

---

## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

---

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

If you have sold or transferred all your shares in Cherish Sunshine International Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

---

## CHERISH SUNSHINE INTERNATIONAL LIMITED

### 承輝國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 1094)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
  - (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE;
  - (3) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;
  - (4) APPLICATION FOR WHITEWASH WAIVER;
- AND
- (5) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



Independent Financial Adviser

Placing agent of the Rights Issue



---

Capitalised terms used in this cover page shall bear the same meaning as those defined in the section headed “Definitions” in this circular unless the context requires otherwise.

A letter from the Listing Rules IBC and Takeovers Code IBC respectively containing each of their recommendation to the Independent Shareholders is set out on pages 50 to 51 and pages 52 to 53 of this circular. A letter from First Shanghai Capital Limited, containing its advice to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders, is set out on pages 54 to 94 of this circular.

A notice convening the SGM of Cherish Sunshine International Limited to be held at Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 20 December 2022, at 10:00 a.m. or any adjournment thereof is set out on pages SGM-1 to SGM-4 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Such form of proxy is also published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.sunshine1094.com](http://www.sunshine1094.com)).

Whether or not you are able to attend the SGM, you are advised to read the notice and to complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong Branch Share Registrar, Union Registrars Limited at, Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time for holding of the SGM (i.e. not later than 10:00 a.m. on Sunday, 18 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof.

References to time and dates in this circular are to Hong Kong time and dates.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriter by notice in writing to the Company served prior to 4:00 p.m. on Friday, 3 February 2023 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 Underwriter terminates the Underwriting Agreement, or the Underwriting Agreement does not become unconditional, the Rights Issue will not proceed.

30 November 2022

---

## CONTENTS

---

	<i>Page</i>
<b>Definitions</b> .....	1
<b>Expected Timetable</b> .....	10
<b>Termination of the Underwriting Agreement</b> .....	13
<b>Letter from the Board</b> .....	15
<b>Letter from the Listing Rules IBC</b> .....	50
<b>Letter from the Takeovers Code IBC</b> .....	52
<b>Letter from the Independent Financial Adviser</b> .....	54
<b>Appendix I — Financial Information of the Group</b> .....	I-1
<b>Appendix II — Unaudited Pro Forma Financial Information of the Group</b> .....	II-1
<b>Appendix III — Property Valuation Report</b> .....	III-1
<b>Appendix IV — General Information</b> .....	IV-1
<b>Notice of SGM</b> .....	SGM-1

---

## DEFINITIONS

---

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

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“Announcement”	the announcement of the Company dated 18 October 2022 in relation to, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Awarded Shares”	the 10,769,000 Shares offered to the 44 grantees pursuant to the Share Award Plan as announced by the Company on 2 September 2022 which have been issued to the trustee of the Share Award Plan to hold on trust for the benefit of the grantees
“Board”	the board of Directors
“Business Day(s)”	a day(s) (excluding Saturday and 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
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chairman”	chairman of the Board

---

## DEFINITIONS

---

“Company”	Cherish Sunshine International Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1094)
“Compensatory Arrangements”	the arrangement involving the Placing of the Unsubscribed Rights Shares, if any, by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 7.21(1)(b) of the Listing Rules
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Convertible Bonds”	convertible bonds in the principal amount of HK\$27,500,000 issued by the Company on 19 April 2022
“Director(s)”	the director(s) of the Company
“Eddid Securities” or “Placing Agent”	Eddid Securities and Futures Limited, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities), 2 (dealing in futures contract), 3 (leveraged foreign exchange trading), 4 (advising on securities), 5 (advising on futures contracts) and 9 (asset management) regulated activities under the SFO, being the placing agent appointed by the Company pursuant to the Placing Agreement
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

---

## DEFINITIONS

---

“Increase in Authorised Share Capital”	an increase in the authorised share capital of the Company from HK\$50,000,000 divided into 400,000,000 ordinary Shares and 100,000,000 preference shares of par value HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary Shares and 100,000,000 preference shares of par value HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary Shares
“Independent Financial Adviser”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company, for the purpose of advising (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Underwriting Agreement; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, and as to the voting action therefor
“Independent Shareholder(s)”	the Shareholders other than (i) the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates; (ii) the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them; (iii) Shareholders who are involved in or interested in (other than by being Shareholder) the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver; and (iv) Shareholders who have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons

---

## DEFINITIONS

---

“Irrevocable Undertaking”	the irrevocable undertaking given by Underwriter in favour of the Company under the Underwriting Agreement and described in the paragraph headed “The Irrevocable Undertaking” under the section headed “Proposed Rights Issue” in the “Letter from the Board” in this circular
“Last Trading Day”	18 October 2022, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Practicable Date”	25 November 2022, being latest practicable date prior to the publication of this circular
“Latest Time for Acceptance”	4:00 p.m. on Friday, 20 January 2023, or such other time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for acceptance of and payment for the Rights Shares
“Latest Time for Termination”	4:00 p.m. on Friday, 3 February 2023, or such other time or date as may be agreed between the Company and the Underwriter in writing, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules IBC”	the independent committee of the Board, comprising all independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, which has been established in accordance with the Listing Rules to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and as to the voting action therefor

---

## DEFINITIONS

---

“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) to whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Rights Share(s)”	the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholder(s) for the Rights Issue
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies) and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them and/or the connected persons of the Company, procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the placing of a maximum of 157,829,661 Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement

---

## DEFINITIONS

---

“Placing Agreement”	the placing agreement dated 18 October 2022 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Amount”	the total aggregate amount of money (total monetary value) derived from multiplying (a) the price at which the Unsubscribed Rights Shares are subscribed for by the Placees procured by the Placing Agent by (b) the actual number of Unsubscribed Rights Share actually subscribed for by the Placees procured by the Placing Agent
“Placing Completion Date”	the third Business Day following the satisfaction of the placing conditions set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macao Special Administration Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Qualifying Shareholders(s) (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Friday, 6 January 2023, or such other date as may be agreed in writing between the Company and the Underwriter, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders or the Prospectus to the Non-Qualifying Shareholders (as the case may be)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear(s) on the register of members of the Company on the Record Date



---

## DEFINITIONS

---

“Record Date”	Wednesday, 4 January 2023, or such other date as may be agreed in writing between the Company and the Underwriter, being the record date for determining the entitlements of the Shareholders to participate in the Rights Issue
“Registrar”	Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong, at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement (i.e. 18 April 2022) and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of new Shares by way of rights on the basis of five (5) Rights Shares for every eight (8) Shares held at the close of business on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue
“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 Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 20 December 2022, at 10:00 a.m. or any adjournment thereof to consider and, if thought fit, approve, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, and the Whitewash Waiver

---

## DEFINITIONS

---

“Share Award Plan”	the share award plan of the Company adopted on 29 April 2022
“Share Award SGM”	the special general meeting of the Company held at Room 21A, Aikang Building, Zhangjiagang City, Suzhou, Jiangsu Province, the PRC on Tuesday, 25 October 2022 at 11 a.m. which approved resolutions in relation to the allotment and issue of a total of 10,769,000 new Shares to the Trustee to hold on trust for the grantees of the Awarded Shares
“Share Option Scheme”	the share option scheme of the Company adopted on 3 August 2022
“Share(s)”	ordinary share(s) of HK\$0.1 each in the existing share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.63 per Rights Share
“substantial shareholder(s)”	has the meaning as ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Takeovers Code IBC”	the independent committee of the Board, comprising all non-executive Directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua, and all independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, which has been established in accordance with the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor
“Trustee”	the trustee of the Share Award Plan

---

## DEFINITIONS

---

“Underwriter”	Eastmount Global Limited, a substantial shareholder of the Company
“Underwriting Agreement”	the underwriting agreement dated 18 October 2022 entered into between the Company and the Underwriter in relation to the Rights Issue
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Rights Shares that are not successfully sold by the Company as described in the paragraph headed “Arrangements for the NQS Rights Shares” under the section headed “Proposed Rights Issue” in the “Letter from the Board” in this circular
“Untaken Rights Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent or they have been placed but the placees have not paid therefor at 4:00 p.m. on the Placing Completion Date
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 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 and parties acting in concert with it as a result of the taking up of the Rights Shares by the Underwriter as the underwriter pursuant to the Underwriting Agreement
“%”	per cent.

\* The English translation of the Chinese names in this circular, where indicated, are intended for identification purpose only and should not be regarded as the official English names of such Chinese names.

If there is any inconsistency in this circular between the Chinese and English versions, the English version shall prevail.

---

## EXPECTED TIMETABLE

---

Set out below is the expected timetable for the Rights Issue. All times and dates stated in this circular refer to Hong Kong local times and dates. The expected timetable is indicative only and may be varied. Any changes to the expected timetable will be announced by way of an announcement by the Company as and when appropriate.

<b>Event</b>	<b>Date and time</b>
Date of this circular . . . . .	Wednesday, 30 November 2022
Latest time for lodging transfer of Shares to qualify for attendance and voting at the SGM. . . . .	4:00 p.m. on Tuesday, 13 December 2022
Closure of register of members of the Company (both days inclusive) . . . . .	Wednesday, 14 December 2022 to Tuesday, 20 December 2022
Latest time for lodging proxy forms for the SGM. . . . .	10:00 a.m. on Sunday, 18 December 2022
Record date for attendance and voting at the SGM. . . . .	Tuesday, 20 December 2022
Expected time and date of the SGM. . . . .	10:00 a.m. on Tuesday, 20 December 2022
Announcement of the poll results of the SGM . . . . .	Tuesday, 20 December 2022
Last day of dealings in the Shares on cum-rights basis relating to the Rights Issue . . . . .	Wednesday, 21 December 2022
First day of dealings in the Shares on ex-rights basis relating to the Rights Issue. . . . .	Thursday, 22 December 2022
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue . . . . .	4:00 p.m. on Friday, 23 December 2022
Closure of register of members of the Company for the Rights Issue (both days inclusive) . . . . .	Wednesday, 28 December 2022 to Wednesday, 4 January 2023

---

## EXPECTED TIMETABLE

---

Record date for the Rights Issue . . . . .	Wednesday, 4 January 2023
Despatch of the Prospectus Documents . . . . .	Friday, 6 January 2023
First day of dealings in nil-paid Rights Shares (in board lots of 8,000 Shares) . . . . .	Tuesday, 10 January 2023
Latest time for splitting of nil-paid Rights Shares . . . . .	4:00 p.m. on Thursday, 12 January 2023
Last day of dealings in nil-paid Rights Shares . . . . .	Tuesday, 17 January 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangements . . . . .	4:00 p.m. on Friday, 20 January 2023
Latest time for acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Friday, 20 January 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements . . . . .	Friday, 27 January 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent . . . . .	Monday, 30 January 2023
Latest time of placing of the Unsubscribed Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Friday, 3 February 2023
Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Friday, 3 February 2023
Announcement of results of the Rights Issue . . . . .	Tuesday, 7 February 2023
Despatch of share certificates for fully-paid Rights Shares and completion of Placing to take place . . . . .	on or before Wednesday, 8 February 2023

---

## EXPECTED TIMETABLE

---

Refund cheques, if any, to be despatched (if the Rights Issue is terminated) ..... on or before  
Wednesday, 8 February 2023

Commencement of dealings in fully-paid Rights Shares  
(in board lots of 8,000 Shares) ..... 9:00 a.m. on  
Thursday, 9 February 2023

Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders and net proceeds from sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any) ..... Tuesday, 14 February 2023

### **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 not take place if there is a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons which is announced by the Government of Hong Kong, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead, the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead, 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 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

---

Pursuant to the Underwriting Agreement, the Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate 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 law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company 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 thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), 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 materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any change in the circumstances of the Company which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or
4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole; or

---

## TERMINATION OF THE UNDERWRITING AGREEMENT

---

5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or
6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.**



---

LETTER FROM THE BOARD

---

**CHERISH SUNSHINE INTERNATIONAL LIMITED**  
**承輝國際有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

*Executive Directors:*

Ms. Wu Siyuan (*Chairman and Chief Executive*)

Ms. He Qian

*Non-executive Directors:*

Ms. Liu Qian

Mr. Li Shun

Mr. Li Guanghua

*Independent Non-executive Directors:*

Mr. Zhong Dengyu

Mr. Jiang Jun

Ms. Deng Hua

*Registered office:*

Cricket Square

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal place of*

*business in Hong Kong:*

Unit 705, 7/F

Nam Wo Hong Building

148 Wing Lok Street

Sheung Wan

Hong Kong

30 November 2022

*To the Shareholders,*

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;**  
**(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES**  
**FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE;**  
**(3) CONNECTED TRANSACTION IN RELATION TO**  
**THE UNDERWRITING AGREEMENT;**  
**AND**  
**(4) APPLICATION FOR WHITEWASH WAIVER**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Increase in Authorised Share Capital, Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

---

## LETTER FROM THE BOARD

---

The purpose of this circular is to provide you with, among other things, (i) further details of the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Listing Rules IBC in respect of the Rights Issue, the Placing Agreement and the Underwriting Agreement; (iii) a letter of recommendations from the Takeovers Code IBC in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in regard to the aforesaid; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) a notice convening the SGM.

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Board proposes to increase its authorised share capital from HK\$50,000,000 divided into 400,000,000 ordinary Shares and 100,000,000 preference shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary Shares and 100,000,000 preference shares of par value of HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary Shares.

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

The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the SGM.

### **PROPOSED RIGHTS ISSUE**

The Company proposes to implement the Rights Issue on the basis of five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.63 per Rights Share. The principal terms of the Rights Issue are set out below:

#### **Rights Issue statistics**

Basis of the Rights Issue	:	five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.63 per Rights Share

---

## LETTER FROM THE BOARD

---

Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	Approximately HK\$0.62 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date); or  Approximately HK\$0.62 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Number of Shares in issue as at the Latest Practicable Date	:	303,852,725 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	189,907,953 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date ); or  201,366,286 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Aggregate nominal value of the Rights Shares	:	Approximately HK\$18,990,795.3 (assuming no changes in the share capital of the Company on or before the Record Date ); or  Approximately HK\$20,136,628.6 (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Gross proceeds from the Rights Issue (before expenses)	:	Approximately HK\$119.6 million (assuming no changes in the share capital of the Company on or before the Record Date ); or  Approximately HK\$126.9 million (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)

---

## LETTER FROM THE BOARD

---

Net proceeds from the Rights Issue : Approximately HK\$117.1 million (assuming no changes in the share capital of the Company on or before the Record Date ); or

Approximately HK\$124.4 million (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)

On 25 October 2022, after the publication of the Announcement and prior to the Latest Practicable Date, relevant resolutions were passed at the Share Award SGM for the allotment and issue of the Awarded Shares. After the passing of the aforementioned resolutions and the allotment and issue of the Awarded Shares to the Trustee, the Trustee has become the registered holder of 10,769,000 Shares as at the Latest Practicable Date. The Trustee has indicated that it will not take up the Rights Shares which will be provisionally allotted to it under the Rights Issue.

As at the Latest Practicable Date, there are (i) 15,884,000 outstanding share options under the Share Option Scheme which have not been vested; and (ii) Convertible Bonds with an aggregate principal amount of HK\$27,500,000 convertible into 18,333,333 Shares, at the conversion price of HK\$1.5 per Share .

The earliest vesting date of the outstanding share options will be 2 September 2023, which is expected to be after the Record Date. Under the current timetable of the Rights Issue, it is expected that the total number of Rights Shares will not be affected by the vesting and/or the exercise of the outstanding share options.

Assuming full conversion of the Convertible Bonds, the maximum number of new Shares that would fall to be allotted and issued under the terms and conditions of the Convertible Bonds on or before the Record Date would be 18,333,333 Shares, which would result in the issue and allotment of 11,458,333 additional Rights Shares. Given the conversion price of the Convertible Bonds (i.e. HK\$1.5) is substantially higher than the prevailing market prices of the Shares, the Directors expected that no Convertible Bonds would be converted into Shares on or before the Record Date.

Save for the share options and the Convertible Bonds, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

---

## LETTER FROM THE BOARD

---

Assuming no changes in the share capital of the Company on or before the Record Date, the 189,907,953 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 62.5% of the total number of existing issued Shares as at the Latest Practicable Date, and (ii) 38.5% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

Assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds, the 201,366,286 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 66.3% of the total number of existing issued Shares as at the Latest Practicable Date, (ii) 62.5% of the total number of issued Shares as enlarged by the conversion in full of the Convertible Bonds and (iii) 38.5% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue.

### **The Subscription Price**

The Subscription Price of HK\$0.63 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 13.70% to the closing price of HK\$0.730 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.11% to the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.760 per Share;
- (iii) a discount of approximately 17.65% to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.765 per Share;
- (iv) a discount of approximately 11.27% to the theoretical ex-rights price based on the average closing price of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.710 per Share;

---

## LETTER FROM THE BOARD

---

- (v) a discount of approximately 17.11% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vi) a discount of approximately 16.00% to the closing price of HK\$0.75 per Share as quoted on the Stock Exchange on the last Business Day prior to the Last Trading Day;
- (vii) a discount of approximately 7.49% to the audited consolidated net asset value per Share attributable to the Shareholders of the Company of approximately HK\$0.681 per Share as at 31 March 2022, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$206,913,000 as at 31 March 2022 as shown in the Company's annual report by the existing number of Shares in issue (i.e. 303,852,725 Shares);
- (viii) a premium of approximately 12.90% over the unaudited consolidated net asset value per Share attributable to the Shareholders of the Company of approximately HK\$0.558 per Share as at 30 September 2022, which is calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$169,602,000 as at 30 September 2022 as shown in the Company's interim results announcement for the six months ended 30 September 2022 by the existing number of Shares in issue (i.e. 303,852,725 Shares) ; and
- (ix) a premium of approximately 6.96% over the adjusted net asset value (*Note*) per Share attributable to the Shareholders of the Company of approximately HK\$0.589 per Share as at 30 September 2022, which is calculated by dividing the adjusted net asset value of approximately HK\$179,084,000 as at 30 September 2022 by the existing number of Shares in issue (i.e. 303,852,725 Shares).

*Note:* The adjusted net asset value is calculated by adding the surplus in value of the portion of the property interest of the Group that is for owner's occupation of approximately HK\$9,482,000 ("**Surplus**") to the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$169,602,000 as at 30 September 2022 as shown in the Company's interim results announcement for the six months ended 30 September 2022. The Surplus represents the difference between the carrying value of such property of approximately HK\$1,804,000 as recorded in the unaudited accounts of the Group as at 30 September 2022 and the fair value of such property of approximately HK\$11,286,000 as valued by the valuer as part of the valuation report as at 31 August 2022 as set out in Appendix III. For further details, please refer to the reconciliation table set out in Appendix I to this circular.

The Rights Issue would result in a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.64%, based on the theoretical diluted price of approximately HK\$1.492 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$1.598 per Share.

---

## LETTER FROM THE BOARD

---

The Subscription Price was determined by the Company with reference to, (i) the prevailing share prices of the Shares prior to the Last Trading Day, which a general downward trend had been observed since mid October 2021; (ii) the financial conditions and positions of the Group, details of which are further set out below in Appendix I to this circular; (iii) the marketability of the new Shares under the prevailing market conditions with relatively weak market sentiments and thin trading liquidity of the Shares prior to the Last Trading Date; and (iv) the funding needs of the Group.

After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed “Reasons for and benefits of the Rights Issue and the use of proceeds” in this circular, the Directors (other than the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letter from the Listing Rules IBC and letter from the Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

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

### **Qualifying Shareholders**

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

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company and are advised to consider whether they would like to arrange for the registration of the relevant Share(s) in their own names prior to the close of business on the Record Date.

---

## LETTER FROM THE BOARD

---

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. (Hong Kong time) on Friday, 23 December 2022.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

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

The register of members of the Company will be closed from Wednesday, 28 December 2022 to Wednesday, 4 January 2023 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

### **Basis of provisional allotments**

The basis of the provisional allotments shall be five (5) Rights Shares (in nil-paid form) for every eight (8) Shares 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.

### **Rights of the Overseas Shareholders**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

Based on the register of members of the Company as at the Latest Practicable Date, there were in total 18 Overseas Shareholders, among which 12 of them had registered addresses situated in the PRC and the remaining 6 of them had registered addresses situated in the BVI. The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the preliminary legal advice provided by the respective legal advisers of the PRC and the BVI engaged by the Company as at the Latest Practicable Date and having



---

## LETTER FROM THE BOARD

---

considered the circumstances, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC and the BVI from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

As at the Latest Practicable Date, there were no Non-Qualifying Shareholders. Should there be any Non-Qualifying Shareholders that appear on the register of members of the Company on the Record Date, 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 are entitled to attend and vote at the SGM as Independent Shareholders.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares and if they are in any doubt about their position, they should consult their own professional advisers.

### **Arrangements for the NQS Rights Shares**

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold on the Stock Exchange in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK\$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing.

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

Subject to fulfilment of the conditions to the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 8 February 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee (except HKSCC Nominees Limited) will receive one share certificate for all allotted Rights Shares.

---

## LETTER FROM THE BOARD

---

If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Wednesday, 8 February 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

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

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

### **The Irrevocable Undertaking**

As at the Latest Practicable Date, the Underwriter was interested in an aggregate of 69,658,600 Shares (representing approximately 22.93% of the entire issued share capital of the Company as at the Latest Practicable Date).

Pursuant to the Irrevocable Undertaking given by the Underwriter under the Underwriting Agreement, the Underwriter has undertaken to the Company that (i) it will subscribe for and/or procure subscriptions for 43,536,625 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 69,658,600 Shares beneficially held by the Underwriter; (ii) it will not dispose of, or agree to dispose of, any of the 69,658,600 Shares currently owned by it, and such Shares will remain beneficially owned by it, up to and including the Record Date; and (iii) it will lodge or procure the subscription of the 43,536,625 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to it, under the Rights Issue, with the Registrar.

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

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. Other than on the Stock Exchange, no part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in

---

## LETTER FROM THE BOARD

---

CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms with the board lot size being the same (i.e. 8,000) 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

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

The Underwriter, Eastmount Global Limited, was a substantial Shareholder of the Company interested in 69,658,600 Shares, representing approximately 22.93% of the entire issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees who are not existing Shareholders for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees 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 costs and expenses), that is realised from the Placing (the “**Net Gain**”) will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Friday, 3 February 2023, acquirers, who are not Shareholders, for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

---

## LETTER FROM THE BOARD

---

Net Gain (if any and rounded down to the nearest cent) will be paid on a pro-rata basis to the relevant No Action Shareholders and Non-Qualifying Shareholders, as set out below:

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for, and where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL and where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and
- (ii) for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) and Non-Qualifying Shareholder(s) mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

### THE PLACING AGREEMENT

On 18 October 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are as follows:

Date : 18 October 2022 (after trading hours of the Stock Exchange)

---

## LETTER FROM THE BOARD

---

Placing agent : Eddid Securities was appointed as the placing agent to place, or procure the placing of, up to 146,371,328 Unsubscribed Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date ); or up to 157,829,661 Unsubscribed Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds), on a best effort basis, to the Placee(s).

Eddid Securities and its ultimate beneficial owners are not shareholders of the Company and are Independent Third Parties and they have confirmed that they are independent of and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them. The Placing Agent has also undertaken that before it engages sub-placing agent(s) to place the Unsubscribed Rights Shares, it will confirm with the Company and such sub-placing agent(s) that these sub-placing agent(s) and their ultimate beneficial owners are not shareholders of the Company and are Independent Third Parties and that they are independent of and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them.

Placing commission payable to the Placing Agent : The sum of (a) a fee of HK\$100,000 or 0.5% of the portion of the Placing Amount that is equal to or less than HK\$20,000,000, whichever is higher; and (b) if the total Placing Amount is over HK\$20,000,000, a fee of 1.5% of the portion of the Placing Amount that exceeds HK\$20,000,000.

Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.

The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.

