreement has lapsed and the placing did not proceed. Please refer to the Company's announcements dated 3 June 2019 and 24 June 2019 for details;
- (3) the sale and purchase agreement dated 22 April 2020 entered into between the Company, as vendor, and Yang Kaijun (楊鎧駿), as purchaser, pursuant to which the purchaser agreed to purchase, and the Company agreed to sell, (i) 90% of the issued shares of Tony China Limited and 100% of the issued shares of East Shine Group Limited, and (ii) the sale loan, representing all the shareholder's loan owing by Tony China Limited to the Company as at completion, at an aggregate consideration of HK\$1,152,000. Please refer to the Company's announcement dated 22 April 2020 for details;

- (4) the preliminary lease agreement dated 30 September 2020 entered into between Zhejiang Fuchuen Company Limited, as landlord, and Delight Sky Finance Limited, a wholly-owned subsidiary of the Company, as tenant, in relation to the lease of Office A01 on 35th Floor, United Centre, No. 95 Queensway, Hong Kong from 1 November 2020 to 31 October 2022 (both days inclusive) in total aggregated value of consideration of HK\$3,228,324. Please refer to the Company's announcement dated 30 September 2020 for details;
- (5) the Placing Agreement and the Supplemental Placing Agreement; and
- (6) the Underwriting Agreement and the Supplemental Underwriting Agreement.

12. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$2.4 million.

13. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Principal share registrar and transfer office	Conyers Corporate Services (Bermuda) Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited 54/F, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Ms. Chan Lai Ping, CPA
Authorised representatives	Mr. Ng Ting Ho Ms. Chan Lai Ping

Principal bankers	Bank of Communications Co., Ltd. Commercial Banking Division 10/F, No. 77 Gloucester Road, WanChai Hong Kong The Hongkong and Shanghai Banking Corporation Limited Des Voeux Road Central Branch China Insurance Group Building 141 Des Voeux Road Central, Sheung Wan Hong Kong Hang Seng Bank 83 Des Voeux Road Central Hong Kong
Auditors and reporting accountants	Baker Tilly Hong Kong Limited <i>Certified Public Accountants</i> 2nd Floor, 625 King's Road North Point Hong Kong
Legal adviser to the Company as to Hong Kong laws	LCH Lawyers LLP Room 702, 7/F Admiralty Centre Tower One 18 Harcourt Road Admiralty Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Pelican Financial Limited 21/F, Lee Garden Three 1 Sunning Road Causeway Bay Hong Kong
Placing Agent	Kingkey Securities Group Limited 44/F Convention Plaza Office Tower 1 Harbour Road Wan Chai Hong Kong
The Underwriter	Trinity Worldwide Capital Holding Limited Quastisky Building PO Box 4389 Road Town Tortola British Virgin Islands

Director of the Underwriter	Mr. Ng Ting Kit <i>Correspondence address:</i> Room 211, 2/F Hewlett Centre 54 Hoi Yuen Road Kwun Tong Hong Kong
Ultimate controlling shareholder of the Underwriter	Mr. Ng Ting Kit

14. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Correspondence address
Executive Directors	
Mr. Ng Man Chun Paul <i>(Chairman)</i>	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Ng Ting Ho <i>(Chief Executive Officer)</i>	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Lam Chun Kei	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Independent non-executive Directors	
Mr. Chan Hin Hang	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Yum Edward Liang Hsien	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Hung Kenneth	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong

Senior management

Ms. Chan Lai Ping	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Lai Ho Bun	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Lam Ka Hang	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong
Mr. Chan Chi Fung	Office A01, 35/F, United Centre No. 95 Queensway Admiralty, Hong Kong

Executive Directors

Mr. Ng Man Chun Paul, aged 49, was appointed as an executive Director with effect from 15 November 2016. He has been appointed as the Chairman of the Board, with effect from 14 June 2019. Mr. Ng was also the chief executive of the Company from 15 November 2016 to 1 December 2020. Mr. Ng obtained a Bachelor of Science from Columbia University, New York, the United States of America in May 1993. Prior to joining the Group, he has worked in various international investment banks and securities firms and is experienced in the area of finance and investments. Mr. Ng is (i) a cousin of Mr. Ng Ting Ho, an executive Director; and (ii) a cousin of Mr. Ng Ting Kit, a substantial shareholder of the Company.

Mr. Lam Chun Kei, aged 46, was appointed as an executive Director with effect from 20 February 2014. He is also a director of the subsidiaries of the Company. Mr. Lam holds a Bachelor Degree in Accountancy from the City University of Hong Kong. He is a member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 20 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and listed groups.