---

## LETTER FROM THE BOARD

---

- Placees : The Unsubscribed Rights Shares shall only be offered by the Placing Agent and/or the sub-placing agent(s) to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and their respective concert parties and/or any of the Company's connected persons. The Placing Agent will ensure it will, and will procure the sub-placing agent(s) to, place the Unsubscribed Rights Shares to the placee(s) to the extent that upon completion of the Placing, at least 25% of the total issued Shares of the Company will be held by the public (within the meaning under the Listing Rules) such that the public float requirement under Rule 8.08 of the Listing Rules will be complied with by the Company.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Placing condition : The Placing is subject to and conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Unsubscribed Rights Shares by not later than the Latest Time for Termination (or such other time or date as may be agreed between the Placing Agent and the Company). If the Placing condition is not fulfilled by the aforementioned date, the Placing will lapse and all rights, obligations and liabilities of the parties to the Placing Agreement in relation to the Placing shall cease and determine and neither of the parties to the Placing Agreement shall have any claim against the others in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement.

---

## LETTER FROM THE BOARD

---

Completion date of the Placing : The third Business Day following the satisfaction of the placing condition set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree.

The terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors (other than members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, the Directors (other than members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

The Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and their respective concert parties confirmed that they will not be involved in the solicitation, identification, screening and selection of Places for the Unsubscribed Rights Shares.

### THE UNDERWRITING AGREEMENT

The Rights Shares (other than those agreed to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) will be fully underwritten by the Underwriter at the Subscription Price in accordance with the terms of the Underwriting Agreement. The principal terms and conditions of the Underwriting Agreement are set out below:

Date : 18 October 2022 (after trading hours of the Stock Exchange)

Underwriter : The Underwriter is a substantial shareholder of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of the Underwriter to underwrite securities.

---

## LETTER FROM THE BOARD

---

Number of Rights Shares to be underwritten by the Underwriter : 146,371,328 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date ); or

157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds).

Underwriting Commission : The Underwriter will not receive any underwriting commission

Subject to the fulfilment of the conditions contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement).

The terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriter with reference to the financial position of the Group, the size of the Rights Issue, the current and expected market conditions. 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, signify strong support from the substantial Shareholder to the Group and its confidence in the development of the Group. The Directors (other than the members of the Takeovers Code IBC whose opinion is set forth in the letter from the Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) are of the view that, although the entry into of the Underwriting Agreement is not in the ordinary and usual course of business of the Company, 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.

### **Conditions of the Underwriting Agreement**

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the passing by the Shareholders at the SGM of the ordinary resolution to approve the Increase in Authorised Share Capital;



---

## LETTER FROM THE BOARD

---

- (ii) the passing by the Independent Shareholders at the SGM of (1) an ordinary resolution to approve the Underwriting Agreement, the Placing Agreement, the Rights Issue and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the SGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the SGM by way of poll) in accordance with the Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully paid-forms) by no later than their respective first day of dealings;
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, not later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (vi) the Executive granting the Whitewash Waiver to the Underwriter and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (vii) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (viii) the compliance with and performance of all the undertakings and obligations of the Underwriter under the Irrevocable Undertaking.

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, the Underwriting Agreement shall terminate automatically and no party will have any claim against any other party (save for any antecedent breaches and claims thereof).

---

## LETTER FROM THE BOARD

---

As at the Latest Practicable Date, none of the above conditions precedent had been fulfilled.

### Termination of the Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate 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 law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company 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 thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), 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 materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
2. any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
3. there is any change in the circumstances of the Company which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or

---

## LETTER FROM THE BOARD

---

4. any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the reasonable opinion of the Underwriter will materially and adversely affect the success of the Rights Issue and/or the prospects of the Company taken as a whole; or
5. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or
6. any matter which, had it arisen or been discovered immediately before the date of the Prospectus Documents and not having been disclosed in the Prospectus Documents, would have constituted, in the reasonable opinion of the Underwriter, an omission which is material in the context of the Rights Issue; or
7. any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

**If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. Further announcement will be made by the Company if the Underwriter terminates the Underwriting Agreement.**

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms.

---

## LETTER FROM THE BOARD

---

### FUND RAISING EXERCISE OF THE COMPANY

The Company has conducted the following fundraising activity involving issue of equity securities from the 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Fund raising activities</b>	<b>Net proceeds</b>	<b>Intended use of net proceeds</b>	<b>Actual use of the net proceeds</b>
8 September 2021 (date of agreement) and 29 October 2021 (date of completion)	Subscription of new Shares under general mandate	Approximately HK\$17,576,500	General working capital	Net proceeds has been fully used as intended
3 December 2021 (date of agreement) and 19 April 2022 (date of completion)	Placing of convertible bonds under specific mandate	Approximately HK\$ 26,300,000	(i) Approximately HK\$25,000,000 for the expansion of the existing procurement and tendering business of the Group to customers in trading industry; and  (ii) Approximately HK\$1,300,000 as general working capital	Net proceeds has been fully used as intended

Save as disclosed above, the Company has not conducted other fundraising activity involving issue of equity securities from the 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

### REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group mainly derives its revenues from the following business segments:

- a) Provision of procurement services segment is engaged in provision of procurement services to governmental institutions and private enterprises in the PRC. The segment can be divided into two streams: (i) the development and sales of procurement software to customers in the governmental or business sector that demand formal bidding and tendering process in their supply chain management which is an online procurement platform that can connect customers with a large number of potential suppliers; and (ii)

---

## LETTER FROM THE BOARD

---

provision of off-line procurement services to the private sector clients with a funding facilitation option, which is a model that the Group helps customers search for the required goods in the market and, if needed, the Group would assist customers in making the payment for the purchases after the suppliers have been selected. Customers may request for one or both streams of procurement services from the Group and this flexibility and variety of services have greatly increased the competitiveness of the Group. In respect of stream (i), the Group derives revenue in form of software usage fee charged to the customers. In respect of stream (ii), the Group derives revenue in the form of procurement service fee for the off-line procurement services rendered by the Group which varies depending on whether funding facilitation service is required;

- b) Trading business segment is engaged in trading of different kinds of products;
- c) Rental segment is engaged in leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC; and
- d) Energy management contracting business segment is engaged in provision of energy management contracting services in the PRC.

The Group plans to utilise its net proceeds from the Rights Issue in the following areas:

- a) approximately 5% of the net proceeds is to be invested into the research and development of the procurement service software. Because of further changed global economic environment, the central government of PRC has escalated its campaign to promote the replacement of foreign-branded IT related software and hardware with domestic alternatives. The Group therefore has to increase its inputs into research and development, such as recruiting more IT staff and/or replacing some of its equipment, so that its procurement related software could be upgraded with more functions and be able to cater for new needs arising out of such campaign, and hence maintaining and increasing the competitiveness of the Group. In addition, the Group plans to increase its software functionality to suit more needs from its business customers (B2B model). For example, this year the Group has successfully engaged one of the largest state-owned electricity grid companies to become one of its largest customers. The Group planned to increase its software development efforts to serve this large customer better;
- b) approximately 50% of the net proceeds is to be applied in the procurement services business. As stated in the annual report of the 15 months ended 31 March 2022, the management of the Group firmly believes that the new energy industry is the field with a lot of business potential and opportunities in the next decade. This new growth cycle embarked on the central government's public announcement made by President Xi

---

## LETTER FROM THE BOARD

---

Jinping in September 2020 that China was committed to achieving carbon emission peak by 2030 and carbon neutrality by 2060. Since then the central government of the PRC has implemented various initiatives and policies and has provided incentives to promote the use of new energy in enterprises nationwide. Because the engineering, procurement and construction (“EPC”) model has become the most common practice model within the new energy industry, such as solar or wind power farm development projects, it offers the Group many supply chain procurement bidding and trading business opportunities. In order to enter and penetrate into this fast-growing market, the Group would like to raise fund and apply it into this niche business line by including the procurement funding facilitation as part of its efficient online and offline procurement services package offered to the clients, in other words, a combination of stream (i) and stream (ii) of our procurement services business as mentioned above. The Group’s software provides an online platform where the customer of the Group, i.e. the user of the Group’s IT solutions services, is able to select the ideal bidder and enter the contract with the bidder through the software that have been embedded with enhanced security settings and advanced features which enable safe and reliable electronic signature. New energy development projects are capital intensive and the EPC contractors for those projects, who are the potential clients of the IT solution services of the Group, usually have to provide upfront cash liquidity support for those projects before being reimbursed by the investors of those projects. These cash challenges faced by the EPC contractors, i.e. the Group’s potential clients, provide the Group with a chance to entice and incentivise them to utilize the Group’s IT solution services, if the Group can help them alleviate their cash pressure by procuring the goods first before selling the goods back to them within the agreed timeframe. Thereby, from the perspective of the users who have secured their goods via the Group and its software could experience benefits in twofold. On one hand, having been able to source goods from ideal suppliers with favourable prices by utilising the IT solutions, the users could potentially enjoy lower procurement costs and a greater profit margin. On the other hand, having had the Group making the payments for the purchases first, the users could retain more working capital for their own business purposes before purchasing the goods from the Group in accordance to the timeline stated in the contract. From the perspective of the Group, instead of providing a traditional one-tier unitary IT services, the Group is offering a service package which can satisfy more needs of its clients hence creating a unique and more competitive edge over others. The revenue that the Group can derive from providing these procurement services are the software usage fee and the procurement service fee as mentioned above. The management has carried out risk assessment on this new business plan and has found that the potential clients in the new energy

---

## LETTER FROM THE BOARD

---

development projects businesses are mainly large-sized companies, usually state-owned, with good credit rating and strong economic strength, which the management of the Group consider as high-quality customers with large business volume and low business risks;

- c) approximately 10% of the net proceeds is to be applied to the Group's trading business to capture growth opportunities in this segment. The Group has been engaged in the trading of various goods in the past, such as aluminum ingots, and the kind of goods that the Group would trade depending on the market trends and needs and opportunities arising;
- d) approximately 20% of the net proceeds is to be invested in office properties in Hong Kong. The Group appreciates Hong Kong's status as the international operational and financial centre and plans to increase its presence and operation in Hong Kong. To that end, the Group plans to acquire larger office space for self-usage and to rent out any spare space if possible;
- e) approximately 15% of the net proceeds is to serve as supplement to the working capital of the Group for general purposes which include staff costs, rentals, selling expenses, administrative expenses, professional service fees and operating expenses, which are expected to generally increase in anticipation of a business expansion.

The expected timeline of use of net proceeds from the Rights Issue is as follows:

Proposed use of the net proceeds	Approximate percentage of total net proceeds	Approximate amount ( <i>Note</i> )	Expected timeline of use after the completion of the Rights Issue
Research and development of the procurement service software	5%	No less than HK\$5.9 million and no more than HK\$6.2 million	Within 6 to 12 months
Procurement services business	50%	No less than HK\$58.6 million and no more than HK\$62.2 million	Within 3 to 6 months
Trading business	10%	No less than HK\$11.7 million and no more than HK\$12.4 million	Within 3 to 4 months

---

## LETTER FROM THE BOARD

---

<b>Proposed use of the net proceeds</b>	<b>Approximate percentage of total net proceeds</b>	<b>Approximate amount (Note)</b>	<b>Expected timeline of use after the completion of the Rights Issue</b>
Investment in office properties in Hong Kong	20%	No less than HK\$23.4 million and no more than HK\$24.9 million	Within 6 to 12 months
General working capital	15%	No less than HK\$17.6 million and no more than HK\$18.7 million	Within 3 to 6 months

*Note:* The amounts are stated in a range since the total net proceeds depends on the extent that the Convertible Bonds are converted on or before the Record Date, assuming there are no other changes in the share capital of the Company.

The cash and bank balances of the Group was approximately HK\$6.7 million as at 30 September 2022, representing a decrease of approximately HK\$19.9 million from the cash and bank balances of HK\$27.6 million as at 31 March 2022, which was mainly attributable to the increase of administrative and operational expenses, such as staff costs increase due to extra recruitment to support the new business plan. Such increase was in line with the revenue growth for the six months ended 30 September 2022. As disclosed in the annual report of the Company for the 15 months ended 31 March 2022, the Group recorded a net loss of approximately HK\$33.9 million for the 15 months ended 31 March 2022, and the Group's current liabilities exceeded its current assets by approximately HK\$39.1 million as at 31 March 2022. Taking into account the Group's net cash movement during the six months ended 30 September 2022 and the financial position of the Group, the Group is not in a good position to support its business plan as mentioned above if only relying on its current financial resources available. In order to efficiently capture the business opportunities arising from the new energy market as mentioned above, the Group will require a large amount of cash injection to boost its business growth.

Save for the aforementioned proposed use of the net proceeds from the Rights Issue, the Directors confirm that based on the current business expansion plan as explained above, there will not be any material funding needs of the Group for the 12 months from the Latest Practicable Date.

The estimates of the funding needs of the Group were prepared based on the key assumptions as follows: (a) the net proceeds from the Rights Issue will be at least approximately HK\$117.1 million; (b) there will be no material changes in the existing policies and regulations with regards to the businesses carried out by the Group; (c) there will be no material changes in the Group's business segments; (d) there will be no material adverse changes in the business relationship of Group with its main customers and suppliers; (e) both macro and micro-economic environment



---

## LETTER FROM THE BOARD

---

would not fluctuate significantly; (f) the Group will have sufficient qualified and experienced management and employees to support its business plan; and (g) there will be no material adverse external risk events that may disrupt the normal operation and business development activities of the Group, such as sudden and massive lockdown of many regions in the PRC for a long period of time.

However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and 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. As for placing of convertible bonds, the Board has completed a placing of convertible bonds this year but the amount of proceeds was below the initial target due to insufficient market interest. As for placing of new Shares, drawing on its experience in placing of new Shares in 2021, the Board is of the view that, unlike the Rights Issue which offers existing Shareholders to participate to avoid dilution of interest and to freely trade the rights entitlements, placing would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the exercise and the amount of funds raised by this means is limited compared with the needs of the Company, and therefore, was not considered by the Board to be the suitable fund-raising method for the Company on this occasion. As for an open offer, while it is similar to a rights issue which allows qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights attaching thereto.

The Board considers that the Rights Issue is the most suitable channel for the Company to raise funds to expand its existing business operations and provide sufficient capital to the Group for its business development as 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.

In view of the above, the Board (other than the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM THE BOARD

---

### INFORMATION ON THE UNDERWRITER

The Rights Issue will be underwritten by the Underwriter, a substantial shareholder of the Company. The Underwriter is an investment holding company incorporated in Hong Kong 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 Fu Ze Ventures Limited, which is wholly-owned by Eshay Investments Limited. Eshay Investments Limited is wholly-owned by Frandor Limited, which is in turn wholly-owned by Trident Trust Company (Singapore) Pte Limited, the trustee of a discretionary trust of which Ms. Liu Luoxiu is the settlor and certain family members of Ms. Liu Luoxiu, including Ms. Wu Siyuan (who is the ex-wife of one of the descendants of Ms. Liu Luoxiu), the Chairman, an executive Director and the chief executive of the Company, are discretionary beneficiaries. Ms. Liu Luoxiu is an experienced investor and merchant in China, and over the years, her investment spanned across different sectors, including real estate, import and export trading, as well as new energy industry. In the event that the Underwriter becomes the controlling shareholder of the Company as a result of the taking up of the Untaken Rights Shares under the Underwriting Agreement, it is the intention of the Underwriter to continue the existing businesses of the Group. The Underwriter has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

### POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

As at the Latest Practicable Date, there were 15,884,000 outstanding share options granted by the Company with the earliest vesting date of 2 September 2023 which is expected to be after the Record Date. The Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding share options under the Share Option Scheme. The Company will notify the holders of such share options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

As at the Latest Practicable Date, there were outstanding Convertible Bonds with an aggregate principal amount of HK\$27,500,000 convertible into 18,333,333 Shares, at the conversion price of HK\$1.5 per Share. As disclosed in the circular of the Company dated 13 January 2022, an adjustment of the conversion price is only required when the Subscription Price is less than 70% of the average of the closing price of the Shares for the 10 consecutive dealing days ending on the dealing day immediately preceding a dealing day on which the “current market price” is determined (the “**Current Market Price**”). Under the terms and conditions of the Convertible Bonds, since the Subscription Price is not less than 70% of the Current Market Price

## LETTER FROM THE BOARD

on the dealing day immediately precedes the date of the Announcement, the Rights Issue will not lead to adjustments to the conversion price and/or the number of Shares to be issued upon conversion of the Convertible Bonds.

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

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately following completion of the Rights Issue in different scenarios, in each case assuming no changes in the share capital of the Company on or before the Record Date :

	(i) As at the Latest Practicable Date		(ii) Immediately following completion of the Rights Issue, and assuming					
	No. of Shares	%	(a) Full acceptance of the Rights Shares by all Qualifying Shareholders and nil acceptance by the Trustee whose Unsubscribed Rights Shares are accepted by other Qualifying Shareholders		(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking) and all of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements		(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking), none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Underwriter and parties acting in concert or presumed acting in concert with it (Note 1)	69,658,600	22.93	113,195,225	22.93	113,195,225	22.93	259,566,553	52.57
Trustee of Share Award Plan (Note 2)	10,769,000	3.54	10,769,000	2.18	10,769,000	2.18	10,769,000	2.18
Placees	—	—	—	—	146,371,328	29.64	—	—
Other public shareholders	223,425,125	73.53	369,796,453	74.89	223,425,125	45.25	223,425,125	45.25
<b>Total</b>	<b>303,852,725</b>	<b>100.00</b>	<b>493,760,678</b>	<b>100.00</b>	<b>493,760,678</b>	<b>100.00</b>	<b>493,760,678</b>	<b>100.00</b>

*Notes:*

- Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares and the scenarios set out in the table, all such Shares are/will be held by the Underwriter.
- The trustee of the Share Award Plan has indicated that it will not take up the Rights Shares which will be provisionally allotted to it under the Rights Issue.

## LETTER FROM THE BOARD

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately following the conversion of Convertible Bonds in full; and (iii) immediately following completion of the Rights Issue in different scenarios, in each case assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds:

	(i) As at the Latest Practicable Date		(ii) Immediately following the conversion of the Convertible Bonds in full		(iii) Immediately following completion of the Rights Issue, and assuming					
	No. of Shares	%	No. of Shares	%	(a) Full acceptance of the Rights Shares by all Qualifying Shareholders and nil acceptance by the Trustee whose Unsubscribed Rights Shares are accepted by other Qualifying Shareholders		(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking) and all of the Unsubscribed Rights Shares are placed to the Placees under the Compensatory Arrangements		(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking), none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by the Underwriter	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Underwriter and parties acting in concert or presumed acting in concert with it (Note 1)	69,658,600	22.93	69,658,600	21.62	113,195,225	21.62	113,195,225	21.62	271,024,886	51.77
Trustee of Share Award Plan (Note 2)	10,769,000	3.54	10,769,000	3.34	10,769,000	2.06	10,769,000	2.06	10,769,000	2.06
Placees	—	—	—	—	—	—	157,829,661	30.15	—	—
Sea Best Group Limited (Note 3)	—	—	15,000,000	4.66	24,375,000	4.66	15,000,000	2.87	15,000,000	2.87
Mr. Wu Feng (Note 3)	—	—	3,333,333	1.03	5,416,666	1.03	3,333,333	0.64	3,333,333	0.64
Other public Shareholders	223,425,125	73.53	223,425,125	69.35	369,796,453	70.63	223,425,125	42.67	223,425,125	42.67
<b>Total</b>	<b>303,852,725</b>	<b>100.00</b>	<b>322,186,058</b>	<b>100.00</b>	<b>523,552,344</b>	<b>100.00</b>	<b>523,552,344</b>	<b>100.00</b>	<b>523,552,344</b>	<b>100.00</b>

### Notes:

- Assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares and the scenarios set out in the table, all such Shares are/will be held by the Underwriter.
- The trustee of the Share Award Plan has indicated that it will not take up the Rights Shares which will be provisionally allotted to it under the Rights Issue.
- Sea Best Group Limited and Mr. Wu Feng are the holders of the Convertible Bonds and are Independent Third Parties.

### LISTING RULES IMPLICATIONS

The Rights Issue, if proceeded with, will increase the issued share capital of the Company by more than 50%. In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the Rights Issue is conditional on approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the SGM at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their

---

## LETTER FROM THE BOARD

---

respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM. As at the Latest Practicable Date, the Company did not have any controlling shareholders. As such, the Directors (excluding independent non-executive Directors) and their associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM. The Underwriter, Eastmount Global Limited, is wholly-owned by the trustee of a family trust under which Ms. Wu Siyuan, being an executive Director, is a discretionary beneficiary. The Underwriter shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM. Save for the interest of Ms. Wu Siyuan in the Shares held by the Underwriter through her role as a discretionary beneficiary of the discretionary trust by virtue of Part XV of the SFO as disclosed above, as at the Latest Practicable Date, none of the Directors held any Shares.

Further, the Underwriter, Eastmount Global Limited, is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Underwriter shall abstain from voting in relation to the resolution(s) in relation to the Underwriting Agreement at the SGM pursuant to Rule 14A.36 of the Listing Rules.

Ms. Wu Siyuan, the Chairman, the Chief Executive and an executive Director, is a discretionary beneficiary of the family trust, of which the trustee wholly owns the Underwriter, and as such, may have conflict of interests in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. She has abstained from voting at the meeting of the Board convened to consider such matters. As at the Latest Practicable Date, Ms. Wu Siyuan did not hold any Shares.

### **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it were, in aggregate, interested in 69,658,600 Shares, representing approximately 22.93% of the issued share capital of the Company. The Underwriter has provided the Irrevocable Undertaking to take up and pay for an aggregate of 43,536,625 Rights Shares to be provisionally allotted to it under the Rights Issue.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Eastmount Global Limited, as the Underwriter, will be required to take up a maximum of 157,829,661 Rights Shares

---

## LETTER FROM THE BOARD

---

(assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds). In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares and the conversion in full of the Convertible Bonds, the Underwriter and parties acting in concert with it will, in aggregate, be interested in a maximum of 271,024,886 Shares, representing approximately 51.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. In the case where none of the Convertible Bonds are converted, and 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 a maximum of 146,371,328 Rights Shares, and hence the Underwriter and parties acting in concert with it will, in aggregate be interested in a maximum of 259,566,553 Shares, representing approximately 52.6% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it, unless the Whitewash Waiver is granted.

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 Executive has indicated that it is minded to grant the Whitewash Waiver, subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; 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 Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. The Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them (as defined in the Takeovers Code), and any Shareholders who are involved in, or interested in (other than by being a Shareholder) the Rights Issue, the Placing Agreement, 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.

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Shareholders at the SGM in respect of the Increase in Authorised Share Capital and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, and assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) and no

---

## LETTER FROM THE BOARD

---

Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the shareholding of the Underwriter and parties acting in concert with it in the Company will exceed 50%. **The Underwriter and parties acting in concert with it may increase their shareholding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.**

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

### SGM

The register of members of the Company will be closed from Wednesday, 14 December 2022 to Tuesday, 20 December 2022 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the SGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the SGM.

A notice convening the SGM to be held at Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 20 December 2022 at 10:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular.

The SGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published at the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and the website of the Company at [www.sunshine1094.com](http://www.sunshine1094.com). Whether or not you intend to attend the SGM, you are requested to complete the enclosed form of proxy and indicate voting instruction in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event

---

## LETTER FROM THE BOARD

---

not less than 48 hours before the time for the holding of the SGM (i.e. by 10:00 a.m. on Sunday, 18 December 2022) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof.

In accordance with the Listing Rules and the Takeovers Code, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates (as defined in the Takeovers Code), the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them (as defined in the Takeovers Code), and any Shareholders (i) who are involved in, or interested in (other than by being a Shareholder); or (ii) have a material interest in the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. As at the Latest Practicable Date, save for the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them, no other Shareholder was required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM.

### **Precautionary measures for the SGM**

The following measures shall be taken for the prevention and control of the spread of the Coronavirus disease 2019 (“**COVID-19**”) at the SGM, including but not limited to:

- compulsory body temperature checks and health declaration;
- compulsory wearing of a surgical face mask for each attendee; and
- no provision of refreshment or corporate gift.

Attendees who do not comply with the precautionary measures or been found to have the symptom(s) of an upper respiratory system disease or be obeying a quarantine order may be denied entry to the meeting venue at the absolute discretion of the Company as permitted by law. Shareholders and/or their representatives who are denied entry to the venue of the SGM will, subject to the relevant regulations, be provided with voting slips of the SGM and may complete, sign and return the voting slips to exercise their voting rights. The Company reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.



---

## LETTER FROM THE BOARD

---

Due to the evolving development of the COVID-19 pandemic and the changing government regulations on social distancing, the Company may be required to change the SGM arrangements at short notice, in order to comply with the laws and regulations in Hong Kong. Shareholders are advised to check the website of the Stock Exchange and the Company's website for future announcements and updates on the SGM arrangements and monitor closely the development of COVID-19.

### **THE LISTING RULES IBC, THE TAKEOVERS CODE IBC AND THE INDEPENDENT FINANCIAL ADVISER**

The Listing Rules IBC, comprising Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and as to the voting action therefor.

The Takeovers Code IBC, comprising Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua, being all non-executive Directors, and Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor.

First Shanghai Capital Limited has been appointed as the independent financial adviser to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor. The appointment of the Independent Financial Adviser has been approved by the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code.

Subject to, among other things, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver having been approved by the Independent Shareholders at the SGM, the Prospectus Documents or the Prospectus, whichever appropriate, will be despatched to the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders in due course.

---

## LETTER FROM THE BOARD

---

### RECOMMENDATION

Your attention is drawn to (i) the letter from the Listing Rules IBC dated 30 November 2022 on pages 50 to 51 to this circular setting out the recommendation from the Listing Rules IBC to the Independent Shareholders on the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder; (ii) the letter from the Takeovers Code IBC dated 30 November 2022 on pages 52 to 53 to this circular setting out the recommendation from the Takeovers Code IBC to Independent Shareholders on the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver; and (iii) the letter from the Independent Financial Adviser which contains its advice to the Listing Rules IBC, Takeovers Code IBC and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The Directors (excluding the members of the Listing Rules IBC and Takeovers Code IBC whose views are set out in the letter from the Listing Rules IBC and the letter from the Takeovers Code IBC contained in this circular after taking into consideration the advice of the IFA) consider that the terms of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, though the conduct and entry into of the Underwriting Agreement are not in the ordinary and usual course of business of the Company, are on normal commercial terms and are fair and reasonable, the Whitewash Waiver is fair and reasonable, and all the aforementioned are in the interests of the Company and the Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

The Directors also consider that the Increased in Authorised Share Capital are in the interest of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

### ADDITIONAL INFORMATION

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

---

## LETTER FROM THE BOARD

---

### WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among other things, 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 “Termination of the Underwriting Agreement” of this circular). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 22 December 2022. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 10 January 2023 to Tuesday, 17 January 2023.

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 and the nil-paid Right Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Yours faithfully,  
For and on behalf of the Board  
**Cherish Sunshine International Limited**  
**Wu Siyuan**  
*Chairman and Chief Executive*

---

## LETTER FROM THE LISTING RULES IBC

---

*Set out below is the text of a letter of recommendation from the Listing Rules IBC to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*

### **CHERISH SUNSHINE INTERNATIONAL LIMITED**

### **承輝國際有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

*Registered office:*

Cricket Square  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of*

*business in Hong Kong:*  
Unit 705, 7/F  
Nam Wo Hong Building  
148 Wing Lok Street  
Sheung Wan  
Hong Kong

30 November 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS  
SHARES FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE;  
AND  
(2) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT**

We refer to the circular dated 30 November 2022 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the members of the Listing Rules IBC to advise the Independent Shareholders as to whether the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to recommend how the Independent Shareholders should vote at the SGM.

---

## LETTER FROM THE LISTING RULES IBC

---

First Shanghai Capital Limited has been appointed as the independent financial adviser to advise us and the Independent Shareholders in these regards. Details of the advice of First Shanghai Capital Limited, together with the principal factors it has taken into consideration in giving its advice, are contained in its letter set out on pages 54 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.

Having taken into account the advice of First Shanghai Capital Limited, we consider that the Rights Issue, the Placing Agreement, the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and/or its Independent Shareholders. We also consider that the Underwriting Agreement is on normal commercial terms, and the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and/or the Independent Shareholders, despite the transaction contemplated under the Underwriting Agreement is not in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Placing Agreement and the Underwriting Agreement.

Yours faithfully,  
For and on behalf of the

**Listing Rules IBC**

**Cherish Sunshine International Limited**

**Zhong Dengyu**  
*Independent*  
*non-executive Director*

**Jiang Jun**  
*Independent*  
*non-executive Director*

**Deng Hua**  
*Independent*  
*non-executive Director*

---

## LETTER FROM THE TAKEOVERS CODE IBC

---

*Set out below is the text of a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*

### **CHERISH SUNSHINE INTERNATIONAL LIMITED**

### **承輝國際有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

*Registered office:*

Cricket Square  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of*

*business in Hong Kong:*  
Unit 705, 7/F  
Nam Wo Hong Building  
148 Wing Lok Street  
Sheung Wan  
Hong Kong

30 November 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES  
FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE;**
- (2) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT;**
- AND**
- (3) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular dated 30 November 2022 of the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meaning as those defined in the Circular unless the context otherwise requires.

---

## LETTER FROM THE TAKEOVERS CODE IBC

---

We have been appointed by the Board as the members of the Takeovers Code IBC to advise the Independent Shareholders as to whether the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and to recommend how the Independent Shareholders should vote at the SGM.

First Shanghai Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in these regards. Details of the advice of First Shanghai Capital Limited, together with the principal factors it has taken into consideration in giving its advice, are contained in its letter set out on pages 54 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.

Having taken into account the advice of First Shanghai Capital Limited, we consider that the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of the  
**Takeovers Code IBC**  
**Cherish Sunshine International Limited**

**Liu Qian**  
*Non-executive Director*

**Li Shun**  
*Non-executive Director*

**Li Guanghua**  
*Non-executive Director*

**Zhong Dengyu**  
*Independent*  
*non-executive Director*

**Jiang Jun**  
*Independent*  
*non-executive Director*

**Deng Hua**  
*Independent*  
*non-executive Director*

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

*The following is the full text of the letter of advice from First Shanghai Capital Limited to Independent Board Committees and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.*



### FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House  
71 Des Voeux Road Central  
Hong Kong

30 November 2022

*To the Independent Board Committees and  
the Independent Shareholders*

Dear Sir or Madam,

- (I) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES  
FOR EVERY EIGHT (8) SHARES HELD ON THE RECORD DATE;**  
**(II) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT;**  
**AND**  
**(III) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Listing Rules IBC, Takeovers Code IBC (collectively, the “**Independent Board Committees**”) and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the connected transaction in relation to the Underwriting Agreement and the Whitewash Waiver, (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 November 2022 issued by the Company to the Shareholders (the “**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 requires otherwise.

With reference to the Board Letter, the Company proposes to implement the Rights Issue on the basis of five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.63 per Rights Share to raise (i) approximately HK\$119.6 million before expenses (assuming no changes in the share capital of the Company on or before the Record Date) by issuing 189,907,953 Rights Shares; or (ii)



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

approximately HK\$126.9 million before expenses (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds) by issuing 201,366,286 Rights Shares.

On 18 October 2022 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement with the Underwriter in respect of the Rights Issue, pursuant to which, the Underwriter has (i) irrevocably undertaken to subscribe for 43,536,625 Rights Shares which comprise the full amount of provision entitlements in respect of the aggregate of 69,658,600 Share beneficially held by the Underwriter; and (ii) agreed to take up a maximum of 157,829,661 Untaken Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds) pursuant to the terms and subject to the conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

Pursuant to the Irrevocable Undertaking, Eastmount Global Limited, the Underwriter, is a substantial Shareholder of the Company, has undertaken to the Company that, (i) it will subscribe for and/or procure subscriptions for 43,536,625 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 69,658,600 Shares beneficially held by the Underwriter; (ii) it will not dispose of, or agree to dispose of, any of the 69,658,600 Shares currently owned by it, and such Shares will remain beneficially owned by it, up to and including the Record Date; and (iii) it will lodge or procure the subscription of the 43,536,625 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to it, respectively, under the Rights Issue, with the Registrar.

On 18 October 2022 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.

In accordance with Rule 7.19A and Rule 7.27A of the Listing Rules, the Rights Issue will be subject to the approval by the Independent Shareholders (comprising both the Qualifying Shareholders and the Non-Qualifying Shareholders) at the SGM at which the controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the SGM. In addition, the Underwriter, Eastmount Global Limited, is a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transaction contemplated under the Underwriting Agreement constitutes a connected transaction for

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

the Company under the Listing Rules and the Underwriting Agreement is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the Board Letter, the Underwriter and parties acting in concert with it are, in aggregate, interested in 69,658,600 Shares, representing approximately 22.93% of the issued share capital of the Company. The Underwriter has provided the Irrevocable Undertaking to take up and pay for an aggregate of 43,536,625 Rights Shares to be provisionally allotted to it under the Rights Issue. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Eastmount Global Limited, as the Underwriter, will be required to take up a maximum of 157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds). In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, and the conversion in full of the Convertible Bonds, the Underwriter and parties acting in concert with it will, in aggregate, be interested in a maximum of 271,024,886 Shares, representing approximately 51.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. In the case where none of the Convertible Bonds are converted, and 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 a maximum of 146,371,328 Rights Shares, and hence the Underwriter and parties acting in concert with it will, in aggregate be interested in a maximum of 259,566,553 Shares, representing approximately 52.6% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it, unless the Whitewash Waiver is granted.

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 Executive has indicated that it is minded to grant the Whitewash Waiver, subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; 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 Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder. The Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert (as defined in the Takeovers Code) with any one of them, and any Shareholders who are involved in, or interested in (other than by being a Shareholder) the Transactions, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the SGM.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive, the approval by the Shareholders at the SGM in respect of the Increase in Authorised Share Capital and the approval by the Independent Shareholders at the SGM in respect of the Transactions as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

The Listing Rules IBC, comprising Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively, and as to the voting action therefor.

The Takeovers Code IBC, comprising Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua, being all non-executive Directors, and Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder respectively and the Whitewash Waiver, and as to the voting action therefor.

We, First Shanghai Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committees and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

We are not associated with the Company, the Underwriter and its concert parties and, accordingly, are considered eligible to give independent advice in respect of the Transactions. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid to us in connection with this engagement, no arrangements exist whereby we will receive any fees or benefits from the Company or related to the Transactions. Therefore, we are not aware of any relationship or interest between us and the Company, the Underwriter, or other parties that would be reasonably considered to affect our independence to act as an independent financial adviser to the Independent Shareholders in respect of the Transactions.

### BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committees and the Independent Shareholders, we have reviewed, among other things, (i) the Company's annual reports for the year ended 31 December 2020 (the "2020 Annual Report"), for the fifteen months

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

ended 31 March 2022 (the “**2022 Annual Report**”) and the interim results announcement for the six months ended 30 September 2022 (the “**Interim Results 22/23**”); (ii) the Underwriting Agreement; (iii) the Placing Agreement; and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinion and representations provided to us by the management of the Company (the “**Management**”) and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Management and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry 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 representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that 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 in the Circular or the Circular as a whole misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriter, the Placing Agent or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and the Shareholders will be notified of any material changes to our opinion before the SGM. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued to the Independent Board Committees and the Independent Shareholders solely in connection with the Transactions, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:-

#### **1. Background Information of the Group**

The Company was incorporated in Bermuda. According to the 2022 Annual Report and Interim Results 22/23, the Group is principally engaged in (i) provision of procurement services; (ii) trading business; (iii) provision of corporate IT solution; (iv) rental income; and (v) energy management contracting business.

##### ***(i) Provision of procurement services***

The Group provides procurement services to governmental authorities and private enterprises in the PRC. The segment can be divided into two streams: (i) the development and sales of procurement software to customers, in the governmental or business sector that demand formal bidding and tendering process in their supply chain management which is an online procurement platform that can connect customers with a large number of potential suppliers; and (ii) provision of off-line procurement services to the private sector clients with a funding facilitation option, which is a model that the Group helps customers search for the required goods in the market and, if needed, the Group would assist customers in making the payment for the purchases after the suppliers have been selected.

##### ***(ii) Trading business***

The Group trades different kinds of products, such as aluminum ingots. According to the 2022 Annual Report and Interim Results 22/23, the Group's new business of promoting bidding software technical services to customers in the trade sector brought in new trade customers and generate additional income.

##### ***(iii) Provision of corporate IT solution***

The Group provides software development services to meet the maintenance and technical improvement requirements of the government and its affiliated or related institutions, as well as private enterprise clients. In 2021 the Group successfully restructured its software package and achieved a technological breakthrough and successfully launched a package of IT Solutions that can meet the bidding and procurement needs of private enterprises.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (iv) *Rental income*

The Group leases out office premises under operating leases with rental receivable monthly, with its investment properties located in Wuhan, Hubei Province, the PRC.

### (v) *Energy management contracting business*

With the consideration of the promotion and support of new clean energy construction and usage by the governments at all levels throughout the country has provided the Company with great business opportunities. The Group resumed regular energy management contracting services in the PRC in 2022 and recorded revenue.

### (a) **Historical financial performance**

Set out below are the summarised consolidated statement of profit and loss of the Group for each of the two years ended 31 December 2019 (“**FY2019**”) and 2020 (“**FY2020**”) with reference to the 2020 Annual Report, for the fifteen months ended 31 March 2022 (“**15M2022**”) with reference to the 2022 Annual Report and for the six months ended 30 June 2021 (“**1H2021**”) and 30 September 2022 (“**1H22/23**”) with reference to the Interim Results 22/23 of the Company:-

	<b>FY2019</b>	<b>FY2020</b>	<b>15M2022</b>	<b>1H2021</b>	<b>1H22/23</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
<b>Revenue</b>					
— Provision of procurement services	9,651	10,649	14,596	4,924	9,765
— Trading business	37,703	55,446	85,141	—	41,679
— Provision of corporate IT solution	12,906	12,032	14,573	5,940	7,172
— Rental income	13,064	15,428	24,654	9,336	8,441
— Energy management contracting business	—	—	1,292	—	2,851
	<u>73,324</u>	<u>93,555</u>	<u>140,256</u>	<u>20,200</u>	<u>69,908</u>
<b>Total revenue</b>	<b>73,324</b>	<b>93,555</b>	<b>140,256</b>	<b>20,200</b>	<b>69,908</b>
<b>Gross profit</b>	<b>21,788</b>	<b>18,615</b>	<b>24,219</b>	<b>9,881</b>	<b>15,143</b>
Gross profit margin	29.7%	19.9%	17.3%	48.9%	21.7%
	<u>29.7%</u>	<u>19.9%</u>	<u>17.3%</u>	<u>48.9%</u>	<u>21.7%</u>
<b>(Loss)/profit for the year/period</b>	<b>(13,695)</b>	<b>221</b>	<b>(33,918)</b>	<b>(3,607)</b>	<b>(11,179)</b>
	<u>(13,695)</u>	<u>221</u>	<u>(33,918)</u>	<u>(3,607)</u>	<u>(11,179)</u>

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *FY2019 compared with FY2020*

According to the 2020 Annual Report, total revenue of the Group increased from approximately HK\$73.3 million for FY2019 to approximately HK\$93.6 million for FY2020, represent an increase of approximately HK\$20.3 million or 27.6%, which was mainly attributable to the increase in revenue generated from trading business segment by approximately HK\$17.7 million. However, the Group's gross profit and gross profit margin decreased from approximately HK\$21.8 million and 29.7% for FY2019 to approximately HK\$18.6 million and 19.9% for FY2020. The decrease in gross profit margin for FY2020 was mainly due to an increase in trading business with comparatively low gross profit margin and the increase in cost of provision of IT solution as more direct costs were reallocated for projects realised in FY2020. Thus, the gross profit amount and gross profit margin decreased compared to FY2019.

The Group's financial performance improved from recorded a loss of approximately HK\$13.7 million for FY2019 to a bare minimal profit of approximately HK\$0.2 million for FY2020, which was mainly due to: (i) fair value gain on investment properties of approximately HK\$6.5 million was recorded for FY2020; (ii) administrative expense decreased by HK\$11.8 million, from approximately HK\$48.0 million for FY2019 to approximately HK\$36.2 million for FY2020, as a result of reallocation of some technical staff costs from administrative expenses to direct cost due to more IT solution projects were realised during FY2020 and decrease in travelling expenses and number of staffs and no equity settled share-based payment was recognised during the year; and (iii) reversal of impairment loss for prepayments of approximately HK\$6.2 million was recorded for FY2020 due to the settlement made by the counterparty. In terms of cash flow, the Group's operating loss before working capital changes was approximately HK\$20.5 million and HK\$10.5 million for FY2019 and FY2020, respectively.

### *FY2020 compared with 15M2022*

The Group's revenue increased from approximately HK\$93.6 million for FY2020 to approximately HK\$140.3 million for 15M2022, which led to increase in gross profit to approximately HK\$24.2 million in the same period. However, the gross profit margin decreased from approximately 19.9% for FY2020 to approximately 17.3% for 15M2022. Operating loss before working capital changes increased to approximately HK\$15.0 million for 15M2022. The Group's financial performance deteriorated from a profit of approximately HK\$0.2 million for FY2020 to a loss of approximately HK\$33.9 million for 15M2022, which was mainly due to:

- (i) a fair value loss on investment properties of approximately HK\$10.7 million was recognised for 15M2022, while fair value gain on investment properties of approximately HK\$6.5 million was recorded for FY2020;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (ii) the impairment loss for prepayments of approximately HK\$6.1 million was recorded for 15M2022 due to one of the suppliers of the Group failed honour its contractual responsibility, the Directors considered the chance of recovering the prepayments made to be remote and recognized full impairment of approximately HK\$6.1 million;
- (iii) the impairment loss for loan receivables of approximately HK\$2.7 million has been recognised to reflect the general expected credit losses and a one off written-off of a loan receivable of approximately HK\$2.4 million was recorded for a debtor who was de-registered during the period of 15M2022. With the consideration of legal advice, the Directors considered no realistic prospect to recover the respective loan receivable from this debtor and wrote off the gross carrying amount of loan receivable balance of approximately HK\$2.4 million.

### *1H2021 compared with 1H22/23*

According to the Interim Results 22/23, total revenue of the Group increased from approximately HK\$20.2 million for 1H2021 to approximately HK\$69.9 million for 1H22/23, represent an increase of approximately HK\$49.7 million or 246.1%, which was mainly attributable to the increase in revenue generated from trading business segment by approximately HK\$41.7 million and procurement segment by approximately HK\$4.8 million. In line with the growth of revenue, the gross profit also increased from approximately HK\$9.9 million for 1H2021 to approximately HK\$15.1 million for 1H22/23, however, the gross profit margin decreased from approximately 48.9% for 1H2021 to approximately 21.7% for 1H22/23, which was mainly due to an increase in trading business with comparatively low gross profit margin and the decrease in revenue from rental segment as one of the largest tenants terminated its contract with the Group during 1H22/23.

The Group's financial performance worsen from a loss of approximately HK\$3.6 million for 1H2021 to a loss of approximately HK\$11.2 million for 1H22/23, which was a net effect of (i) the increase in administrative expense from approximately HK\$17.2 million for 1H2021 to approximately HK\$27.8 million for 1H22/23 as a result of more staff costs were incurred to support the business expansion particularly for provision of procurement services segment and provision of corporate IT solution services segment; and (ii) decrease in other income and gains by approximately HK\$5.1 million, as a result of over-provision of expenses in previous years of approximately HK\$1.7 million was recorded in 1H2021 and no such income was recorded in 1H22/23, as well as the fair value losses on investment properties of approximately HK\$3.1 million was recognised in 1H22/23; and (iii) the reversal of impairment loss of loan receivables of approximately HK\$2.2 million as these loan receivables were recovered during 1H22/23.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (b) Historical financial position of the Group

The following table summarises the consolidated statement of financial position of the Group as at 31 December 2020, 31 March 2022 and 30 September 2022 with reference to the 2020 Annual Report, 2022 Annual Report and Interim Results 22/23:-

	As at 31 December 2019 <i>HK\$'000</i> (Audited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)	As at 31 March 2022 <i>HK\$'000</i> (Audited)	As at 30 September 2022 <i>HK\$'000</i> (Unaudited)
Non-current assets	297,510	324,063	322,247	296,011
Current assets	34,789	35,939	46,971	34,339
<b>Total assets</b>	<b>332,299</b>	<b>360,002</b>	<b>369,218</b>	<b>330,350</b>
Non-current liabilities	50,500	78,839	88,589	78,007
Current liabilities	96,906	76,687	85,970	93,870
<b>Total liabilities</b>	<b>147,406</b>	<b>155,526</b>	<b>174,559</b>	<b>171,877</b>
<b>Net assets</b>	<b>184,893</b>	<b>204,476</b>	<b>194,659</b>	<b>158,473</b>
<b>Equity</b>				
Share capital	20,939	24,429	29,309	29,309
Reserves	171,323	189,951	177,604	140,293
Equity attributable to				
owners of the Company	192,262	214,380	206,913	169,602
Non-controlling interests	(7,369)	(9,904)	(12,254)	(11,129)
<b>Total Equity</b>	<b>184,893</b>	<b>204,476</b>	<b>194,659</b>	<b>158,473</b>

The Group's non-current assets, which mainly comprise (i) investment properties; (ii) intangible assets; and (iii) right-of-use assets. The Group's non-current assets increased from approximately HK\$297.5 million as at 31 December 2019 to approximately HK\$324.1 million as at 31 December 2020, which mainly due to exchange gain of approximately HK\$17.1 million arose from investment properties, and remained stable at approximately HK\$322.2 million as at 31 March 2022. The Group's non-current assets decreased from approximately HK\$322.2 million as at 31 March 2022 to approximately HK\$296.0 million as at 30 September 2022, which was mainly contributed by decrease in fair value of investment properties of approximately HK\$3.1 million as

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

well as loss on exchange difference of approximately HK\$31.6 million, such decrease was partially offset by the increase in pledged bank deposit of approximately HK\$7.7 million as at 30 September 2022 and no such pledged bank deposit was recorded as at 31 March 2022.

The Group's current asset, which mainly comprise (i) trade and other receivables; (ii) derivative component of convertible bonds (call options); (iii) bank and cash balances; (iv) loan receivables; and (v) contract assets. The Group's current asset remained about the same at approximately HK\$34.8 million and HK\$35.9 million as at 31 December 2019 and 2020 respectively and increased to approximately HK\$47.0 million as at 31 March 2022, which was mainly driven by (i) increase in trade receivables; and (ii) increase in bank and cash balance from approximately HK\$16.3 million as at 31 December 2020 to approximately HK\$27.6 million as at 31 March 2022, such increase was partially offset by (i) decrease in prepayment from approximately HK\$8.4 million as at 31 December 2020 to approximately HK\$1.8 million as at 31 March 2022 after a full impairment of HK\$6.1 million on the prepayments made to a supplier, no such balance of prepayment as at 31 March 2022; and (ii) decrease in loan receivable from approximately HK\$6.5 million as at 31 December 2020 to nil as at 31 March 2022. The Group's current assets decreased to approximately HK\$34.3 million as at 30 September 2022, as compared with approximately HK\$47.0 million as at 31 March 2022. Such decrease was mainly due to the decrease in bank and cash balance from approximately HK\$27.6 million as at 31 March 2022 to approximately HK\$6.7 million as at 30 September 2022 as a result of (i) operating loss before tax of approximately HK\$13.5 million; and (ii) placement of the pledged bank deposit of HK\$7.7 million which was classified as non-current assets, and partially offset by the derivative component of convertible bonds of approximately HK\$11.9 million as at 30 September 2022.