Mr. Ng Ting Ho, aged 36, was redesignated from a non-executive Director to an executive Director with effect from 3 July 2018. He has been appointed as the chief executive officer of the Company with effect from 1 December 2020. He is experienced in banking and finance, and previously worked in various banks and financial institutions. He is also a director of the subsidiaries of the Company. Mr. Ng obtained his Bachelor of Commerce in Finance and Financial Economics Degree from the University of New South Wales in 2008. Thereafter, Mr. Ng further completed his Master of Science in Financial Mathematics Degree from the Cass

Business School of the City University in London in 2014. Mr. Ng is (i) a cousin of Mr. Ng Man Chun Paul, an executive Director; and (ii) the younger brother of Mr. Ng Ting Kit, a substantial shareholder of the Company.

Independent non-executive Directors

Mr. Chan Hin Hang, aged 34, was appointed as an independent non-executive Director with effect from 13 November 2017. He is also the chairman of the remuneration committee and the audit committee, and a member of the nomination committee of the Company. Mr. Chan has over 8 years of accounting experience. He worked at Deloitte Touche Tohmatsu from September 2010 to June 2015 and is a member of CPA Australia. He obtained a Bachelor Degree in Business (Banking and Finance) from the Queensland University of Technology in 2009. Mr. Chan was an independent non-executive director of Millennium Pacific Group Holdings Limited (stock code: 8147) which is listed on GEM of the Stock Exchange from July 2017 to July 2018. He was appointed as an independent non-executive director of Huisheng International Holdings Limited (Stock Code: 1340) on 22 March 2019, a company listed on Main Board of the Stock Exchange. On 9 January 2020, he was appointed as the company secretary of Sau San Tong Holdings Limited (Stock Code: 8200), a company listed on GEM of the Stock Exchange.

Mr. Yum Edward Liang Hsien, aged 42, was appointed as an independent non-executive Director with effect from 13 November 2017. He is also the chairman of the nomination committee of the Company and a member of the audit committee and the remuneration committee. Mr. Yum has more than 10 years of management experience in the corporate and financial industry. He has served as a director in several financial institutions from 2008 to present. Currently, he serves as a managing director of Ayasa Globo Financial Services Limited (a subsidiary of Prosperous Future Holdings Limited (Stock code:1259)), principally engaged in providing financial services, as a director of Greenpro Trust Limited, a company principally engaged in providing a full range of trust services, as a director of 3R Consulting Limited, a company principally engaged in providing events services, and as a director of Global Compliance Consulting Limited, a company principally engaged in management consulting. Mr. Yum graduated with a Bachelor of Science in Finance degree from the University of Illinois at Urbana-Champaign in 2001.

Mr. Hung Kenneth, aged 50, was appointed as an independent non-executive Director with effect from 27 October 2014 and is a member of the audit committee, nomination committee and remuneration committee. He holds a degree of Bachelor of Science awarded by Woodbury University in June 1995. Mr. Hung has extensive experience in the entertainment industry. From March 2008 to September 2010, Mr. Hung was the China business development director for Golden Sun Films Distribution Ltd. From October 2010 to June 2012, Mr. Hung was the chief operation officer for Top Action Culture Development Co. Ltd. From July 2012 to October 2013, Mr. Hung was the business development director for Star Alliance Movies (Beijing) Co., Ltd. Mr. Hung was the chairman of Sino Vision Worldwide Holdings Limited (Stock Code: 8086) ("**Sino Vision**") from September 2016 to May 2017 and an executive director of Sino Vision from May 2017 to November 2017. Mr. Hung was

an executive director of Hang Tai Yue Group Holdings Limited (Stock Code: 8081) from February 2014 to August 2018, was an independent non-executive director of M-Resources Group Limited (Stock Code: 8186) from March 2015 to April 2019, and has been appointed as an executive director of Smart City Development Holdings Limited (Stock Code: 8268) on 29 July 2019, all of which are companies listed on GEM of the Stock Exchange.

Senior management

Ms. Chan Lai Ping, the company secretary of the Company, joined the Group since August 2014. Ms. Chan holds a degree of Bachelor of Business Administration (Honours) in Accounting from Lingnan University in Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has over ten years of experience in accounting, auditing and financial management and previously worked in international accounting firms before joining the Company.