The Group's non-current liabilities, which mainly comprise (i) deferred tax liabilities; (ii) bank borrowing; (iii) convertible bonds; and (iv) other payable. The Group's non-current liabilities increased from approximately HK\$50.5 million as at 31 December 2019 to approximately HK\$78.8 million as at 31 December 2020, which mainly due to increase in bank borrowing (non-current) portion of approximately HK\$26.1 million. The Group's non-current liabilities further increased to approximately HK\$88.6 million as at 31 March 2022, such increase was mainly driven by increase in other payable, due to the receipt in advance of approximately HK\$22.5 million from one of the independent convertible bonds placees and recorded as other payable (non current portion) as at 31 March 2022 and which was partially offset by (i) decrease in bank borrowing (non-current portion) from approximately HK\$26.1 million as at 31 December 2020 to approximately HK\$21.0 million as at 31 March 2022 and the decrease in deferred tax liabilities from approximately HK\$47.0 million as at 31 December 2020 to approximately HK\$41.3 million as at 31 March 2022. The Group's non-current liabilities decreased from approximately HK\$88.6 million as at 31 March 2022 to approximately HK\$78.0 million as at 30 September 2022, mainly due to (i) the Group issued the convertible bonds to the abovementioned placee on 19 April 2022 and resulting a liability component of convertible bonds of approximately HK\$23.0 million; (ii) decrease in bank

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

borrowing (non-current portion) from approximately HK\$21.0 million as at 31 March 2022 to approximately HK\$16.5 million as at 30 September 2022; and (iii) decrease in deferred tax liabilities from approximately HK\$41.3 million as at 31 March 2022 to approximately HK\$34.4 million as at 30 September 2022.

The Group's current liabilities, which mainly comprise (i) trade and other payables; (ii) current tax liabilities; (iii) derivative component of convertible bonds (conversion options); (iv) contract liabilities; and (v) bank borrowing. The Group's current liabilities decreased from approximately HK\$96.9 million as at 31 December 2019 to approximately HK\$76.7 million as at 31 December 2020, mainly due to decrease of bank borrowing (current portion) from approximately HK\$33.5 million as at 31 December 2019 to approximately HK\$4.7 million as at 31 December 2020. The Group's current liabilities increased from approximately HK\$76.7 million as at 31 December 2020 to approximately HK\$86.0 million as at 31 March 2022, as a result of increase in trade and other payable from approximately HK\$33.3 million as at 31 December 2020 to approximately HK\$40.8 million as at 31 March 2022. The Group's current liabilities increased from approximately HK\$86.0 million as at 31 March 2022 to approximately HK\$93.9 million as at 30 September 2022, mainly due to (i) derivative component of convertible bonds (conversion options) of approximately HK\$16.3 million as at 30 September 2022 which no such item was recognised as at 31 March 2022; and partially offset by (i) decrease in contract liabilities from approximately HK\$5.8 million as at 31 March 2022 to approximately HK\$3.2 million as at 30 September 2022; (ii) decrease in current tax liabilities from approximately HK\$33.4 million as at 31 March 2022 to approximately HK\$31.0 million as at 30 September 2022; and (iii) decrease in trade and other payable as a result of (i) decrease in other payable of approximately HK\$2.9 million; (ii) decrease in security deposits for issuance of convertible bonds of approximately HK\$4.9 million; and (iii) decrease in receipt in advance of approximately HK\$1.1 million. Such decrease partially offset by increase in bill payables of approximately HK\$7.7 million as at 30 September 2022.

### **(c) Prospects of the Group**

As stated in the 2022 Annual Report, since the central government of the People's Republic of China is determined to adhere to the policy of dynamic clearing of coronavirus disease 2019 pandemic, the anti-epidemic measures implemented by various local governments were therefore very strict, which had greatly affected and interrupted normal business activities. Procurement trade and logistics transportation had become unstable due to the implementation of epidemic prevention and control measures taken in different regions and areas. It is foreseeable that these measures will continue and affect the Group's performance. Such impact was reflected in the Group's operating losses before working capital changes in FY2019, FY2020 and 15M2022 and net cash used in operating activities 1H22/23. Based on the consolidated statement of cash flows in the 2022 Annual Report, by adjusting non-cash and non-operating items including mainly net

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

fair value gains or losses on investment properties, depreciation and amortisation, impairment losses or reversal of impairment losses, the operating loss before working capital changes was approximately HK\$20.5 million, HK\$10.5 million and HK\$15.0 million for FY2019, FY2020 and 15M2022 respectively. For 1H22/23, after adjusting depreciation, net fair value losses on investment properties, other operating activities and reversal of impairment loss for loan receivables and trade and other receivables from loss before tax, the net cash used in operating activities was approximately HK\$4.4 million.

Based on the information provided by the Management, the cash and bank balances of the Group was approximately HK\$6.7 million as at 30 September 2022, representing a decrease of approximately HK\$19.9 million from the cash and bank balances of HK\$27.6 million as at 31 March 2022, which was mainly attributable to the increase of administrative and operational expenses.

In the view of operating losses in FY2019, FY2020, 15M2022 and 1H22/23 and the net current liability position and low level of cash and bank balances of the Group as at 30 September 2022, the Group has been seeking for breakthrough business opportunities, including enlarge its customer base and explore new business opportunities to cope with the challenges from the unfavourable operating environment under the volatile epidemic situation and anti-epidemic measures in PRC as mentioned above. The Management believes that the rapid development of new energy industry has provided unprecedented opportunities for the Company's future business. Following the development of new energy industry in China with the implementation of various initiatives and policies by the central government of the PRC as stated in the Board Letter, it is expected that the number of new energy development projects will increase together with the resources to be procured by the EPC contractors (i.e. EPC contractors are obliged to deliver a complete facility by undertaking engineering, procurement and construction works), which offers the Group opportunities to further develop the procurement service business.

### **2. Background and reasons for the Rights Issue**

Assuming full subscription under the Rights Issue, the proceeds from the Rights Issue before expenses are estimated to be approximately HK\$119.6 million. After deducting expenses, it will be allocated as follow: (i) 50% of it will be applied in procurement service business for potential clients in new energy industry; (ii) 20% of it will be applied in purchasing office premises for its own use and to rent out any spare space if possible; (iii) 10% of it will be applied in trading business development; (iv) 15% of it will be allocated to general working capital; and (v) 5% of it will be invested for the enhancement of research and development of procurement service software.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As stated in the Board Letter, the provision of procurement services can be divided into two streams, (i) sales of procurement software to customers, which the software is an online procurement platform that connect customers with a large number of potential suppliers, and the Group charges customers software usage fee; and (ii) provision of off-line procurement services with/without funding facilitation, which the Group helps customers to search for the required products in the market and make payment to the suppliers selected by the customers, so that the Group can derive revenue from the procurement service fee. We understand from the Management that the Group is exploring into new energy market by providing procurement services in both stream as mentioned above to its potential clients in new energy industry.

As stated in the Board Letter, in September 2020, President Xi Jinping publicly announced that the PRC has committed to achieving carbon emission peak by 2030 and carbon neutrality by 2060. The central government has implemented various initiatives and policies and has provided incentives to promote the use of new energy in enterprises. We have also reviewed an announcement at the climate ambition submit (氣候雄心峰會上) titled “Building on past achievements and launching a new journey for global climate actions” (繼往開來，開啓全球應對氣候變化新征程) published in December 2020, President Xi announced new climate commitments for China to build over 1,200 GW of solar and wind power by 2030, and to achieve 25% non-fossil in its primary energy in 2030. Accordingly to National Energy Administration, to adhere the announcement by President Xi in December 2020, China’s wind and photovoltaic capacity, will be increased to 580 GW and 650 GW by 2030, respectively.

Local governments have also initiated their support for new energy including solar and wind power and encouraged the development of new energy projects. As disclosed in the circular of in the Company dated 13 January 2022, the State Council issued the Action Plan for Carbon Dioxide Peaking before 2030 (《2030年前碳達峰行動方案》) published on 26 October 2021 which is a policy document on climate response plan to shift to sustainable energy and methods, such as advocate simple, moderate, green and low-carbon living patterns, and effectively control carbon emissions at their source so as to fulfill its target of reaching peak carbon emissions by 2030, including but not limited to decline in energy consumption per unit of GDP; and outlines measures for gradually slowing the emission of carbon, transitioning to renewable energy and reducing waste, such that CO<sub>2</sub> emissions per unit of GDP will drop by more than 65% compared with the 2005 level and the proportion of non-fossil energy consumption will reach around 25%; and the National Energy Administration issued the Notice on Submitting the County (City, District) Roof Distributed Photovoltaic Development Pilot Scheme (《關於報送整縣(市、區)屋頂分散式光伏開發試點方案的通知》) published on 8 September 2021 to carry out the pilot work of promoting the development of roof distributed photovoltaic in the whole county, which the bureau encouraged counties, districts, or cities with abundant roof resources and sufficient power consumption capacity to apply for pilot program, the minimum proportion of total roof area for photovoltaic installations should reach 50% for party and government organisations, 40% for schools and

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

hospitals, 30% for industrial and commercial buildings and 20% for rural residential buildings, which expected to be achieved in two years, and the importance of distributed photovoltaic in the process of carbon neutralization has been gradually recognised.

With these favourable policies and promotion of the use of new energy announcement by the PRC government, it is expected that the number of new energy development projects will increase together with the resources to be procured, which offers the Group opportunities to further develop the procurement service business in the industry. We understand that, the Group intends to expand its clientele (which comprise government departments, universities, public sector institutions and clients from private sector) in the existing procurement and tendering business of the Group to customers in new energy industry by leveraging on the Group's experience and technological expertise in procurement services segment for public and private business sectors. The Group would like to raise fund and apply it into this niche business line by including the procurement funding facilitation as part of its efficient online and offline procurement services package offered to the clients.

As stated in the Board Letter, new energy development projects are capital intensive and the EPC contractors usually have to provide upfront cash liquidity to support sustainable material supplies. These cash challenges faced by the EPC contractors, i.e. the Group's potential clients, provide the Group with a chance to entice and incentivise them to utilize the Group's IT solution services, if the Group can help them alleviate their cash pressure by procuring the goods first before selling the goods back to them within the agreed timeframe. From the perspective of the Group, instead of providing a traditional one-tier unitary IT services, the Group is offering a service package which can satisfy more needs of its clients hence creating a unique and more competitive edge over others. The revenue that the Group can derive from providing these procurement services are the software usage fee and the procurement service fee.

The Group has extensive experience in procurement services segment, and such segment has been contributing a major portion of segment profit for FY2019, FY2020, 15M2022 and 1H22/23, according to 2020 Annual Report, 2022 Annual Report and Interim Results 22/23. In order to efficiently capture the business opportunities arising from the new energy market as mentioned above, the Management advise that, the Group has already set up a team, which engaged core staff with relevant experience to cope with the clients in new energy industry of procurement service segment. Furthermore, the Group will require additional fund to support its business growth under such challenging situation, taking into account the Group's net cash movement during 1H22/23 and the net current liability position of the Group, the Group is not in a good position to support its business plan as mentioned above if only relying on its current financial resources available, we concur with the Management that it is fair and reasonable for the Company to apply majority of the net proceeds from the Right Issue into the procurement services segment for customers in new energy industry.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As disclosed in the Board Letter, the Group appreciates Hong Kong's status as the international operational and financial centre and plans to increase its presence and operation in Hong Kong, the Group plans to apply 20% of net proceeds from Rights Issue to acquire office space for self-use and to rent out any spare space if possible. As discussed with the Management, the Group intends to purchase office space in non-core districts in Hong Kong for its own long term use and investment purposes. The Group will also consider to rent out the spare space, if any, to generate stable return.

We have reviewed Hong Kong Property Review 2022 published by Rating and Valuation Department, price of private office (Grade B) continued to leap in the first three quarters of 2021 but retreated in the fourth quarter of 2021 whereas rents rose gently throughout the year. Overall, prices and rents recorded a gain of 3.4% and 2.1% respectively in the last quarter of 2021 over the same period of 2020. The market yield for private office (Grade B) was approximately 2.7% in 2021. The Management considers that the investment provides flexibility and capacity to the Group for its long term business development in Hong Kong. As disclosed in the Board Letter, the remaining of the net proceeds from the Rights Issue will be allocated to general working capital, and trading business development.

In light of the above, we concur with the management of the Company that the Rights Issue provides financial flexibility for the Group to expand their client base of procurement services and IT services to potential clients in the new energy industry with strong financial or stated owned background and good credit under the assessment of the Group. Taking in consideration of (i) the expected increase in new energy projects under the government policies and promotion; (ii) the Group's need on office premise its long term business development in Hong Kong; (iii) the narrowing gross profit margin for FY2019, FY2020, 15M2022 and 1H22/23 as compared with the corresponding periods; (iv) the continuous cash outflow from operating losses; (v) the Group's financial position as at 30 September 2022 (such as net current liabilities); and (vi) the Group's cash balance was approximately HK\$6.7 million as at 30 September 2022 would not be sufficient to support its imminent funding needs (i.e. approximately HK\$117.2 million to HK\$124.4 million) for operation and the business development, we concur with the Directors' view that the Group can enhance its financial position through the Rights Issue by applying the net proceeds in the manner as stated above.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### *Fund raising alternatives*

As disclosed in the Board Letter, the Company has considered alternative means of fund raising before resolving to the Rights Issue, the final selection of Rights Issue was principally consider with respect of cost, accessibility and timing. The Company has considered (i) debt financing; (ii) placing; (iii) open offer as fund raising alternatives:

- Regarding debt financing/bank borrowing, we understand that the Group has approached three commercial banks from late 2021 to the third quarter of 2022 to explore the possibility of raising the necessary amount of fund for the Group. However, the banks expressed they are unlikely to grant such amount of loan to the Group without the provision of significant assets as collaterals. With reference to Interim Results 22/23, the entire borrowings of the Group were secured by property, plant and equipment, right-of-use assets and investment property of the Group, the Group does not have other material asset suitable to be provided as collaterals to obtain bank borrowings with favourable terms. In addition, given the loss-making financial performance of the Group, the Directors are of the view that new debt financing will increase the ongoing interest expenses of the Group, which may in turn further affect the profitability of the Group;
- Regarding placing of new shares, the Directors consider that unlike the Rights Issue which offers existing Shareholders the opportunity to participate to avoid dilution of interest and to freely trade the rights entitlements, placing of new shares would lead to dilution in the shareholding interests of existing Shareholders without offering them the opportunity to maintain their shareholding interests in the Company and the amount of fund raised is limited compared with the needs of the Company based on the Group's experience in placing of new shares in 2021. Therefore, the Board considered it is unfair to the existing Shareholders due to limited accessibility to the placing of new shares by existing Shareholders;

As for placing of convertible bonds, the Board has completed a placing of convertible bonds in April 2022 but the amount of proceeds was below the initial target due to insufficient market interest.

- Regarding open offer, the Directors considered it is less favourable to the Shareholders compared to the Rights Issue, due to the flexibility of the Shareholders being able to sell their entitled nil-paid rights when they do not wish to take up the entitlement under the Rights Issue.

After taking into account all the above factors and considerations, we concur with the Directors' view that (i) as regard to debt financing that the group does not have material asset as collaterals for obtaining bank borrowings with favourable terms and additional interest expenses would further worsen the Group's financial performance given the Group was already in loss-making positions for FY2019, 15M2022 and 1H22/23; (ii) a rights issue, as compared to a



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

placing of new shares, enables all Qualifying Shareholders to be able to invest in the future growth of the Company and hence avoids dilution, while placing of new shares which would be limited to a number of investors only and placing of convertible bonds is not feasible given insufficient market interest as discussed above; and (iii) a rights issue, as compared with an open offer, offers flexibility to the Shareholders to sell their entitled nil-paid rights if they do not wish to take up the entitlements, as open offer would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, it was not considered by the Board to be the most suitable fund-raising method.

Based on all of the above, the Directors considered, and we concur that, the Rights Issue, to raise capital to strengthen the capital base and liquidity position to finance the investment plan of the Group, are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole.

### 3. Principal terms of the Rights Issue and the Underwriting Agreement

Set out below are the summary of the principal terms of proposed Rights Issue:

Basis of the Rights Issue	five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	HK\$0.63 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	Approximately HK\$0.62 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date; or Approximately HK\$0.62 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Number of Shares in issue as at the Latest Practicable Date	303,852,725 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	189,907,953 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date); or

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

	201,366,286 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Aggregate nominal value of the Rights Shares	Approximately HK\$18,990,795.3 (assuming no changes in the share capital of the Company on or before the Record Date); or  Approximately HK\$20,136,628.6 (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Gross proceeds from the Rights Issue (before expenses)	Approximately HK\$119.6 million (assuming no changes in the share capital of the Company on or before the Record Date); or  Approximately HK\$126.9 million (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Net proceeds from the Rights Issue	Approximately HK\$117.1 million (assuming no changes in the share capital of the Company on or before the Record Date); or  Approximately HK\$124.4 million (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)

With reference to the Board Letter, pursuant to the Irrevocable Undertaking, the Underwriter, Eastmount Global Limited, has undertaken to the Company that, (i) it will subscribe for and/or procure subscriptions for 43,536,625 Rights Shares which comprise the full amount of provisional entitlements in respect of the aggregate of 69,658,600 Shares beneficially held by the Underwriter; (ii) it will not dispose of, or agree to dispose of, any of the 69,658,600 Shares

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

currently owned by it, up to and including the Record Date; and (iii) it will lodge or procure the subscription of the 43,536,625 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to it, respectively, under the Rights Issue, with the Registrar.

For detailed terms of the Rights Issue, please refer to the section headed “PROPOSED RIGHTS ISSUE” in the Board Letter.

According to the Board Letter, as at the Latest Practicable Date, (i) there are 15,884,000 outstanding share options under the Share Option Scheme which have not been vested, the earliest vesting date of the outstanding share options will be 2 September 2023, which is expected to be after Record Date, subject to vesting conditions as disclosed in the circular of the Company dated 6 October 2022; and (ii) Convertible Bonds with an aggregate principal amount of HK\$27,500,000 convertible into 18,333,333 Shares, at the conversion price of HK\$1.5 per Share, which is substantially higher than the prevailing market prices of the Shares, the Directors expected that no Convertible Bonds would be converted into Shares on or before the Record Date.

Save for the share options and the Convertible Bonds, the Company has no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

### **(A) *The Subscription Price***

The Subscription Price of HK\$0.63 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 13.70% to the closing price of HK\$0.730 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 17.11% to the average closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.760 per Share;
- (iii) a discount of approximately 17.65% to the average closing prices of the Shares as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.765 per Share;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (iv) a discount of approximately 32.64% to the average closing prices of the Shares as quoted on the Stock Exchange for the last thirty (30) consecutive trading days up to and including the Last Trading Day of approximately HK\$0.928 per Share;
- (v) a discount of approximately 11.27% to the theoretical ex-rights price based on the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and excluding the Last Trading Day of approximately HK\$0.710 per Share; and
- (vi) a discount of approximately 7.49% to the audited consolidated net asset value per Share attributable to the Shareholders of the Company of approximately HK\$0.681 per Share as at 31 March 2022, which is calculated by dividing the audited consolidated equity attributable to equity holders of the Company of approximately HK\$206,913,000 as at 31 March 2022 as shown in 2022 Annual Report by the existing number of Shares in issue (i.e. 303,852,725 Shares);
- (vii) a premium of approximately 12.87% to the unaudited consolidated net asset value per Share attributable to the Shareholders of the Company of approximately HK\$0.558 per Share as at 30 September 2022, which is calculated by dividing the unaudited consolidated equity attributable to equity holders of the Company of approximately HK\$169,602,000 as at 30 September 2022 as shown in Interim Results 22/23 by the existing number of Shares in issue (i.e. 303,852,725 Shares); and
- (viii) a premium of approximately 6.96% over the adjusted net asset value (being the unaudited net assets value of the Group attributable to equity holders of the Company as at 30 September 2022 adjusted by Surplus as discussed in the Circular) per Share attributable to the Shareholders of the Company of approximately HK\$0.589 per Share as at 30 September 2022, which is calculated by dividing the adjusted net asset value of approximately HK\$179,084,000 as at 30 September 2022 by existing number of Shares in issue (i.e. 303,852,725 Shares)

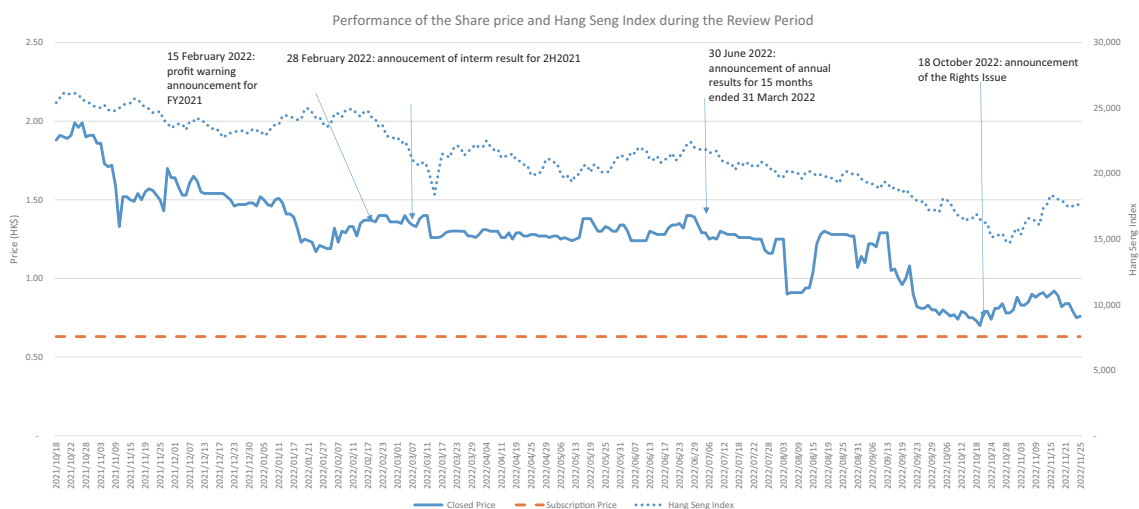
We have discussed with the Management, obtained and reviewed the breakdown of the property interests as at 30 September 2022 and the reconciliation of the aggregate amount of unaudited net book value of the property interests as at 30 September 2022 with the valuation of property interest as at 31 August 2022 as disclosed in the Circular.

The Rights Issue would result in a cumulative theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 6.64%, based on the cumulative theoretical diluted price of HK\$1.492 per Share and the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$1.598 per Share.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (B) Review of the historical share price performance

We reviewed the daily closing price of the Shares quoted on the Stock Exchange for the period from 18 October 2021, being approximately 12 months prior to the date of Announcement, up to and including the Latest Practicable Date (the “**Review Period**”), which is commonly adopted for analysis. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Latest Practicable Date and such comparison is relevant for the assessment for the fairness and reasonableness of the Subscription Price, as the Share prices before the Latest Practicable Date represent a fair market value of the Company which the Shareholders expected.



Source: the Stock Exchange's website

With reference to the above chart for the Review Period, the closing price of the Shares followed a general downward trend since mid-October 2021 and hit HK\$1.33 per Share on 10 November 2021. The closing price rebounded back to HK\$1.70 per Share on 29 November 2021 and HK\$1.65 per Share on 8 December 2021. Since then and up to 3 August 2022, the closing price generally fluctuated between approximately HK\$1.20 per Share to approximately HK\$1.50 per Share. The closing price decreased to HK\$0.90 per Share on 4 August 2022 and rebounded to HK\$1.30 per Share on 18 August 2022. Afterwards, the Share prices demonstrated downward trend again and recorded HK\$0.73 per Share on 18 October 2022. After that, HSI rose from approximately 16,511 points on 19 October 2022, to approximately 18,343 points on 15 November 2022. In line with the upward trend of HSI, the Share price rebounded to HK\$0.92 per Share on 16 November 2022 and in line with the downward trend of HSI to 17,574 points as at the Latest Practicable date, the Share closing price dropped to HK\$0.76 per Share on the same date.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

As illustrated in the chart above, during the Review Period, the closing price traded at an average of approximately HK\$1.27 per Share, which highest closing prices of the Shares, being approximately HK\$1.99 per Share recorded on 25 October 2021 and 27 October 2021, and lowest closing price of the Shares, being approximately HK\$0.70 per Share recorded on 19 October 2022. In relation to the price drop in early August 2022, we have reviewed the announcements made by the Company during August 2022 and are not aware of any material information that might trigger such price drop. In this regard, we enquired with the Management for the reasons behind such price drop and understand from the Management that saved for the information that was already disclosed in annual and interim results of the Company, they are not aware of any material changes in the financial or business outlook of the Group.

As illustrated in the chart above, during the Review Period, the Hang Seng Index (the “HSI”) reached its highest and lowest points of 26,136 and 14,687 on 20 October 2021 and 31 October 2022, respectively, representing increase and decrease of approximately 2.8% and 42.2%, respectively, as compared to HSI of approximately 25,410 points at the beginning of the Review Period. The declining trend of the HSI could be mainly attributable to the unfavourable business environment result from the resurgence of the Pandemic and the macro-economic condition (e.g. the recent global interest rate hikes and the quantitative tightening by the United States Federal Reserve).

As at the Latest Practicable Date, the closing price of the Company of approximately HK\$0.76 per Share has decreased by approximately 59.6% whereas the HSI of approximately 17,574 points has decreased by approximately 30.8% as compared to the beginning of the Review Period.

On 18 October 2022, HSI recorded 16,915 points, represented a decrease of approximately 20.4% compared with the average HSI of 21,247 points during the Review Period; on the same date, the closing price of the Company as approximately HK\$0.73 per Share, represented a decrease of approximately 42.4% compared with the average closing price of approximately HK\$1.27 per Share during the Review Period.

While we note that both the Share prices and the HSI demonstrated a declining trend during the Review Period and the Share prices were relatively weak and underperformed against the HSI, which reflected the market’s view on the loss making financial performance of the Group as discussed in Historical financial performance under 1. Background Information of the Group — (a) Historical Financial performance above.

We consider that the prices and general price trend of the Shares during the Review Period should have reflected market evaluation on the recent business performance of the Group. In order to attract the Qualifying Shareholder to take up their entitlements so as to participate in the

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

potential growth of the Company under the prevailing market conditions and the bearish market sentiment as discussed above (i.e the significant decrease in HSI during the Review period), the Company offered the Subscription Price at discount of approximately 50.3%, 10.0% and 68.3% to the average, lowest and highest closing prices during the Review Period.

### *(C) Liquidity of the Shares*

The following table sets out the total trading volume per month and the average daily trading volume per month of the Shares during the Review Period.

Month	Number of trading days	Total trading volume of shares for the month/period	Average daily trading volume	Number of days with no turnover	% of average	% of average
					volume to total	daily trading
					number of	Shares held by
					Shares in issue	other public
					(Note 2)	Shareholders
						(Note 3)
<b>2021</b>						
October						
(From 18 October to 31 October)	10	3,713,040	371,304	0	0.13%	0.21%
November	22	5,687,380	258,517	0	0.09%	0.12%
December	22	1,664,749	75,670	3	0.03%	0.03%
<b>2022</b>						
January	21	2,417,920	115,139	2	0.04%	0.05%
February	17	1,510,760	88,868	1	0.03%	0.04%
March	23	1,304,966	56,738	1	0.02%	0.03%
April	18	603,600	33,533	0	0.01%	0.02%
May	20	1,318,600	65,930	0	0.02%	0.03%
June	21	1,376,740	65,559	5	0.02%	0.03%
July	20	674,269	33,713	3	0.01%	0.02%
August	23	1,622,880	70,560	5	0.02%	0.03%
September	21	4,011,800	191,038	3	0.07%	0.09%
October	10	2,903,960	145,198	0	0.05%	0.06%

---

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

---

Month	Number of trading days	Total trading volume of shares for the month/period	Average daily trading volume	Number of days with no turnover	% of average daily trading volume to total Shares in issue <i>(Note 2)</i>	% of average daily trading volume to total Shares held by other public Shareholders <i>(Note 3)</i>
November (From 1 November to the Latest Practicable Date)	19	1,409,240	74,171	0	0.02%	0.03%
Minimum					0.01%	0.02%
Maximum					0.13%	0.21%
Average					0.04%	0.06%

*Source: the Stock Exchange's website*

Note 1: Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.

Note 2: Calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

Note 3: It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares held by other public Shareholders as at each month/period.

We note from the table above that, the trading volume of the Shares is generally thin during the Review Period, where the average percentages of average daily trading volume to total number of Shares in issue is 0.04% and the average percentage of average daily trading volume to total number of Shares held by other public Shareholders is 0.06%. Under the thin trading liquidity of the Shares during the Review Period and the basis of five Rights Shares for every eight Share of the Rights Issue, the Qualifying Shareholders who select to take up in full the respective assured entitlements under the Rights Issue would increase its number of Share held by 62.5%. We anticipate that the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Share persists during and after the completion of the Rights Issue without exerting a downward pressure on the market price of the Shares.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Having considered that (i) the trading liquidity of the Shares were generally thin during the Review Period as discussed above; (ii) the prevailing market conditions and the bearish market sentiment (i.e the significant decrease in HSI during the Review period) under the Pandemic and macro-economic condition as discussed in “(3) Principal terms of the Rights Issue and the Underwriting Agreement — (B) Review of the historical share price performance”; and (iii) the Subscription Price is equal to all Qualifying Shareholders, we are of the view that it is reasonable for the Subscription Price offered at a discount to provide greater opportunity for the Qualifying Shareholders to lower his/her overall investment costs per Share should they choose to take up the assured entitlement under the Rights Issue.

### *(D) No application for excess Rights Shares*

There will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules. This arrangement (together with the Compensatory Arrangements and the Placing) complies with Rule 7.21(2) of the Listing Rules.

### *(E) Comparison with recent rights issues*

In order to further assess the fairness and reasonableness of the Subscription Price, we have conducted a search of recent proposed rights issue transactions based on the following selection criteria: (i) company listed on the Stock Exchange; (ii) rights issue transaction announced and completed since 19 April 2022, being approximately 6 months prior to the Last Trading Day and up to the Latest Practicable Date (the “**Comparable Review Period**”), to understand the trend of the recent market practice. Based on our research, we have identified an exhaustive list of 17 comparable rights issue transactions (the “**Comparable Rights Issues**”) during the Comparable Review Period.

We note that the Comparable Rights Issues may have different principal activities and none of them conducted business activities identical as the Group’s business segments. However, we consider that the terms of the rights issue depend on various factors, including the dilution effect to shareholding, funding needs and use of proceeds, discounts to share price, etc., but are often influenced by the recent market trends for rights issue. Notwithstanding that the Comparable Rights Issues include issuers which engaged in different business or with different financial performance, we consider that the Comparable Rights Issues are acceptable to serve as reference for assessing the Subscription Price as (i) all of the Comparable Rights Issues are listed on the Stock Exchange; (ii) our analysis is mainly focused on the comparison of the subscription price, theoretical ex-rights price and theoretical dilution effect on the shareholding; and (iii) approximately six months period for selection of the Comparable Rights Issues has resulted in generation of a reasonable sample size. In addition, we consider the comparison of premium/discount of subscription price per rights issue share over/to closing price per share on the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

last trading day and five consecutive trading days prior to announcement of rights issue with the Comparable Rights Issues is adequate and appropriate given such period would provide us the most recent and relevant information to assess the prevailing market condition under the unfavourable business environment and downward trend of HSI as illustrated above. Therefore, we are of the view that the Comparable Rights Issues are fair, representative and exhaustive samples for our assessment of the Subscription Price.

Date of announcement	Company name	Principal business	Basis of entitlement	Premium/(Discount)			Theoretical dilution effect	Placing commission
				Premium/(Discount) of subscription price per rights issue share over/to closing price per share on the last trading day prior to announcement of rights issue	Premium/(Discount) of subscription price per rights issue share over/to average closing price per share for the five consecutive trading days prior to announcement of rights issue	Premium/(Discount) of subscription price per rights issue share over/to ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue		
				%	%	%	%	%
21 April 2022	Vixel Technologies Holdings Limited (1782.HK)	Information technology and system applications consulting	1 for 2	(34.50)	(39.20)	(26.00)	(13.60)	N/A
28 April 2022	Life Concepts Holdings Limited (8056.HK)	Food and beverage	3 for 2	(6.98)	(13.04)	(2.91)	(9.28)	N/A
28 April 2022	Palinda Group Holdings Limited (8179.HK)	Food and beverage	1 for 2	(39.76)	(39.61)	(13.25)	(13.25)	N/A
12 May 2022	Koala Financial Group Limited (8226.HK)	Securities brokerage business	2 for 1	(4.76)	(7.12)	(1.64)	(4.70)	N/A
24 May 2022	Progressive Path Group Holdings Limited (1581.HK)	Construction	1 for 1	(42.22)	(39.95)	(26.76)	(21.11)	1.5
25 May 2022	F8 Enterprises (Holdings) Group Limited (8347.HK)	Petroleum and gases	1 for 2	(5.56)	(2.86)	(3.68)	(1.94)	N/A
10 June 2022	Gameone Holdings Limited (8282.HK)	Game developer	1 for 2	(40.40)	(40.30)	(31.20)	(13.50)	N/A
13 June 2022	China Water Industry Group Limited (1129.HK)	Sewage treatment and construction services	1 for 2	(31.37)	(30.00)	(23.25)	(10.46)	N/A
17 June 2022	Ocean Star Technology Group Limited (8297.HK)	Apparels	1 for 2	(41.20)	(41.90)	(32.00)	(13.90)	N/A
12 July 2022	Besunyen Holdings Company Limited (926.HK)	Manufacturing and sales of therapeutic tea products and weight-loss medicine	2 for 1	(14.22)	(15.87)	(5.91)	(10.58)	N/A

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company name	Principal business	Basis of entitlement	Premium/(Discount)			Theoretical dilution effect	Placing commission
				Premium/(Discount) of subscription price per rights share over/to closing price per share on the last trading day prior to announcement of rights issue	Premium/(Discount) of subscription price per rights issue average closing price per share for the five consecutive trading days prior to announcement of rights issue	Premium/(Discount) of subscription price per rights issue share over/to theoretical ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue		
				%	%	%	%	%
14 July 2022	Wan Cheng Metal Packaging Company Limited (8291.HK)	Manufacturing and sales of tinplate packaging products	1 for 1	(25.00)	(31.20)	(14.30)	(16.50)	2.5
28 July 2022	China Financial Leasing Group Limited (2312.HK)	Investments and assets management	2 for 1	(29.10)	(29.20)	(12.10)	(19.60)	N/A
3 August 2022	Kwan On Holdings Limited (1559.HK)	Construction	1 for 4	0.00	(0.40)	0.00	(0.13)	N/A
3 August 2022	SJM Holdings Limited (880.HK)	Gamble	1 for 4	(33.80)	(34.80)	(29.00)	(7.10)	N/A
4 August 2022	Xinyi Electric Storage Holdings Limited (8328.HK)	New energy business	1 for 10	(18.82)	(8.03)	(17.41)	(1.71)	N/A
5 August 2022	Jia Yao Holdings Limited (1626.HK)	Printing and packaging	1 for 1	(14.29)	(12.02)	(7.69)	(7.14)	N/A
10 August 2022	Easy Repay Finance & Investment Limited (8079.HK)	Money lending business	1 for 2	(44.95)	(47.83)	(35.14)	(16.09)	7.07
			Maximum	0.00	(0.40)	0.00	(0.13)	7.07
			Minimum	(44.95)	(47.83)	(35.14)	(21.11)	1.50
			Median	(29.10)	(30.00)	(14.30)	(10.58)	2.50
			Average	(25.11)	(25.49)	(16.60)	(10.62)	3.69
	The Company (1094.HK)		5 for 8	(13.70)	(17.11)	(11.27)	(6.64)	0.5% to 1.5%

Source: the Stock Exchange's website

As set out in the table above, we note that:

- (i) the discount of the subscription prices to the share price on the last trading day of the Comparable Rights Issues ranged from nil discount to discount of approximately 44.95% (the “**Comparable LTD Range**”), with average and median discounts of approximately 25.11% and 29.10%, respectively. The discount of approximately 13.70% to the closing price per Share on the Last Trading Day as represented by the Subscription Price is within the Comparable LTD Range and lower than the average and median discount of the Comparable Rights Issues;

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

- (ii) the discount of subscription prices to the average closing price per share for the last five consecutive trading days prior to announcement of rights issue of the Comparable Rights Issues ranged from 0.40% to 47.83% (the “**Comparable 5 CTD Range**”), with average and median discounts of approximately 25.49% and 30.00%, respectively. The discount of approximately 17.11% to the average closing price per Share for the last five consecutive trading day as represented by the Subscription Price is within the Comparable 5 CTD Range and lower than the average and median discount of the Comparable Rights Issues;
- (iii) the discount of the subscription prices to the theoretical ex-rights price per share based on the last trading day of the Comparable Rights Issues ranged from nil discount to discount of approximately 35.14% (the “**Comparable TERP Range**”), with average and median discounts of approximately 16.60% and 14.30%, respectively. The discount of 11.27% to the theoretical ex-rights price per Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range and lower than the average and the median discounts of the Comparable Rights Issues;
- (iv) the theoretical dilution effect of the Comparable Rights Issues ranged from approximately 0.13% to 21.11% (the “**Comparable Dilution Range**”), with average and median dilution effects of approximately 10.62% and 10.58%, respectively. The theoretical dilution effect of the Rights Issue of approximately 6.64% is lower than the average and median dilution effects of the Comparable Rights Issues.

Based on the above comparison analysis, we noted that the Rights Issue, being issued at a discount smaller than the Comparable Rights Issues. The theoretical dilution effect of approximately 6.64% is in compliance with Rule 7.27B of the Listing Rules as such theoretical dilution effect is less than 25%. The theoretical dilution effect of the Rights Issues is lower than the average and median of the Comparable Rights Issues which means the Shares of the Company, including Shares held by Independent Shareholders, are diluted in relatively smaller magnitude after the Rights Issue comparing to the Comparable Rights Issue.

Taken into account (i) the declining trend of the HSI and its highest and lowest points of 26,136 and 14,687 on 20 October 2021 and 31 October 2022, respectively, under the resurgence of the Pandemic and the macro-economic condition as discussed under “3. Principal terms of the Rights Issue and the Underwriting Agreement — (B) Review of the historical share price performance”; (ii) the recent business performance of the Group as discussed in “1. Background information of the Group — (a) Historical financial performance”; (iii) the discount of the Subscription Price of HK\$0.63 per Share was within the range of Comparable Rights Issue as discussed above; (iv) thin trading volume as discussed in 3. Principal terms of the Rights Issue and the Underwriting Agreement — (C) Liquidity of Shares. In order to attract the Qualifying

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Shareholder to take up their entitlements so as to participate in the potential growth of the Company under the prevailing market conditions and the bearish market sentiment as discussed above, we are of the view the Subscription Price at discount compared to the average, lowest and highest closing prices during the Review Period is justifiable and reasonable.

### *(F) The Underwriting Agreement*

With reference the Board Letter, the Rights Shares (other than those agreed to be taken up by Eastmount Global Limited pursuant to the Irrevocable Undertaking) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement.

Set out below are the principal terms of the Underwriting Agreement as extracted from the Board Letter:

Date:	18 October 2022 (after trading hours of the Stock Exchange)
Underwriter:	Eastmount Global Limited, the Underwriter is a substantial shareholder of the Company as at the Latest Practicable Date. It is not in the ordinary course of business of the Underwriter to underwrite securities.
Number of Rights Shares to be underwritten by the Underwriter:	146,371,328 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date; or  157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds)
Underwriting Commission	The Underwriter will not receive any underwriting commission

For details of the underwriting arrangement, please refer to the section headed “THE UNDERWRITING AGREEMENT” of the Board Letter.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Pursuant to the Underwriting Agreement, the Underwriter will not charge any underwriting commission for the Rights Issue. No commission will be charged by the Underwriter for the Rights Issue is considered to be beneficial to the Company by avoiding any additional transaction cost to be incurred should the Company appoint a willing independent broker to act as the underwriter for the Rights Issue.

With reference to the Board Letter, upon completion of the Rights Issue, it is the intention of Eastmount Global Limited to continue the existing businesses of the Group. Eastmount Global Limited has no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Having considered that (i) the Unsubscribed Rights Shares will first be placed to the independent Placee(s) before underwritten by the Underwriter; (ii) the underwriting arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; (iii) the underwriting arrangement by Eastmount Global Limited is in compliance with Rule 7.19(1) of the Listing Rules and demonstrates Eastmount Global Limited's continuous support to the Company's development; (iv) the nil underwriting commission for Eastmount Global Limited under the Underwriting Agreement is fair and reasonable; and (v) the Rights Issue (including its use of proceeds) is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole, we are of the view that (1) the Underwriting Agreement and the transactions contemplated thereunder is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (2) the terms in relation to the Underwriting Agreement are on normal commercial terms and are fair and reasonable.

### *(G) The Compensatory Arrangements and the Placing*

Pursuant to Rule 7.21(2) of the Listing Rules, where any of the issuer's controlling or substantial shareholders acts as an underwriter or sub-underwriter of the rights issue, the issuer must make the arrangements described in Rule 7.21(1)(b) of the Listing Rules. Eastmount Global Limited, the Underwriter, is the substantial Shareholder of the Company. With reference to the Board Letter, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees who are not existing Shareholders for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue. The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, pursuant to the terms of the Placing Agreement. 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 costs and expenses), that is realised from the Placing (the "Net

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

**Gain**”) will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 19 January 2023, acquirers who are not Shareholders for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

Set out below are the principal terms of the Placing Agreement as extracted from the Board Letter:

Date 18 October 2022 (after trading hours of the Stock Exchange)

Placing agent Eddid Securities was appointed as the placing agent to place, or procure of the placing of, up to 146,371,328 Unsubscribed Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date); or up to 157,829,661 Unsubscribed Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds), on a best effort basis, to the Placee(s).

Eddid Securities and its ultimate beneficial owners are not shareholders of the Company and are Independent Third Parties and they have confirmed that they are independent of and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them. The Placing Agent has also undertaken that before it engages sub-placing agent(s) to place the Unsubscribed Rights Shares, it will confirm with the Company and such sub-placing agent(s) that their ultimate beneficial owners are not shareholders of the Company and are Independent Third Parties and that they are independent of and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any of them.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Placing commission payable to the Placing Agent	The sum of (a) a fee of HK\$100,000) or 0.5% of the portion of the Placing Amount that is equal to or less than HK\$20,000,000, whichever is higher; and (b) if the total Placing Amount is over HK\$20,000,000, a fee of 1.5% of the portion of the Placing Amount that exceeds HK\$20,000,000.
Placing price of the Unsubscribed Rights Shares	<p>The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.</p> <p>The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.</p>
Placees	The Unsubscribed Rights Shares shall only be offered by the Placing Agent and/or sub-placing agent(s) to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and their respective concert parties and/or any of the Company's connected persons. The Placing Agent will ensure it will, and will procure the sub-placing agent(s) to, place the Unsubscribed Rights Shares to the placee(s) to the extent that upon completion of the Placing, at least 25% of the total issued Shares of the Company will be held by the public (within the meaning under the Listing Rules) such that the public float requirement under Rule 8.08 of the Listing Rules will be complied with by the Company.
Ranking of Unsubscribed Rights Shares	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank pari passu in all respects among themselves and with the Shares then in issue.



---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Placing condition

The Placing is subject to and conditional upon the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Unsubscribed Rights Shares by not later than the Latest Time for Termination (or such other time or date as may be agreed between the Placing Agent and the Company).

If the Placing condition is not fulfilled by the aforementioned date, the Placing will lapse and all rights, obligations and liabilities of the parties to the Placing Agreement in relation to the Placing shall cease and determine and neither of the parties to the Placing Agreement shall have any claim against the others in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement.

Completion date of the Placing

The third Business Day following the satisfaction of the placing condition set out in the Placing Agreement or such other date as the Company and the Placing Agent may agree.

For details of the Placing, please refer to the section headed “THE PLACING AGREEMENT” of the Board Letter.

As set out in the Board Letter, the terms of the Placing Agreement (including the placing commission) were determined after arm’s length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. As shown in the Table A in the section headed “3. Principal terms of the Rights Issue and the Underwriting Agreement — (E) Comparison with recent rights issues”, we noted that (i) 3 out of 17 Comparable Rights Issues included placing of the unsubscribed rights shares; and (ii) the placing commissions of such transactions ranged from 1.5% to 7.07% of actual gross proceeds, which is equal to the placing price multiplied by the number of unsubscribed rights shares. Based on the Placing Agreement, the placing commission is about 0.5% to 1.5% of the Placing Amount with the calculation of (i) a fee of higher of HK\$100,000 or 0.5% of the portion of the Placing Amount that is equal to or less than HK\$20,000,000 and (ii) a fee of 1.5% of the portion of the Placing Amount that exceeds HK\$20,000,000 under the Placing. Accordingly, the placing commission of 0.5% of the portion of the Placing Amount that is equal to or less than HK\$20,000,000 is lower than the range of placing

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

commission of the Comparable Rights Issues and the placing commission of 1.5% of the portion of the Placing Amount under the Placing Agreement is within the range of placing commission of the Comparable Rights Issues, and lower than the average and median of the Comparable Rights Issues of 3.69% and 2.50%, respectively.

Taking into consideration (i) the terms of the Placing Agreement (including the placing commission) were determined after arm's length negotiation between the Placing Agent and the Company; (ii) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; (iii) the Placing commission is lower or within the range of the Comparable Rights Issue as discussed above, we are of the view that the terms of the Placing Agreement (including the placing commission) are fair and reasonable so far as the Independent Shareholders are concerned.

### *Compensatory Arrangement*

We understand that the Compensatory Arrangements is at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue. The placing of the Unsubscribed Rights Shares may be placed to independent placees under the Compensatory Arrangements which will expand the shareholders' base. As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules, the Company has put in place the Compensatory Arrangements as required by Rule 7.21(1)(b) of the Listing Rules. The Compensatory Arrangements would (i) provide a distribution channel of the Unsubscribed Rights Shares for the Company; (ii) broaden the diversity and base of the Shareholders; (iii) potentially offer monetary benefits to the No Action Shareholders under the Net Gain arrangement and provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholder; and (iv) the expenses of the Placing Agent to be incurred during the placing of the Shares are borne by the Company.

Given the Compensatory Arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, in the view of the above, we concur with the Directors that the implementation of the Compensatory Arrangement are in the interest of the Company and the Shareholders as a whole.

### *(H) Possible dilution of the shareholding interests of the existing public Shareholders*

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

Qualifying Shareholders who do not accept the Rights Issue or do not take up their full provisional allotments under the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights in the market. However, they should note that their shareholdings in the Company will be diluted, depending on the extent to which they subscribe for the Rights Shares, upon completion of the Rights Issue.

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed “Effects on the shareholding structure of the Company” in the Board Letter of the Circular.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and their shareholding interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) all Qualifying Shareholders have the opportunity to realise their nil-paid rights in the market; (iii) the inherent dilutive nature of rights issue in general if the existing shareholders do not subscribe in full for their entitlements; (v) the Rights Issue would enable the Group to improve its financial position; and (vi) the Compensatory Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company’s minority shareholders in the Rights Issue to address the concern that the Underwriter has potential increase its equity interests in the Company at a lower cost because the Subscription Price is at discounts to the recent prevailing market price, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro rata Rights Shares, is acceptable and justifiable.