Mr. Lai Ho Bun, the chief operations officer (COO) and director of Star Kitchen Catering Group (HK) Limited, a wholly-owned subsidiary of the Company, joined the Group since October 2019. He has over 30 years of experience in the food and beverage industry and has worked as a management in a number of food and beverage companies. He has expertise in operation, management of food and beverage business. He is responsible for managing day to day operation and management of food and beverage business.

Mr. Lam Ka Hang, the managing director of China Demeter Securities Limited, a wholly-owned subsidiary of the Company, joined the Group since September 2016. He is responsible for overall business development, operations and management of China Demeter Securities Limited. He has over 20 years of experience in securities and futures businesses, and has worked in a number of securities firms. He has expertise in brokerage operations, sales management and market operations of securities and futures businesses. He is the Committee Member of Hong Kong Securities Professionals Association and Life Honorary President of Hong Kong Institute of Financial Analysts and Professional Commentators Limited. He is a responsible officer recognised by the SFC for engaging in the Type 1 (dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset Management) regulated activities. He was also a responsible officer recognised by SFC for engaging in the Type 2 (dealing in futures contracts) regulated activities from 2006 to 2015.

Mr. Chan Chi Fung, the vice president and a director of China Demeter Securities Limited, a wholly-owned subsidiary of the Company, joined the Group since October 2016. He has approximately 17 years of experiences in financial market. He is responsible for managing day to day trading operation. He worked in Win Fung Securities Limited from December 2013 to October 2016 and his last position with Win Fung Securities Limited was a director and was responsible for managing day to day trading operation. He is also a responsible officer recognised by the SFC for engaging in the Type 1 (dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset Management) regulated activities.

15. GENERAL

- (1) The English text of this circular shall prevail over the Chinese text in case of inconsistency.
- (2) The company secretary of the Company is Ms. Chan Lai Ping, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (3) The compliance officer of the Company is Mr. Ng Ting Ho.
- (4) The audit committee of the Board was established with written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the audit committee is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting, risk management and internal control procedures. The audit committee consists of three independent non-executive Directors, namely, Mr. Chan Hin Hang (chairman of the committee), Mr. Yum Edward Liang Hsien and Mr. Hung Kenneth.
- (5) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (6) The principal place of business of the Company in Hong Kong is at Office A01, 35/F, United Centre, No. 95 Queensway, Admiralty, Hong Kong.
- (7) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, 54/F, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (8) As at the Latest Practicable Date, save for the foreign exchange control in the PRC and payment of the relevant tax incidental to the remittance of profit or repatriation of capital, to the best knowledge of the Directors, there was no other restriction affecting the remittance of profits or repatriation of capital into Hong Kong from outside of Hong Kong. Save and except for United States dollars, Renminbi and Singapore dollars, the Group has no exposure to foreign exchange liabilities.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the head office and principal place of business of the Company in Hong Kong at Office A01, 35/F, United Centre, No. 95 Queensway, Admiralty, Hong Kong during normal business hours (except Saturdays and public holidays) from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.; and (ii) on the websites of the Company (www.chinademeter.com) and the SFC (www.sfc.hk) in the period from the date of this circular up to and including the date of the SGM.

- (1) the memorandum of association and the Bye-laws;
- (2) the letter from the Board, the text of which is set out on pages 14 to 48 of this circular;
- (3) the letter from the Independent Board Committee, the text of which is set out on pages 49 to 50 of this circular;
- (4) the letter from the Independent Financial Advisor, the text of which is set out on pages 51 to 94 of this circular;
- (5) the annual reports of the Company for each of the years ended 31 December 2018, 2019 and 2020 and the first quarterly report for the three months ended 31 March 2021;
- (6) the report from Baker Tilly Hong Kong Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (7) the service contract(s) or appointment letter(s) (as the case may be) entered into between the Company with the Directors referred to in the paragraphs headed "Directors' service contracts" in this appendix;
- (8) the written consents referred to in the paragraph headed "Experts and consents" in this appendix;
- (9) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (10) the Placing Agreement and the Supplemental Placing Agreements;
- (11) the Underwriting Agreement and the Supplemental Underwriting Agreements;
- (12) the Irrevocable Undertakings; and
- (13) this circular.