#### **4. Possible financial effects of the Rights Issue**

According to the Interim Results 22/23, the unaudited consolidated net assets attributable to owners of the Company, before any adjustment, was approximately HK\$169.6 million as at 30 September 2022.

##### *Net assets*

According to the Pro Forma Statement in Appendix II, the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2022 (after deducting intangible assets of approximately HK\$12.2 million as at 30 September 2022) was approximately HK\$157.4 million. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 per share was approximately HK\$0.54. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company would be approximately HK\$270.3 million as if the Rights Issue had taken place on 30

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

September 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Company attributable to the owners of the Company as at 30 September 2022 after the completion of the Rights Issue per Share will be approximately HK\$0.57.

### *Liquidity*

According to Interim Result 22/23, as at 30 September 2022, the cash and bank balances of the Group was approximately HK\$6.7 million and the Group had current assets of approximately HK\$34.3 million, current liabilities of approximately HK\$93.9 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 September 2022 was approximately 0.37 times. Upon the completion of the Rights Issue, the current ratio will increase to 1.57 times.

### *Gearing ratio*

According to the Interim Result 22/23, as at 30 September 2022, the Group has a gearing ratio of 0.39:1 (being the total interest-bearing liabilities (aggregate of bank borrowing, convertible bonds (non current portion), derivative component of convertible bonds (conversion portion) and lease liabilities) divided by the total equity). Upon the completion of the Rights Issue, the total equity of the Company will increase by HK\$112.9 million. As a result, the gearing ratio of the Group is expected to improve to 0.23:1 upon completion of the Rights Issue.

Considered the unaudited pro forma adjusted consolidated net tangible assets per Share will slightly improved from HK\$0.54 per Share to HK\$0.57 per Share, and the Rights Issue will also improve the overall liquidity position and gearing level of the Group, we are of the view that the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

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

## **RECOMMENDATION ON THE RIGHTS ISSUE AND THE CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT AND PLACING AGREEMENT**

Taking into consideration the below principal factors and reasons that:

- (i) given the operating losses before working capital changes in FY2019, FY2020, 15M2022 and net cash used in operating activities in 1H22/23 and the net current liability position and low level of cash and bank balances of the Group as at 30

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

September 2022, along with the challenges from the unfavourable operating environment under the volatile epidemic situation and anti-epidemic measures in the PRC, it is considered fund raising is necessary to meet its imminent funding needs for the operation and the business development and the intended use of proceeds is fair and reasonable;

- (ii) the Rights Issue is more beneficial way of fund raising when compared to debt financing, placing of new shares, placing of convertible bonds and open offer as alternative fund-raising methods;
- (iii) given the declining trend of the HSI and the fluctuation with its highest and lowest points of 26,136 and 14,687 on 20 October 2021 and 31 October 2022, respectively, under the Pandemic and macro-economic condition, the recent business performance of the Group and the thin trading volume, to attract Qualifying Shareholder to participate the Rights Issue, the Subscription Price was determined at discounts to the prevailing market prices of the Shares on and before the Last Trading Day, which is fair and reasonable so far the independent Shareholders are concerned;
- (iv) the Rights Issue is fully underwritten by the Underwriter, together with the Irrevocable Undertaking given by Eastmount Global Limited, demonstrates strong support from the substantial shareholder to the Group and confidence in the development of the Group;
- (v) the zero-commission arrangement under the Underwriting Agreement is favourable to the Group;
- (vi) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company as well as an equal opportunity to realise their nil-paid rights in the market;
- (vii) the placing commission rate is within the range of the Comparable Rights Issue which is in line with the market; and
- (viii) the theoretical dilution effect of the Rights Issue is below 25%, the benchmark as set out in Rule 7.27B of the Listing Rules.

We are of the view that, although the entering into of the Underwriting Agreement not being in the ordinary and usual course of business of the Group, the terms of the Rights Issue, the Placing Agreement and the connected transaction in relation to the Underwriting Agreement 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

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

recommend the Independent Board Committees to recommend the Independent Shareholders to vote in favour of the resolution(s) approving the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder at the SGM.

### **5. Whitewash waiver**

According to the Board Letter, the Underwriter and parties acting in concert with it are, in aggregate, interested in 69,658,600 Shares, representing approximately 22.93% of the issued share capital of the Company as at the Latest Practicable Date. The Underwriter has provided the Irrevocable Undertaking to take up and pay for an aggregate of 43,536,625 Rights Shares to be provisionally allotted to it respectively under the Rights Issue.

Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by the Underwriter pursuant to the Irrevocable Undertaking) and no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, Eastmount Global Limited, as the Underwriter, will be required to take up a maximum of 157,829,661 Rights Shares (assuming no changes in the share capital of the Company on or before the Record Date other than the conversion in full of the Convertible Bonds). In such circumstances and upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares and the conversion in full of the Convertible Bonds, the Underwriter and parties acting in concert with it will, in aggregate, be interested in a maximum of 271,024,886 Shares, representing approximately 51.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. In the case where none of the Convertible Bonds are converted, and 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 a maximum of 146,371,328 Rights Shares, and hence the Underwriter and parties acting in concert with it will, in aggregate be interested in a maximum of 259,566,553 Shares, representing approximately 52.6% of the issued share capital of the Company as enlarged by the Rights Shares. Accordingly, the Underwriter would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it, unless the Whitewash Waiver is granted.

As further mentioned in the Board Letter, 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 Executive has indicated that it is minded to grant the Whitewash Waiver, subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll in respect of the Whitewash Waiver; 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 Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and the approval by the Independent Shareholders at the SGM in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Underwriting Agreement is not fulfilled, the Rights Issue will not proceed. If the Whitewash Waiver is granted and approvals by the Independent Shareholders are obtained as mentioned above, upon completion of the Rights Issue, 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 maximum potential holding of voting rights of Eastmount Global Limited in the Company will exceed 50%. Eastmount Global Limited may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

In view of (i) the aforesaid reasons for the Rights Issue as stated in the section headed “Background and reasons for the Rights Issue” above; (ii) that the Rights Issue is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (iii) that the terms of the Rights Issue are fair and reasonable, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Rights Issue, is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

---

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

---

### RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration (i) the reasons for and possible benefits of the Rights Issue; and (ii) that the Rights Issue is conditional on, among other things, the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Takeover Code IBC to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,

For and on behalf of

**First Shanghai Capital Limited**

**Edmond Kwan**  
*Managing Director*

**Kenneth Yam**  
*Director*  
*Corporate Finance*

*Mr. Edmond Kwan is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of First Shanghai Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over 15 years of experience in corporate finance industry.*

*Mr. Kenneth Yam is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of First Shanghai Capital Limited to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has over ten years of experience in corporate finance industry.*



**1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP**

As announced by the Company on 30 November 2021, the Company has changed its financial year end date from 31 December to 31 March. Details of the audited consolidated financial information and the significant accounting policies together with the notes to the relevant published accounts of the Group for the financial years ended 31 December 2019 and 2020, the 15 months ended 31 March 2022 and the unaudited condensed consolidated financial information and the notes to the unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.sunshine1094.com](http://www.sunshine1094.com)):

- (i) the unaudited financial information of the Group for the six-month period ended 30 September 2022 is disclosed in the interim results announcement of the Company for the six months ended 30 September 2022 published on 28 November 2022, from pages 1 to 30 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1128/2022112800335.pdf>);
- (ii) the audited financial information of the Group for the 15 months ended 31 March 2022 is disclosed in the annual report of the Company for the 15 months ended 31 March 2022 published on 8 July 2022, from pages 47 to 154 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0708/2022070800433.pdf>);
- (iii) the audited financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 29 April 2021, from pages 37 to 138 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0429/2021042902161.pdf>); and
- (iv) the audited financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 7 July 2020, from pages 41 to 142 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0707/2020070700890.pdf>).

Set out below is a summary of the consolidated financial information of the Group for the financial years ended 31 December 2019 and 2020, the 15 months ended 31 March 2022 and the six months ended 30 September 2022.

## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

	For the six months ended 30 September 2022	For the 15 months ended 31 March 2022	For the year ended 31 December	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
<b>Revenue</b>	<b>69,908</b>	<b>140,256</b>	<b>93,555</b>	<b>73,324</b>
Cost of sales and services rendered	(54,765)	(116,037)	(74,940)	(51,536)
<b>Gross profit</b>	<b>15,143</b>	<b>24,219</b>	<b>18,615</b>	<b>21,788</b>
Other income and (losses)/gains	(2,313)	(5,785)	10,338	12,992
Administrative expenses	(27,812)	(46,120)	(36,169)	(48,018)
Reversal of impairment loss/(impairment loss) for intangible assets	—	—	4,340	(835)
Reversal of impairment loss/(impairment loss) for trade and other receivables, net	880	(397)	(1,512)	185
(Impairment loss)/reversal of impairment loss for prepayments	—	(6,060)	6,156	—
Reversal of impairment loss for amounts due from an ex-substantial shareholder and its subsidiaries	—	—	—	2,726
Reversal of impairment loss/(impairment loss) for loan receivables, net	2,196	(2,651)	427	2,174
Written-off of a loan receivable	—	(2,423)	—	—
<b>(Loss)/profit from operations</b>	<b>(11,906)</b>	<b>(39,217)</b>	<b>2,195</b>	<b>(8,988)</b>
Finance costs	(1,576)	(2,146)	(2,023)	(2,121)
<b>(Loss)/profit before tax</b>	<b>(13,482)</b>	<b>(41,363)</b>	<b>172</b>	<b>(11,109)</b>
Income tax credit/(expense)	2,303	7,445	49	(2,586)
<b>(Loss)/profit for the period/year</b>	<b>(11,179)</b>	<b>(33,918)</b>	<b>221</b>	<b>(13,695)</b>

## APPENDIX I

## FINANCIAL INFORMATION OF THE GROUP

	For the six months ended 30 September 2022	For the 15 months ended 31 March 2022	For the year ended 31 December	
	2022	2022	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(audited)	(audited)
<b>(Loss)/profit for the period/year attributable to:</b>				
— Owners of the Company	(11,706)	(31,923)	1,643	(14,174)
— Non-controlling interests	527	(1,995)	(1,422)	479
	<u>(11,179)</u>	<u>(33,918)</u>	<u>221</u>	<u>(13,695)</u>
<b>Other comprehensive income/(expense) for the period/year</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Fair value changes of equity instruments at fair value through other comprehensive income (“FVTOCI”)	—	—	—	3,113
Gain on revaluation of land and buildings	—	—	—	6,544
Income tax relating to revaluation of land and buildings	—	—	—	(1,758)
<i>Items that may be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(25,007)	6,537	14,407	(6,294)
Reclassification of cumulative foreign currency translation reserve upon deregistration of subsidiaries	—	(53)	—	—
	<u>(25,007)</u>	<u>6,484</u>	<u>14,407</u>	<u>1,605</u>
<b>Other comprehensive (expense)/income for the period/year, net of tax</b>				
	<u>(25,007)</u>	<u>6,484</u>	<u>14,407</u>	<u>1,605</u>
<b>Total comprehensive (expense)/income for the period/year</b>				
	<u><u>(36,186)</u></u>	<u><u>(27,434)</u></u>	<u><u>14,628</u></u>	<u><u>(12,090)</u></u>

	For the six months ended 30 September 2022 <i>HK\$'000</i> <i>(unaudited)</i>	For the 15 months ended 31 March 2022 <i>HK\$'000</i> <i>(audited)</i>	For the year ended 31 December	
			2020 <i>HK\$'000</i> <i>(audited)</i>	2019 <i>HK\$'000</i> <i>(audited)</i>
<b>Total comprehensive (expense)/income attributable to:</b>				
— Owners of the Company	(37,311)	(25,084)	17,163	(12,747)
— Non-controlling interests	1,125	(2,350)	(2,535)	(657)
	<u><b>(36,186)</b></u>	<u><b>(27,434)</b></u>	<u><b>14,628</b></u>	<u><b>(12,090)</b></u>
<b>(Loss)/earnings per share</b>				
Basic and diluted ( <i>HK cents per share</i> )	<u>(3.99)</u>	<u>(12.24)</u>	<u>0.74</u>	<u>(7.47)</u>

The management discussion and analysis of the Company for each of the financial years ended 31 December 2019 2020, the 15 months ended 31 March 2022 and the six months ended 30 September 2022 are disclosed in the annual reports of the Company for the financial years ended 31 December 2019 and 2020, the 15 months ended 31 March 2022, and the interim results announcement of the Company for the six months ended 30 September 2022 respectively.

There was no payment of dividends for each of the financial years ended 31 December 2019 and 2020, the 15 months ended 31 March 2022 and the six months ended 30 September 2022. Hence dividends per Share for each of the financial years ended 31 December 2019 and 2020, the 15 months ended 31 March 2022 and the six months ended 30 September 2022 was inapplicable.

Save as disclosed above, there are no items of income or expense which are material in each of the financial years ended 31 December 2019 and 2020, the 15 months ended 31 March 2022 and the six months ended 30 September 2022.

The auditors of the Company for the financial year ended 31 December 2019 was RSM Hong Kong, whereas the auditors of the Company for the financial year ended 31 December 2020 and the 15 months ended 31 March 2022 was Crowe (HK) CPA Limited. RSM Hong Kong had issued qualified opinion and set out material uncertainty related to going concern on the financial statements of the Group for the financial year ended 31 December 2019. As for the financial year

ended 31 December 2020 and the 15 months ended 31 March 2022, Crowe (HK) CPA Limited had set out material uncertainty related to going concern in the respective financial statements of the Group for the aforementioned financial year/period.

### EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

Relevant extracts of the auditor's report in respect of the qualified opinion (as the case maybe) and material uncertainty related to going concern on each of the financial statements of the Group for the financial years ended 31 December 2019 and 2020 and the 15 months ended 31 March 2022 are produced below:

#### *For the financial year ended 31 December 2019*

#### QUALIFIED OPINION

We have audited the consolidated financial statements of China Public Procurement Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 47 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### BASIS FOR QUALIFIED OPINION ON LIMITATION OF SCOPE

In 2012 financial year, the Group entered into several agreements and addendums (collectively referred to as the "**Agreements**") with an ex-substantial shareholder and Guocai South China Metal Exchange Service Limited ("**Guocai South China**"), an associate of the Group, which was later fully impaired in 2017 financial year, under which the Group agreed to develop, construct and maintain a metal trading platform (the "**Platform**") and the ex-substantial shareholder agreed to license to Guocai South China a right to operate the Platform for a period of 10 years in return for a fee of RMB15,000,000 (approximately HK\$16,760,000) whereas the

ex-substantial shareholder was the owner of the intellectual property of the Platform. The Group recognised RMB13,500,000 (approximately HK\$15,084,000) for the agreed services to be rendered on the Platform as income in 2012 financial year, and subsequently received the consideration from Guocai South China in January 2013. As discussed in note 40, Guocai South China, the plaintiff, has brought legal proceedings against the Group asserting that the services to be provided under the Agreements had not been performed in due course and claiming for a refund of RMB13,500,000 (approximately HK\$15,084,000) together with an accrued interest of RMB7,506,000 (approximately HK\$8,386,000). The legal proceedings are ongoing as of the date of our report. We were unable to obtain sufficient appropriate audit evidence as to whether the services to be provided under the Agreements had been performed by the Group and as such whether it was appropriate to recognise all or part of RMB13,500,000 (approximately HK\$15,084,000) consideration received as income in financial year 2012. Any adjustments to be found necessary to the opening balances as at 1 January 2018 and 2019 would have a consequential effect on the Group's accumulated losses brought forward and contract liabilities in the consolidated financial statements. We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss and net operating cash outflows of approximately HK\$13,695,000 and HK\$13,109,000 respectively for the year ended 31 December 2019, and the Group had net current liabilities of approximately HK\$62,117,000 as at 31 December 2019. As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*For the financial year ended 31 December 2020*

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(b) to the consolidated financial statements which indicates that as at 31 December 2020, the Group had net current liabilities of approximately HK\$40,748,000. This condition, along with other matters as set forth in note 2(b), indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

*For the 15 months ended 31 March 2022*

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2(c) to the consolidated financial statements which indicates that the Group incurred a net loss of approximately HK\$33,918,000 during the Period and as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$38,999,000. These conditions, along with other matters as set forth in note 2(c), indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Save as disclosed above, no modified or qualified opinion, emphasis of matter or material uncertainty related to going concern had been issued by the auditors of the Group in respect of the Group's audited consolidated financial statements for each of the financial years ended 31 December 2019 and 2020, and the 15 months ended 31 March 2022.

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness, the Group has outstanding borrowings and debts of approximately HK\$50,866,000, details of which are set out as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Bank borrowing	<i>(i)</i>	20,904
Convertible bonds	<i>(ii)</i>	28,119
Lease liabilities	<i>(iii)</i>	1,843
		<u>50,866</u>

*Notes:*

- (i) The amount is secured by the investment properties, property, plant and equipment, right-of-use assets, trade receivables and bank deposits with aggregate carrying amounts of approximately HK\$270,875,000.
- (ii) The amounts carry interests at 5% per annum and the maturity date of convertible bonds shall be 18 April 2029, which is the date falling on the expiry of seven years from the date of issue of the convertible bonds.
- (iii) The amounts are unsecured, interest-free and repayable on scheduled repayment dates as set out in the respective lease agreements.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 30 September 2022, the Group did not have debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, or other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, lease commitments, mortgages and charges, or material contingent liabilities or guarantees.

### 3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the expected completion of the Rights Issue, the financial resources available to the Group, including the internally generated funds, cash flow from operations and the available committed borrowing facilities, the Board is of the opinion that in the absence of unforeseeable circumstances, the Group will have sufficient working capital available for its requirements, that is for at least the next 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of Listing Rules.

### 4. MATERIAL CHANGE

Save as disclosed below, the Directors confirmed that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2022 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date:

- (a) As disclosed in the interim results announcement of the Company for the six months ended 30 September 2022, (i) the net current liabilities of the Group had increased from approximately HK\$39.0 million as at 31 March 2022 to approximately HK\$59.5 million as at 30 September 2022; and (ii) the total assets less current liabilities of the Group has decreased from approximately HK\$283.2 million as at 31 March 2022 to approximately HK\$236.5 million as at 30 September 2022;



- (b) As disclosed in the interim results announcement of the Company for the six months ended 30 September 2022, (i) the revenue of the Group for the six months ended 30 September 2022 was approximately HK\$69.9 million, representing an increase of approximately HK\$49.7 million or 246.1% as compared to approximately HK\$20.2 million for the six months ended 30 June 2021; and (ii) the gross profit of the Group for the six months ended 30 September 2022 was approximately HK\$15.1 million, representing an increase of approximately HK\$5.3 million or 53.3% as compared to approximately HK\$9.9 million for the six months ended 30 June 2021;
- (c) The completion of the placing of Convertible Bonds under Specific Mandate took place on 19 April 2022, Convertible Bonds with an aggregate principal amount of HK\$27,500,000 at the initial conversion price of HK\$1.50 per conversion share (subject to adjustments) have been successfully placed to two placees, namely Sea Best Group Limited and Mr. Wu Feng. The net proceeds from the placing of the Convertible Bonds after deducting the placing commission and other relevant costs and expenses are approximately HK\$26,300,000. Further details in relation to the placing of the Convertible Bonds are set out in the announcements of the Company dated 3 December 2021 and 19 April 2022, and the circular dated 13 January 2022; and
- (d) On 18 October 2022, the Company proposed the Rights Issue on the basis of five (5) Rights Shares for every eight (8) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price of HK\$0.63 per Rights Share. In connection with Rights Issue, the Company also entered into the Placing Agreement with the Placing Agent and the Underwriting Agreement with the Underwriter. Details of the Rights Issue, the Placing Agreement and the Underwriting Agreement are set out in the sections headed “Letter from the Board” and “Termination of the Underwriting Agreement” in this circular.

The Directors further confirmed that there had been no material adverse change in the financial or trading positions of the Group since 31 March 2022 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date.

## 5. PROPERTY INTERESTS

The valuation of property interest of the Group as at 31 August 2022 has been conducted by Valplus Consulting Limited, the independent professional valuer appointed by the Company. The market value of the property interest of the properties that the Company held for investment and owner’s occupation as at 31 August 2022, as disclosed in the valuation report prepared by

Valplus Consulting Limited as set out in Appendix III to this circular (the “**Valuation Report**”), was approximately RMB210,505,000 (which is equivalent to approximately HK\$231,593,391 using an exchange rate of RMB:HK\$ = 1:1.10018).

The market value of RMB210,505,000 for the property interests, for reasons stated in Appendix III to this circular, has not included the value of the basement of approximately RMB35,859,000 and has not excluded the value of the portion of the property that is being occupied by the Group of approximately RMB10,258,000 (together, the “**Adjustments**”).

Whereas, for accounting purpose, (a) in arriving at the amount for “investment properties” of the Group as stated in the interim results announcement of the Company dated 28 November 2022 of approximately HK\$259,759,000 (equivalent to approximately RMB236,106,000), the Adjustments have been made, and (b) the value of the portion of the property interest for owner’s occupation as contained in the amount for “property, plant and equipment” of the Group as stated in the interim results announcement of the Company dated 28 November 2022 is the carrying value of such portion of the property.

Set out below is a statement of the reconciliation of the carrying value of the portion of the property interests that is for owner’s occupation as at 30 September 2022 and the value of such property as contained in the valuation report prepared by the valuer as set out in Appendix III to this circular:

	<b>Approximately</b> <i>HK\$000</i>
Carrying value as at 30 September 2022	1,804
Add: Valuation surplus	9,482
Appraised value as at 31 August 2022	11,286

The valuation surplus in the table above represents the difference between the carrying value of such property of approximately HK\$1,804,000 as recorded in the unaudited accounts of the Group as at 30 September 2022 and the fair value of such property of approximately HK\$11,286,000 as valued by the valuer as part of the valuation report as at 31 August 2022 as set out in Appendix III.

For further details of the aforementioned property interests, please refer to the Valuation Report in Appendix III to this circular.

## **6. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT**

The principal businesses of the Group are provision of procurement services, trading business, provision of corporate IT solution and leasing of the Group's investment properties located in Wuhan, Hubei Province, the PRC and provision of energy management contracting services in the PRC.

Although the impact brought by strict control measures against COVID-19 taken by the governments at all levels continued to disturb the normal economic activities in the PRC, the Group has more than tripled its total revenue in the six months ended 30 September 2022 compared with that of the first six months of the financial year of 2021 ended 30 June 2021. Except for the slight decrease of rental income from the segment of property leasing, the Group was pleased to see increase of revenue in all other business segments during the six months ended 30 September 2022 as compared to the six months ended 30 June 2021. That was largely due to the expansion of our procurement services to the trading industry supported by the funding raised from the issuance of Convertible Bonds that was completed in April 2022. We witnessed not only the revenue growth in the procurement services business segment but also a big increase of revenue for the trading business segment for the six months ended 30 September 2022 as compared to the six months ended 30 June 2021. Encouraged by the experimenting success in the non-governmental sector, the Group will further explore into the new energy industry as previously elaborated in the annual report of the Group for the financial year ended 31 March 2022.

In addition to planning business expansion, the Group will also enhance its technological competence by increasing its input into its information technology research and development activities. Because of the continuously changing global economic environment, the central government of the PRC has escalated its campaign to promote the replacement of foreign-branded IT related software and hardware with domestic alternatives. The Group therefore plans to increase its training and recruitment of its IT staff and/or replace some of its equipment, so that our procurement related software could be upgraded with more functions and be able to cater for new needs arising out of such campaign, and hence maintaining and increasing the competitiveness of the Group. The Group is committed to strive for the position as a leading IT solution provider in relation to procurement services in the PRC and will continue its efforts in the current and upcoming financial years.

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

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 September 2022.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022, as extracted from the published interim results announcement for the six months ended 30 September 2022.

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

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 <i>(Note 1)</i> HK\$'000	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 per share <i>(Note 2)</i> HK\$	Estimated net proceeds from the Rights Issue <i>(Note 3)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 immediately after completion of the Rights Issue HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 immediately after completion of the Rights Issue per Share <i>(Note 4)</i> HK\$
Based on 5 Rights Shares to be issued at the Subscription Price of HK\$0.63 per Share	157,397	0.537	112,902	270,299	0.568

*Notes:*

- (1) The amount of unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$169,602,000, after deducting intangible assets of approximately HK\$12,205,000 as at 30 September 2022, extracted from the published interim results announcement of the Group for the six months ended 30 September 2022.
- (2) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 per Share is calculated based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$157,397,000 divided by 293,083,725 Shares in issue as at 30 September 2022.
- (3) The estimated net proceeds from the Rights Issue of approximately HK\$112,902,000 is calculated based on 183,177,328 Rights Shares to be issued (in the proportion of 5 Rights Shares for every 8 Shares held as at the Rights Issue record date) at the subscription price of HK\$0.63 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,500,000, including among others, legal and professional fees, which are directly attributable to the Rights Issue.
- (4) The 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 is calculated 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\$270,299,000 divided by 476,261,053 shares comprising 293,083,725 Shares in issue as at 30 September 2022 and 183,177,328 Rights

Shares to be issued, pursuant to the Rights Issue (in the proportion of 5 Rights Share for every 8 Shares held as at the Rights Issue record date), that are in issue assuming that the Rights Issue had been completed on 30 September 2022. Given (i) the conversion price of the convertible bonds is HK\$1.50, which is substantially higher than the prevailing market prices of the Shares of the Company; and (ii) the earliest vesting date of the outstanding share options will be 2 September 2023, which is expected to be after the Record Date, the Directors do not take into account of any Shares which may be issued upon the exercise of share options and convertible bonds or issue or repurchase of Shares under general mandate.

- (5) No adjustments have 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 30 September 2022.
- (6) On 25 October 2022, the relevant resolutions in relation to the allotment and issuance of 10,769,000 Shares (“**Awarded Shares**”) were passed at the Share Award SGM (as defined in the Circular). On 27 October 2022, the Awarded Shares had been allotted and issued. The table below shows the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 per share immediately after completion of the Rights Issue and taken into consideration of the allotment and issuance of Awarded Shares which is calculated based on the unaudited adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue and taken into consideration of the allotment and issuance of Awarded Shares of approximately HK\$274,539,000, divided by 493,760,678 Shares comprising 476,261,053 Shares as mentioned in Note 4, the Awarded Shares and 6,730,625 Rights Shares relating to the Awarded Shares to be issued. The proceeds from the Share Awarded Plan (as defined in the Circular) have not been taken into consideration due to the uncertainty of the fulfillment of the grantees’ performance targets and/or vesting conditions and the Company has to refund the proceeds to the grantees if the abovementioned conditions are not met.

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 immediately after completion of the Rights Issue HK\$'000	Estimated net proceeds from Rights Issue regarding the Awarded Shares (Note 7) HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 immediately after completion of the Rights Issue and taken into consideration of the allotment and issuance of Awarded Shares HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 immediately after completion of the Rights Issue and taken into consideration of the allotment and issuance of Awarded Shares per Share HK\$
Based on 5 Rights Shares to be issued at the Subscription Price of HK\$0.63 per Share	270,299	4,240	274,539
	<u>270,299</u>	<u>4,240</u>	<u>274,539</u>
			<u>0.556</u>

- (7) The estimated net proceeds from Rights Issue regarding the Awarded Shares of approximately HK\$4,240,000 is calculated based on 6,730,625 Rights Shares regarding the Awarded Shares to be issued (in the proportion of 5 Rights Share for every 8 Shares held as the Rights Issue record date) at the subscription price of HK\$0.63 per Rights Share.
- (8) After considering the impact on Awarded Shares, the estimated net proceeds from the Rights Issue shall be approximately HK\$117,142,000, which comprising the net proceeds of approximately HK\$112,902,000 as mentioned in Note 3 and the net proceeds of approximately HK\$4,240,000 as mentioned in Note 7. Besides, the Rights Shares to be issued shall be 189,907,953 Shares, which comprising 183,177,328 Rights Shares as mentioned in Note 4 and 6,730,625 Rights Shares as mentioned in Note 6.

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

*The following is the text of the independent reporting accountants' assurance report, received from Crowe (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Unaudited Pro Forma Financial Information of the Group, prepared for the purpose of inclusion in this circular.*



國富浩華（香港）會計師事務所有限公司  
**Crowe (HK) CPA Limited**  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the directors of Cherish Sunshine International Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Cherish Sunshine International 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 as at 30 September 2022 and related notes as set out on pages II-1 to II-4 of Appendix II to the circular issued by the Company dated 30 November 2022 (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-4 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of five Rights Share (as defined in the Circular) for every eight existing shares held on the Record Date (as defined in the Circular) (the “**Rights Issue**”) on the Group’s financial position as at 30 September 2022 as if the proposed Rights Issue had taken place at 30 September 2022. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2022, on which no audit or review 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (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 Accountants' Responsibilities**

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue on 30 September 2022 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Crowe (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 30 November 2022

**Chan Wing Fai**

Practising Certificate Number P07327

*The following is the full text of a letter and valuation report prepared for the purpose of incorporation in this circular received from Valplus Consulting Limited, an independent valuer, in connection with its opinion on market value of the property interests held by the Group as at 31 August 2022.*



Valplus Consulting Limited  
Unit 907, 9/F, Houston Centre  
63 Mody Road, Tsim Sha Tsui East  
Hong Kong

30 November 2022

The Board of Directors  
Cherish Sunshine International Limited,  
Unit 705, 7/F  
Nam Wo Hong Building  
148 Wing Lok Street  
Sheung Wan, Hong Kong

Dear Sirs/Madams,

**Re: Valuation of Wuhan CPP Building (also known as Block B6), Jinronggang Road Central, No. 77 Guanggu Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province, the People’s Republic of China**

In accordance with the instructions from Cherish Sunshine International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) for us to value the captioned property interests (the “**Property**”) held by the Group located in the People’s Republic of China (“**China**” or the “**PRC**”), we confirm that we have made relevant enquires and obtained such further information as we consider necessary for providing you with our opinion on the market value of such property interests in existing state as at 31 August 2022 (the “**Valuation Date**”).

This letter, forming part of our valuation report, identifies the property interests being valued, explains the basis and methodology of our valuation, and lists out the assumptions and title investigation, which we have made in the course of our valuation, as well as the limiting conditions.

## 1. PURPOSE OF VALUATION

This report is being solely prepared for the directors and management of the Company for reference and incorporation into a public circular of the Company in connection with rights issue (the “**Rights Issue**”) proposed by the Group under the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”).

The Rights Issue, if materialized, and the corresponding subscription price would be the result of negotiations between the transaction parties. The directors and management of the Company should be solely responsible for determining the subscription price and the subscription ratio of the Rights Issue, in which Valplus Consulting Limited (“**Valplus**”) is not involved in the negotiation and has no comment on the final agreed consideration. Furthermore, Valplus assumes no responsibility whatsoever to any person other than the directors and management of the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

## 2. BASIS AND PREMISE OF VALUE

Our valuation represents our opinion on the market value which we would define to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of a property estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the Property, we have complied with all the requirements set out in Rule 11 of the Code on Takeovers and Mergers (“**Takeovers Code**”) issued by the Securities and Futures Commission, Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the SEHK, the International Valuation Standards published by the International Valuation Standards Council and the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors.

## 3. SOURCE OF INFORMATION

In undertaking our valuation of the Property, we have relied on advice, documents, information and materials provided by the management of the Group and its representatives (together, the “**Management**”). The major documents and information include but not limited to (i) title certificates, (ii) tenancy agreements and (iii) legal opinions dated 30 November 2022 (the

“**Legal Opinions**”) provided by the Group’s PRC legal adviser, namely 湖北得偉君尚律師事務所 (unofficially translated as “Dewell & Partners Law Firm”), all of which are set out in the notes of this valuation report.

We would point out that the copies of the aforesaid documents and information of the Property provided to us are mainly compiled in Chinese and thus the translation into English only represents our understanding of the contents of these documents and information.

#### **4. VALUATION METHODOLOGIES**

In valuing the Property which is held for investment and owner occupation, we have adopted a term & reversionary method by taking capitalisation of rental income derived from the existing tenancies, where applicable, with due provision for the reversionary income potential of the property interests. While one of the tenancy agreements which was still valid as at the Valuation Date (i.e. 31 August 2022) subsequently expired on 24 November 2022, we are of the opinion that the expiry of this tenancy agreement would not materially impact our opinion on value of the Property if the valuation is updated to the Latest Practicable Date of the Company’s circular of the Rights Issue (i.e. 25 November 2022).

#### **5. TITLE INVESTIGATION**

We have not caused land searches regarding the title of the Property but have been provided by the Group with copies of certain extracts on title documents and other documents in relation to the Property. However, we have not searched and examined the original documents to verify ownership or to ascertain the existence of any amendments which may not appear on the copies handed to us. In the course of our valuation, we have relied on the Legal Opinions regarding the title to and the interests in the Property. No responsibility is assumed for legal matters in nature and no investigation has been made to the title of or any liabilities against the property valued.

#### **6. VALUATION ASSUMPTIONS**

- Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which could serve to affect the values of the property interests. No forced sale situation in any manner is assumed in our valuation; and

- No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests or for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

## **7. LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by and have accepted advice from the Company on such matters as planning approvals, statutory notices, easements, tenures, occupancy, lettings, site, floor areas, rooms, facilities, identifications and all other relevant materials regarding the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material facts have been omitted from the information provided. All documents have been used as reference only. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Due to travel restrictions under COVID-19 according to the Supplement to the RICS Practice Alert issued by the RICS in July 2021 and the Guidance Note issued by the HKIS in March 2020, concerning the inspection arrangements amidst the COVID-19 outbreak and the risks posed to those undertaking the inspections and public, we performed a remote inspection of the Property via live video call with the staff of the Company in October 2022. As part of the remote inspection, we have also been provided with photographs and videos of the Property taken by the Company in October 2022 and therefore have assumed no serious defect of the Property. If such information provided by the Company is different from the reality, we reserve our rights to amend our opinions. For verification purpose, we have referred to the Legal Opinions regarding the State-owned Land Use Rights Certificates and the Real Estate Ownership Certificates of the Property; and have done a desktop search on the Property using satellite mapping and global position system to ascertain the location and existence of the property interests. Furthermore, no structural survey has been made and it was not possible to inspect the woodwork and other parts of the structures which were covered, unexposed or inaccessible. We are therefore unable to report whether the property interests are free from rot, infestation or any other defects. No test was carried out on any of the services.

We have not carried out detailed measurement to verify the correctness of the areas of the property interests but have assumed that the areas shown on the documents and floor plans available to us are correct. Dimensions, measurements and areas included in the attached valuation

report are based on information contained in the documents provided to us for reference only and, therefore are only approximations. In addition, we assumed that no encroachment or trespass exists, unless noted in the valuation report.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined and considered in the valuation report.

## 8. REMARKS

As at the Valuation Date, we continue to face with an unprecedented set of circumstances caused by COVID-19, with some property markets having experienced lower level of transactions and liquidity and an absence of relevant/sufficient market evidence on which to base our judgements. It should be noted that this valuation has been prepared based on economic, market and other conditions as they exist on, and information made available to us as of the Valuation Date under the global pandemic . Our valuation of the property(ies) is therefore reported as being subject to “material valuation uncertainty” as set out in VPS 3 and VPGA 10 of the RICS Valuation — Global Standards.

Consequently, less certainty — and a higher degree of caution — should be attached to our valuation than would normally be the case. For the avoidance of doubt this explanatory note, including the “material valuation uncertainty” declaration, does not mean that the valuation cannot be relied upon. Rather, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the Valuation Date. We do not accept responsibility or liability for any losses arising from such subsequent changes in value. Given the valuation uncertainty noted, we recommend that the user(s) of this report review this valuation periodically.

For the purpose of compliance with Rule 11.3 of the Takeovers Code and as advised by the Management, the potential tax liabilities which will arise on direct disposal of the Property held by the Group at amount valued by us mainly comprise the following:

- Value added tax (“VAT”) at 5% (a small-scale VAT taxpayer) or 9% (a general VAT taxpayer) on the transaction amount;
- Other surcharges at approximately 12% of VAT amount payable;



- Land appreciation tax at progressive rates from 30% to 60% on the appreciation of in property value;
- Stamp duty at 0.05% on the transaction amount; and
- Enterprise income tax at 25% on profit before tax of the subject entity.

All of the percentage are in approximate and subject to the local government's tax policy. As advised by the Management, the likelihood of the above relevant tax liabilities being crystallised is remote as the Group has no plans for disposal of such property yet.

The Company has reviewed and agreed on the report and confirmed the factual content of the report.

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (“**RMB**”).

We hereby confirm that we have neither present nor prospective interests in the Property, the Group or the value reported herein.

We confirm that we are independent qualified valuer for the purpose of Rule 11.1(b) of the Takeovers Code and Rule 5.08 of the Listing Rules Governing the Listing of Securities on the SEHK.

Our Valuation Report is enclosed herewith.

Respectfully submitted,  
For and on behalf of

**VALPLUS CONSULTING LIMITED**

**Damon S.T. Wan**, *CFA, FRM, MRICS*

*Director*

*Mr. Damon S.T. Wan is a CFA Charterholder, a Certified FRM and a member of Royal Institution of Chartered Surveyors. Mr. Wan has been working in the professional valuation field since 2008. He is experienced and specialized in performing properties, financial instruments, intangible assets and business valuations for the purposes of corporate advisory, merger & acquisition and public listing. He has over 5 years of experience in the valuation of properties in Hong Kong, Macau, China and the overseas.*

## VALUATION REPORT

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 August 2022
Wuhan CPP Building (also known as Block B6), Jinronggang Road Central, No. 77 Guanggu Avenue, Donghu New Technology Development Zone, Wuhan, Hubei Province, the PRC (中華人民共和國湖北省武漢市東湖新技術開發區光谷大道77號金融港中路武漢公採大廈(亦稱B6幢))	<p>The property comprises a whole block of 11-storey office building (exclusive of a single storey basement) completed in about 2013.</p> <p>The total gross floor area of the property is approximately 22,123.96 sq.m. (exclusive of the basement with a gross floor area of approximately 5,921.48 sq.m.).</p> <p>The land use rights of the property were granted for a term of 50 years expiring on 22 September 2059 for industrial use.</p>	<p>Portion of the property was subject to various tenancies (please refer to note 4) or occupied by the Company for office, shop and ancillary uses and portion of the property was vacant as at the Valuation Date.</p>	RMB210,505,000 (please refer to note 3)

*Notes:*

- Pursuant to 11 State-owned Land Use Rights Certificate 《武新國用(商2014)第02352、02347、02354、02348、02351、02349、02350、02356、02355、02353及02513號》(Document No.: Wu Xin Guo Yong (Shang 2014) Nos. 02352, 02347, 02354, 02348, 02351, 02349, 02350, 02356, 02355, 02353 and 02513), the land use rights of the property with a total site area of approximately 2,035.46 sq.m. was granted to 公採網絡科技有限公司 (unofficially translated as “Gongcai Network Technology Limited”, an indirect wholly-owned subsidiary of the Company, and hereinafter, “**Gongcai Network**”) for a term of 50 years expiring on 22 September 2059 for industrial use.

- 2) Pursuant to 11 Real Estate Ownership Certificates 《武房權證湖字第2014003488、2014003483、2014003490、2014003484、2014003487、2014003485、2014003486、2014003492、2014003491、2014003489及2014004157號》(Document No. Wu Fang Quan Zheng Hu Zi Nos. 2014003488、2014003483、2014003490、2014003484、2014003487、2014003485、2014003486、2014003492、2014003491、2014003489 and 2014004157) dated 14 March 2014, the ownership of Level 1 to Level 11 of the property with a total gross floor area of approximately 22,123.96 sq.m. were vested in Gongcai Network for other use. The particulars of the Real Estate Ownership Certificates are set forth below:

Level	Real Estate Ownership Certificate	Gross floor area (sq.m.)
1	武房權證湖字第2014003488號	839.75
2	武房權證湖字第2014003483號	2,131.79
3	武房權證湖字第2014003490號	2,131.79
4	武房權證湖字第2014003484號	2,131.79
5	武房權證湖字第2014003487號	2,131.79
6	武房權證湖字第2014003485號	2,131.79
7	武房權證湖字第2014003486號	2,131.79
8	武房權證湖字第2014003492號	2,131.79
9	武房權證湖字第2014003491號	2,131.79
10	武房權證湖字第2014003489號	2,131.79
11	武房權證湖字第2014004157號	2,098.10

\* Figures above are subject to rounding.

- 3) Pursuant to the supplementary agreement dated 4 July 2012 and entered into between 武漢光谷聯合股份有限公司 (unofficially translated as “Wuhan Guanggu Union Company Limited” and hereinafter, “**Wuhan Guanggu**”) and Gongcai Network, the basement (the “**Basement**”) of the property with a gross floor area of approximately 5,921.48 sq.m. was transferred from Wuhan Guanggu to Gongcai Network at a consideration of RMB18,948,736.

Pursuant to the Legal Opinions, Gongcai Network only has the right to use but no title ownership of the Basement. The title ownership of the Basement has not been registered by Gongcai Network. Further confirmed by the Management, Gongcai Network has not obtained the Real Estate Ownership Certificate of the Basement. In the course of our valuation, we have ascribed no commercial value to the Basement as it is not legally and freely transferrable in the market. However, for illustrative purpose, the market value of the Basement in its existing state as at the Valuation Date would be approximately RMB35,859,000 on the assumption that the Basement is legally and freely transferrable in the market upon obtaining the relevant title ownership certificate.

- 4) Pursuant to the tenancy agreements provided by the Management, portion of the property with a total gross floor area of approximately 18,926.75 sq.m. is subject to various tenancies at a total monthly rental of approximately RMB1,093,900 with the shortest tenancy agreement expired on 24 November 2022 and the longest tenancy agreement having an expiry date of 14 August 2028. 17 car parking spaces of the Basement were subject to various tenancies at a total monthly rental of approximately RMB5,100. Portion of the property with a total gross floor area of approximately 1,065.895 sq.m. is occupied by the Group for office and ancillary uses. The remaining portion of the property with a total gross floor area of approximately 2,131.79 sq.m. (exclusive of the Basement with a total gross floor area of approximately 5,921.48 sq.m.) is vacant as at the Valuation Date. Pursuant to the Management, there is only one tenancy agreement expired before the Latest Practicable Date, which has no material impact on our opinion of value.
- 5) The market yield of similar properties in the locality as at the Valuation Date is in the range of 7.0% to 8.0%.

- 6) The property is situated at Guanggu Jinronggang of Wuhan City. The subject area is mainly surrounded by medium to high-rise industrial and office buildings. Wuhan Metro Jinronggang North Station is about 15-minute walking distance away from the property. Wuchang Railway Station and Wuhan Tianhe International Airport are about 30-minute and 50-minute driving distance away from the property respectively. Railway, taxis and buses are also accessible to the property.
- 7) We have been provided with the Legal Opinions, which contains, inter alia, the following information that has been translated from Chinese. If there are any inconsistencies, the Chinese version shall prevail:
- (a) Gongcai Network is the registered owner of levels 1 to 11 of the property;
  - (b) pursuant to the mortgage agreement dated 23 June 2017, levels 1 to 11 of the property are subject a mortgage loan of RMB80,000,000 in favour of 招商銀行股份有限公司武漢創業街支行 (unofficially translated as “China Merchants Bank Company Limited Wuhan Chuangye Street Branch”) for a term of 10 years from 30 June 2017 to 30 June 2027;
  - (c) Gongcai Network is entitled to occupy, use, transfer and lease levels 1 to 11 of the property, subject to the mortgage as stipulated in note 7(b);
  - (d) Gongcai Network has not registered the title ownership of the Basement and thus is entitled to use but not the right to transfer or mortgage the Basement; and
  - (e) the tenancy agreements as stated in note 4 are legally binding.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than those relating to the Underwriter and parties acting in concert with it) 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 (i) as at the Latest Practicable Date; (ii) immediately following the Increase in Authorised Share Capital; and (iii) immediately following the Increase in Authorised Share Capital and the completion of Rights Issue under several scenarios will be as follows:

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

<i>Authorised share capital:</i>		<i>HK\$</i>
400,000,000	ordinary Shares of HK\$0.1 each	40,000,000
<u>100,000,000</u>	<u>preference shares of HK\$0.1 each</u>	<u>10,000,000</u>
<b><u>500,000,000</u></b>		<b><u>50,000,000</u></b>
 <i>Issued share capital:</i>		
<u>303,852,725</u>	<u>ordinary Shares of HK\$0.1 each</u>	<u>30,385,272.5</u>

**(ii) Immediately following the completion of the Increase in Authorised Share Capital**

<i>Authorised share capital:</i>		<i>HK\$</i>
4,900,000,000	ordinary Shares of HK\$0.1 each	490,000,000
<u>100,000,000</u>	preference shares of HK\$0.1 each	<u>10,000,000</u>
<b><u>5,000,000,000</u></b>		<b><u>500,000,000</u></b>
 <i>Issued share capital:</i>		
<u>303,852,725</u>	ordinary Shares of HK\$0.1 each	<u>30,385,272.5</u>

**(iii) Immediately following the completion of the Increase in Authorised Share Capital and the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Rights Issue save for the issue of the Rights Shares )**

<i>Authorised share capital:</i>		<i>HK\$</i>
4,900,000,000	ordinary Shares of HK\$0.1 each	490,000,000
<u>100,000,000</u>	preference shares of HK\$0.1 each	<u>10,000,000</u>
<b><u>5,000,000,000</u></b>		<b><u>500,000,000</u></b>
 <i>Issued share capital:</i>		
303,852,725	Shares of HK\$0.1 each	30,385,272.5
<u>189,907,953</u>	Rights Shares of HK\$0.1 each to be issued pursuant to the Rights Issue	<u>18,990,795.3</u>
<u>493,760,678</u>	Shares of HK\$0.1 each immediately following the completion of the Rights Issue	<u>49,376,067.8</u>

(iv) Immediately following the completion of the Increase in Authorised Share Capital and the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Rights Issue save for the issue of the Rights Shares and the conversion in full of the Convertible Bonds)

<i>Authorised Share Capital:</i>		<i>HK\$</i>
4,900,000,000	ordinary Shares of HK\$0.1 each	490,000,000
<u>100,000,000</u>	preference shares of HK\$0.1 each	<u>10,000,000</u>
<b><u>5,000,000,000</u></b>		<b><u>500,000,000</u></b>
 <i>Issued share capital:</i>		
303,852,725	Shares of HK\$0.1 each	30,385,272.5
18,333,333	Shares of HK\$0.1 each to be issued and allotted upon conversion in full of the Convertible Bonds	1,833,333.3
<u>201,366,286</u>	Rights Shares of HK\$0.1 each to be issued pursuant to the Rights Issue	<u>20,136,628.6</u>
<u>523,552,344</u>	Shares of HK\$0.1 each immediately following the completion of the Rights Issue	<u>52,355,234.4</u>

In the period between 31 March 2022 (being the date to which the Company's latest published audited accounts were prepared) and the Latest Practicable Date, save for the issue of the 10,769,000 Awarded Shares to the trustee of the Share Award Plan, the Company did not issue any Shares.

All the Shares rank *pari passu* with each other in all respects including the rights as 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 Shares in issue on the date of allotment and issue of the Rights Shares in all respects including rights to dividends, voting and return of capital. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the fully-paid Rights Shares.

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. 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.

None of the capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

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

As at the Latest Practicable Date, there were (i) 15,884,000 outstanding share options under the Share Option Scheme which have not been vested and the earliest vesting date of such outstanding shares options will be 2 September 2023; and (ii) Convertible Bonds with an aggregate principal amount of HK\$27,500,000 convertible into 18,333,333 Shares, at the conversion price of HK\$1.5 per Shares. Save for the share options and the Convertible Bonds, the Company had no outstanding warrants, options or convertible securities in issue which confer any right to subscribe for, convert or exchange into Shares.