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國農金融投資有限公司
China Demeter Financial Investments Limited

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

(Stock Code: 8120)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**Meeting**”) of China Demeter Financial Investments Limited (“**Company**”) will be held at Room 2301B, 23/F, China Insurance Group Building, 141 Des Voeux Road Central, Central, Hong Kong at 11:00 a.m. on Monday, 21 June 2021 to consider and, if thought fit, pass the following resolutions of the Company (unless otherwise stated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 28 May 2021 (“**Circular**”)):

ORDINARY RESOLUTION

1. “**THAT** subject to the passing of the resolution numbered 2 below and the satisfaction of the conditions of the Rights Issue (as defined below):
 - (a) the Underwriting Agreement dated 29 March 2021 (as amended and supplemented by the supplemental agreements dated 7 May 2021 and 14 May 2021) (“**Underwriting Agreement**”) signed between the Company and Trinity Worldwide Capital Holding Limited (“**Underwriter**”) (a copy of the Underwriting Agreement marked “A” has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
 - (b) the issue by way of rights issue (“**Rights Issue**”) of not less than 459,088,545 new ordinary shares of the Company (“**Rights Shares**” and each a “**Right Share**”) and not more than 495,808,545 Rights Shares, on the basis of three Rights Shares for every one existing ordinary share of the Company held on Monday, 5 July 2021 (or such other date as may be agreed between the Company and the Underwriter for determining entitlements of shareholders of the Company (“**Shareholders**”) to participate in the Rights Issue) (“**Record Date**”), at a subscription price of HK\$0.10 per Rights Share (“**Subscription Price**”) to Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, save for overseas Shareholders to whom the directors of the Company (“**Directors**”), based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares (“**Non-Qualifying Shareholders**”) on account either of the legal

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restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), and substantially on the terms and conditions set out in the Circular (a copy of the Circular marked “B” has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

- (c) the placing agreement dated 29 March 2021 (as amended and supplemented by the supplemental agreements dated 7 May 2021 and 14 May 2021) (“**Placing Agreement**”) entered into between the Company and Kingkey Securities Group Limited (“**Placing Agent**”) in relation to the placing of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) at the placing price of not less than the Subscription Price on a best effort basis (a copy of the Placing Agreement marked “C” has been produced to this Meeting and initialled by the chairman of this Meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (d) the board of Directors (“**Board**”) or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue in accordance with the terms set out in the Circular;
- (e) the Board or a committee thereof be and is hereby authorised to make such other exclusions or other arrangements in relation to the Non-Qualifying Shareholders as it may deem necessary or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and generally to do such things or make such arrangements as it may think fit to effect the Rights Issue; and
- (f) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Underwriting Agreement, the Placing Agreement and any transactions contemplated thereunder.”

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SPECIAL RESOLUTION

2. **“THAT:**
- (a) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Code of Takeovers and Mergers (“**Takeovers Code**”) waiving any obligation of the Underwriter and parties acting in concert with it to make a mandatory general offer to the Shareholders in respect of the shares of the Company not already owned or agreed to be acquired by the Underwriter and parties acting in concert with it which would arise under Rule 26 of the Takeovers Code as a result of the fulfillment of the underwriting obligations by the Underwriter pursuant to the Underwriting Agreement (“**Whitewash Waiver**”) be and is hereby approved; and
 - (b) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

On behalf of the Board
China Demeter Financial Investments Limited
Ng Man Chun Paul
Chairman

Hong Kong, 28 May 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Principal place of business
in Hong Kong:*
Office A01, 35/F, United Centre
No. 95 Queensway
Admiralty
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the Meeting. A proxy need not be a member of the Company. A member who is the holder of two or more shares may appoint more than one proxy to represent him and to attend and vote in his stead at the Meeting.

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2. To be valid, the form of proxy must be duly completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 11:00 a.m. on Saturday, 19 June 2021 (Hong Kong time) or not less than 48 hours before the time appointed for holding the adjourned meeting.
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof should such member so wishes, and in such event, the instrument appointing a proxy previously submitted shall be deemed revoked.
4. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled to vote, but if more than one of such joint holders are present at the meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of members of the Company in respect of the joint holding.
5. To ascertain the shareholders' entitlements to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 16 June 2021 to Monday, 21 June 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the SGM, all transfer of shares accompanied by the relevant shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Tuesday, 15 June 2021 (Hong Kong time).
6. In compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**"), all resolutions to be proposed at the Meeting convened by this notice will be voted on by way of poll.

As at the date of this notice, the Board comprises three executive Directors, namely, Mr. Ng Man Chun Paul, Mr. Ng Ting Ho and Mr. Lam Chun Kei; and three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Yum Edward Liang Hsien and Mr. Hung Kenneth.

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

This notice will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and on the website of the Company at www.chinademeter.com.