### 3. MARKET PRICES

The table below shows the closing price(s) of the Shares as quoted on the Stock Exchange (i) on the Last Trading Day, (ii) at the end of each calendar months during the Relevant Period and (iii) on the Latest Practicable Date:

Date	Closing price per Share HK\$
29 April 2022	1.27
31 May 2022	1.34
30 June 2022	1.34
29 July 2022	1.16
31 August 2022	1.07
30 September 2022	0.8
17 October 2022 (being the last Business Day immediately preceding the date of the Announcement)	0.75
18 October 2022 (the Last Trading Day)	0.73
31 October 2022	0.78
25 November 2022 (the Latest Practicable Date)	0.76

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the period commencing from 18 April 2022, being the first day of the Relevant Period, and ending on the Latest Practicable Date are HK\$1.4 on 27 and 28 June 2022 and HK\$0.7 on 19 October 2022, respectively.

### 4. DISCLOSURE OF INTERESTS

#### (i) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at the Latest Practicable Date, the interest and the short positions the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of 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 pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were

required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code, were as follows:

*(a) Long position in the Shares*

<b>Name</b>	<b>Capacity</b>	<b>Class of shares</b>	<b>Number of Shares</b>	<b>Shareholding (%)</b>
Ms. Wu Siyuan	Discretionary beneficiary of a discretionary trust	Ordinary	271,024,886 <i>(Notes 1 and 2)</i>	51.77%

*Notes:*

1. These Shares were held by the Underwriter, the entire issued share capital of which was indirectly held by Trident Trust Company (Singapore) Pte Limited as trustee of a family trust founded by Ms. Liu Luoxiu. Given Ms. Wu Siyuan was a discretionary beneficiary under the family trust, she was deemed to be interested in the Shares held by the Underwriter by virtue of Part XV of the SFO.
2. Among these Shares (i) 69,658,600 Shares were beneficially owned by the Underwriter, of which 63,964,200 were pledged to Jiangxi Bank Co., Ltd\* (江西銀行股份有限公司) under a share pledge agreement dated 15 July 2022; (ii) 43,536,625 Shares were the Shares that the Underwriter has undertaken to subscribe for/procure subscription of, pursuant to the Irrevocable Undertaking; and (iii) the remaining 157,829,661 Shares are the maximum number of Rights Shares to be underwritten by the Underwriter assuming that immediately following the completion of the Rights Issue there are nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking), and none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by the Underwriter.

*(b) Interest in the share options of the Company*

As at the Latest Practicable Date, the following Directors had personal interest in the share options to subscribe for the Shares granted under the Share Option Scheme:

<b>Name of Director</b>	<b>Number of Share Options</b>	<b>Date of Grant</b>	<b>Exercise price per Share (HK\$)</b>	<b>Validity and Exercise Period (Note 1)</b>
Ms. Wu Siyuan	2,018,000	2 September 2022	1.206	2 September 2023 to 1 September 2027
Ms. Liu Qian	1,453,000	2 September 2022	1.206	2 September 2023 to 1 September 2027
Mr. Li Shun	673,000	2 September 2022	1.206	2 September 2023 to 1 September 2027
Mr. Li Guanghua	1,182,000	2 September 2022	1.206	2 September 2023 to 1 September 2027
	<b><u>5,326,000</u></b>			

*Note:*

1. Subject to and conditional upon the fulfillment of certain performance targets and/or vesting conditions, these share options shall vest in four tranches of 25% of the share options each, immediately following each of the first to fourth anniversary of the date of grant of the share options. The earliest vesting date of the outstanding share options will therefore be 2 September 2023.

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

**(ii) Substantial shareholders and other persons' interest and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following persons, other than a Director or chief executive of the Company, had, or was deemed or taken to have an interest or short position in the Shares or underlying Shares which would fall to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, as required in the register required to be kept by the Company under Section 336 of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

***Long position in the Shares***

Name	Capacity	Class of shares	Number of Shares	Shareholding (%)
The Underwriter	Beneficial Owner	Ordinary	113,195,225 ( <i>Note 1</i> )	21.62%
	Underwriter	Ordinary	157,829,661 ( <i>Note 2</i> )	30.15%
Trident Trust Company (Singapore) Pte Limited	Trustee of a discretionary trust	Ordinary	271,024,886 ( <i>Notes 1 and 2</i> )	51.77%
Ms. Liu Luoxiu	Founder of a discretionary trust	Ordinary	271,024,886 ( <i>Notes 1 and 2</i> )	51.77%
Jiangxi Bank Co., Ltd* (江西銀行股份有限公司)	Person having a security interest in Shares	Ordinary	63,964,200 ( <i>Note 3</i> )	21.05% ( <i>Note 4</i> )

***Notes:***

- These Shares were held by the Underwriter. Among these Shares, (i) 69,658,600 Shares were beneficially owned by the Underwriter, among which 63,964,200 Shares were pledged to Jiangxi Bank Co., Ltd\* (江西銀行股份有限公司) under a share pledge agreement dated 15 July 2022; and (ii) 43,536,625 Shares represent the Shares that the Underwriter has undertaken to subscribe for/ procure subscription of, pursuant to the Irrevocable Undertaking. The Underwriter was wholly-owned by Fu Ze Ventures Limited, which was in turn wholly-owned by Eshay Investments Limited. Eshay Investments Limited was wholly-owned by Frandor Limited, which in turn was wholly-owned by Trident Trust Company (Singapore) Pte Limited, the trustee of a discretionary trust of which Ms. Liu Luoxiu is the settlor and certain family members of Ms. Liu Luoxiu, including Ms. Wu Siyuan, the chairman of the Board, an executive Director and the chief executive of the Company, are discretionary beneficiaries. Each of aforementioned persons and entities was deemed to be interested in the Shares held by Underwriter by virtue of Part XV of the SFO.

2. These Shares represent the maximum number of Rights Shares to be underwritten by the Underwriter assuming that immediately following the completion of the Rights Issue there are nil acceptance of the Rights Shares by the Qualifying Shareholders (other than the Underwriter pursuant to the Irrevocable Undertaking), and none of the Unsubscribed Rights Shares are placed and all of the Untaken Rights Shares are taken up by the Underwriter.
3. These Shares were pledged to Jiangxi Bank Co., Ltd\* (江西銀行股份有限公司) under a share pledge agreement between Jiangxi Bank Co., Ltd\* (江西銀行股份有限公司) and the Underwriter dated 15 July 2022.
4. The approximate percentage of interests held was calculated on the basis of 303,852,725 ordinary Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no person (other than a Director or chief executive of the Company) had, or was taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, as required in the register required to be kept by the Company under Section 336 of the SFO or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, so far as known to the Directors and save as disclosed in this section headed “4. Disclosure of Interests” in this Appendix IV, no Director is a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

## 5. DIRECTORS’ SERVICE CONTRACTS

Particulars of the relevant Directors’ service contracts in relation to their positions as Directors and chief executive are set out below:

Director	Position	Term of the service contract	Amount of remuneration (HK\$)
Ms. Wu Siyuan	Executive Director and chief executive	Three years from 19 November 2021 to 18 November 2024	50,000 per month
Ms. He Qian	Executive Director	Three years from 7 December 2021 to 6 December 2024	20,000 per month

Director	Position	Term of the service contract	Amount of remuneration (HK\$)
Ms. Liu Qian	Non-executive Director	Three years from 8 October 2021 to 7 October 2024	20,000 per month
Mr. Li Shun	Non-executive Director	Three years from 8 October 2021 to 7 October 2024	20,000 per month
Mr. Li Guanghua	Non-executive Director	Three years from 16 February 2022 to 15 February 2025	20,000 per month
Mr. Zhong Dengyu	Independent non-executive Director	Three years from 17 December 2021 to 16 December 2024	20,000 per month
Ms. Deng Hua	Independent non-executive Director	Three years from 25 August 2022 to 24 August 2025	20,000 per month

As at the Latest Practicable Date, none of the aforementioned Director had entered into any other service contracts/appointment letters with the Group and no earlier service contracts or appointment letters have been replaced or amended and none of them are entitled to variable remuneration (such as commission of profits) under their respective service contract.

Save as disclosed above, as at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 7. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2022, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to or are 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 Eastmount Global Limited, the Underwriter, a substantial shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement constitute a connected transaction for the Company under the Listing Rules. Ms. Wu Siyuan, the Chairman, the Chief Executive and an executive Director, is a discretionary beneficiary of the family trust, of which the trustee wholly owns the Underwriter, and as such, may have conflict of interests in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and/or the Whitewash Waiver. She has abstained from voting at the meeting of the Board convened to consider such matters. As at the the Latest Practicable Date, Ms. Wu Siyuan did not hold any Shares.

## 8. ADDITIONAL DISCLOSURE

As at the Latest Practicable Date,

- (i) there was no agreement, arrangement or understanding pursuant to which the Rights Shares to be acquired by the Underwriter under the Rights Issue will be transferred, charged or pledged to other persons;
- (ii) save as disclosed in the shareholding structure table as set out in the section headed "Effects on the shareholding structure of the Company" in the "Letter from the Board" of this circular and the section headed "4. Disclosure of Interest" in this Appendix IV, none of the Directors and the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them own, control or have control or direction over any voting rights and rights over Shares, outstanding options, warrants, or any

securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) (the “**Relevant Securities**”) in the Company, and none of them had dealt for value in any Relevant Securities during the Relevant Period;

- (iii) the directors of the Underwriter, namely (1) Prominent Time Limited, a company wholly-owned by Ms. Liu Luoxiu, and (2) Mr. Zou Yuwen, were not interested in any Relevant Securities in the Company, and had not dealt for value in any relevant securities in the Company during the Relevant Period;
- (iv) save for Ms. Wu Siyuan’s interest in the Underwriter as the discretionary beneficiary of the family trust, of which the trustee wholly owns the Underwriter, the Company and the Directors did not hold and had not dealt for value in any Relevant Securities of the Underwriter during the Relevant Period;
- (v) the Underwriter, Ms. Wu Siyuan and Ms. Liu Luoxiu and any parties acting in concert with any one of them and the Company have not received any irrevocable commitment from any Shareholders to vote for or against the proposed resolutions relating to the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver at the SGM;
- (vi) save for the Irrevocable Undertaking given by the Underwriter, the Company has not received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;
- (vii) save for the Underwriting Agreement entered into between the Company and the Underwriter, and the Irrevocable Undertaking given by the Underwriter in respect of the interests in the Shares held by it, the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise), with any other persons in relation to the Relevant Securities of the Company or the Underwriter, which might be material to the Rights Issue and/or the Underwriting Agreement and/or the Whitewash Waiver;
- (viii) Eddid Securities does not own or control or have control or direction over any Relevant Securities of the Company and had not dealt for value in any such securities of the Company during the Relevant Period;



- (ix) the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them, the Company and the Directors have not borrowed or lent any Relevant Securities of the Company;
- (x) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (xi) save for the Underwriting Agreement and the Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu or any 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 transaction contemplated thereunder and the Whitewash Waiver;
- (xii) 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 paragraph headed “Conditions of the Underwriting Agreement” under the section headed “The Underwriting Agreement” in the “Letter from the Board” in this circular, there is no agreement or arrangement to which the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them 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;
- (xiii) the subsidiaries of the Company, pension funds of the Company or of any subsidiaries of the Company or 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” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code do not own, control or have control or direction over any Relevant Securities of the Company;
- (xiv) save for the Placing Agreement entered between the Company and Eddid Securities, the Underwriting Agreement entered between the Company and the Underwriter, and the Irrevocable Undertaking given by the Underwriter to the Company, no person had any 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;

(xv) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company;

(xvi) the Underwriter has executed the Irrevocable Undertaking to, among others, subscribe for and/or procure subscriptions for 43,536,625 Rights Shares which comprise the full amount of provisional entitlements under the Rights Issue in respect of the aggregate 69,658,600 Shares beneficially held by the Underwriter. In accordance with the Listing Rules and the Takeovers Code, the Directors (excluding independent non-executive Directors), the chief executive of the Company and their respective associates (as defined in the Takeovers Code), the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and parties acting in concert with any one of them (as defined in the Takeovers Code) shall abstain from voting on the relevant resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the SGM. Save as disclosed above and in the section headed “SGM” in the “Letter from the Board” of this circular, no person will be required to abstain from voting on the relevant resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transaction contemplated thereunder and the Whitewash Waiver at the SGM. In addition, no person, including the Directors, had irrevocably committed themselves to vote in favour of or against the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transaction contemplated thereunder and the Whitewash Waiver at the SGM;

(xvii) there was no agreement or arrangement between any of the Directors and any other person which was conditional on or dependent upon the outcome of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;

(xviii) save for the subscription agreement entered into between the Company as issuer and the Underwriter as Subscriber on 8 September 2021, further details of which are set out in the section headed “9. Material Contract” in this Appendix IV, there was no material contract entered into by the Underwriter, Ms. Wu Siyuan and Ms. Liu Luoxiu and parties acting in concert with any one of them in which any Director had a material personal interest;

- (xix) the Company has not paid and will not pay any consideration, compensation or benefit in whatever form to the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them in connection with the Rights Issue and the Underwriting Agreement;
- (xx) save for the Subscription Price, there is no other consideration, compensation, or benefit in whatever form paid or to be paid by the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them to the Group in relation to the Rights Issue;
- (xxi) apart from the Underwriting Agreement and the Irrevocable Undertaking therein, there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them on the other hand;
- (xxii) apart from the Underwriting Agreement and the Irrevocable Undertaking therein, there was no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) (i) the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them; or (ii) the Company, its subsidiaries or associated companies; and
- (xxiii) save for the share options granted to Ms. Wu Siyuan under the Share Option Scheme as disclosed in the section headed “4. Disclosure of Interest” in this Appendix IV, the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

During the Relevant Period, none of the Underwriter, Ms. Wu Siyuan, Ms. Liu Luoxiu and any parties acting in concert with any one of them, and the Directors has acquired any voting rights in the Company.

## 9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, were entered into by members of the Group after the date falling two years prior to the the date of the Announcement and up to and including the Latest Practicable Date and which are or may be material:

- (i) the subscription agreement dated 8 September 2021 entered into between the Company and Eastmount Global Limited in relation to the subscription of 48,800,000 new Shares at the price of HK\$0.361 per Share on the terms and conditions of the subscription agreement;

- (ii) the convertible bonds placing agreement dated 3 December 2021 entered into between the Company and Maxa Capital Limited as placing agent in relation to the placing of, on a best effort basis, convertible bonds in the principal amount of up to HK\$75,000,000, converting to a maximum of 50,000,000 new Shares at the initial conversion price of HK\$1.5 per conversion share;
- (iii) the Placing Agreement; and
- (iv) the Underwriting Agreement (including the Irrevocable Undertaking).

## 10. LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

## 11. EXPERTS AND CONSENTS

The qualifications of the experts who have given opinions, letters or advice contained in this circular are set out below:

<b>Name</b>	<b>Qualification</b>
First Shanghai Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Crowe (HK) CPA Limited	Certified public accountants
Valplus Consulting Limited	Qualified independent valuer in Hong Kong

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

As at the Latest Practicable Date, each of the above experts was not beneficially interested in the share capital of any member of the Group or had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been

acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group, since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 12. EXPENSES

The expenses payable by the Company in connection with the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$2.5 million.

## 13. DIRECTORS AND COMPANY SECRETARY OF THE COMPANY

<b>Name</b>	<b>Address</b>
<i>Executive Directors</i>	
Ms. Wu Siyuan	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong
Ms. He Qian	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong
<i>Non-executive Directors</i>	
Ms. Liu Qian	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong
Mr. Li Shun	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong
Mr. Li Guanghua	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong

Name	Address
<i>Independent non-executive Directors</i>	
Mr. Zhong Dengyu	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong
Mr. Jiang Jun	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong
Ms. Deng Hua	Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong

*Executive Directors*

**Ms. Wu Siyuan**, aged 28, joined the Company in November 2021 as an executive Director and the Chief Executive of the Company. She graduated from Henan University in 2013 with a Bachelor's Degree in Finance, and from Hunan University in 2016 with a Master's Degree in Finance. From July 2016 to April 2018, she worked in the channel management department of the Bank of Shanghai Co., Ltd.\* (上海銀行股份有限公司), responsible for the marketing and operation of mobile sales channels. From May 2018 to October 2020, she worked as the investment director in Shanghai Fuluona Asset Management Co., Ltd.\* (上海富羅納資產管理有限公司). From October 2020 to October 2021, she worked as the standing deputy general manager in Shanghai Akcome Fuluona Financial Leasing Co., Ltd.\* (上海愛康富羅納融資租賃有限公司).

Ms. Wu is a discretionary beneficiary under a family trust founded by Ms. Liu Luoxiu and is deemed to be interest in in the 69,658,600 Shares held by the Underwriter by virtue of Part XV of the SFO. For further details, please refer to the section headed "4. Disclosure of Interest" in this Appendix IV.

**Ms. He Qian**, aged 50, joined the Company in January 2015, is an executive Director. She obtained a bachelor's degree in accounting from University of International Business and Economics in 2006 and a degree of executive master of business administration from Cheung Kong Graduate School of Business in 2011, and she is a certified accountant and certified tax agent. She began her career in accounting in 1994. She was a partner of Zhejiang Yuehua Certified Public Accountants\* (浙江嶽華會計師事務所有限公司) from January 2004 to December 2008, she then became a partner and the head of the Zhejiang branch office of RSM China Certified Public Accountants Zhejiang Branch (中瑞嶽華會計師事務所(特殊普通合夥)浙江分所) from January 2009 to May 2013. From June 2013 to March 2015, she was a partner and the head of the Zhejiang branch office of Ruihua Certified Public Accountants Zhejiang Branch (瑞華會計師事務所(特殊普

通合夥)浙江分所)。Since April 2015, she has become the chairman of Zhejiang Yueyou Investment Management Co. Ltd. (浙江岳佑投資管理有限公司)。She was an independent director of both Zhejiang Chunhui Intelligent Control Co., Ltd. (浙江春輝智能控制股份有限公司) (stock code: 300943) and Jiangsu Akcome Science and Technology Co., Ltd. (江蘇愛康科技股份有限公司) (stock code: 002610), companies listed on the Shenzhen Stock Exchange, from May 2016 to May 2022 and from May 2016 to October 2022, respectively. Since March 2022, Ms. He has also been re-appointed as an independent director of Lionco Pharmaceutical Group Co., Ltd (靈康藥業集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603669), where she once served as an independent director from December 2013 to February 2019.

#### *Non-Executive Director*

**Mr. Li Shun**, aged 45, joined the Company in October 2021 and is a non-executive Director. He was further appointed as the Chief Financial Officer of the Company on 1 December 2021. Mr. Li obtained his Bachelor's Degree in English Language from Beijing Foreign Studies University in 1999 and a Master of Science in Management from The University of Lancaster in the United Kingdom in 2002. Mr. Li has been a member of The Chartered Institute of Management Accountants since 2006. Mr. Li worked in the financial control department of China International Capital Corporation (UK) Limited (a subsidiary of China International Capital Corporation Limited, a company listed on the Stock Exchange, stock code: 3908) from April 2010 to July 2014. He worked as the chief financial officer of Metropolis Capital Holdings Limited (a company listed on the Stock Exchange, stock code: 8621) and its subsidiaries from August 2014 to May 2021, responsible for overseeing its corporate strategies, financial affairs and investment.

**Ms. Liu Qian**, aged 56, joined the Company in October 2021, is a non-executive Director. She graduated from the Undergraduate Program in Internal Combustion Engine of College of Automotive Engineering of Jilin University in 1986, and she graduated from the Graduate Program in Computational Mechanics of Jilin University in 1988. In 1995, Ms. Liu obtained a Master of Philosophy from University of Wales in the United Kingdom, and in 2012, she obtained an Executive Master of Business Administration from Cheung Kong Graduate School of Business. She has extensive experience in the new energy sector and management. She worked in Jiangsu Akcome Industrial Group Co., Ltd.\* (江蘇愛康實業集團有限公司) from June 2011 to September 2014, during which she served as the vice president and successively served as the president of Power Business Department of Akcome Industrial Group Co., Ltd., director and general manager of Suzhou Sheng Kang Solar Technology Co., Ltd.\* (蘇州盛康光伏科技有限公司) concurrently. From September 2014 to March 2019, she successively served as the president of Market Development Division of and vice president of GCL New Energy Holdings Limited (a company listed on Stock Exchange, stock code: 451), assistant vice president and director of administration office of GCL Group Limited\* (協鑫集團有限公司), and vice president of GCL Intelligent New Energy Transportation Technology Development (Suzhou) Co., Ltd.\* (協鑫智慧新能源交通科技發

展(蘇州)有限公司). Ms. Liu has worked in Shanghai Fuluona Asset Management Co., Ltd.\* (上海富羅納資產管理有限公司) since March 2019, and is currently the legal representative and the executive director. Since April 2021, Ms. Liu has also been a director of Huarui New Energy Investment Pte. Ltd., being an indirect wholly-owned subsidiary of the Company.

**Mr. Li Guanghua**, aged 47, joined the Company in February 2022, is a non-executive Director. Mr. Li graduated from Sichuan United University\* (四川聯合大學) (now known as Sichuan University) in July 1998 with a Bachelor's Degree in Mechanical Design and Manufacturing. He graduated from Fudan University in June 2013 with an Executive Master of Business Administration and from Tsinghua University in June 2021 with an Executive Master of Business Administration. From July 1998 to August 2009, Mr. Li worked in various electronics and electrical appliances companies including LG Electronics Tianjin Appliances Co., Ltd.\* (樂金電子(天津)電器有限公司), Midea Group Co., Ltd.\* (美的集團股份有限公司) and Qingdao Haier International Trade Co., Ltd.\* (青島海爾國際貿易有限公司). From August 2009 to April 2022, Mr. Li successively worked in Suzhou Akcome Metal Technology Co., Ltd.\* (蘇州愛康金屬科技有限公司), Shanghai Fuluona Asset Management Co., Ltd.\* (上海富羅納融資租賃有限公司) and Suzhou Akcome Energy Group Co., Ltd.\* (蘇州愛康能源集團股份有限公司). Mr. Li joined Jiangsu Chengguang New Energy Ltd (江蘇承光新能源有限公司) in May 2022, one of the indirect wholly-owned subsidiary of the Company, as the head of new energy development business of the Group.

#### ***Independent non-executive Directors***

**Mr. Zhong Dengyu**, aged 48, joined the Company in December 2021, is an independent non-executive Director, a member of the Nomination Committee and the Remuneration Committee, and the chairman of the audit committee of the Company (the “**Audit Committee**”). He graduated from Heilongjiang Business School\* (黑龍江商學院) (now known as Harbin University of Commerce) in 1997 with a bachelor's degree in accounting. Mr. Zhong has been a certified public accountant in the PRC since 1999 and a certified tax agent in the PRC since 2002. Since July 1997, Mr. Zhong has worked as an accountant in Talent Certified Public Accountants (Special General Partnership) Suzhou Qinye Branch\* (天衡會計師事務所(特殊普通合夥)蘇州勤業分所) (formerly known as Jiangsu Xinggang Accounting Firm\* (江蘇興港會計師事務所)), Suzhou Qinye United Accounting Firm\* (蘇州勤業聯合會計師事務所), Suzhou Qinye Certified Public Accountants Co., Ltd.\* (蘇州勤業會計師事務所有限公司), Talent Certified Public Accountants Co., Ltd. Suzhou Qinye Branch\* (天衡會計師事務所有限公司蘇州勤業分所), where his current position is a partner and a deputy head.

**Mr. Jiang Jun**, aged 42, joined the Company in June 2017, is an independent non-executive Director, the chairman of the Remuneration Committee, a member of the Nomination Committee and the Audit Committee. He obtained a bachelor's degree in accounting from Beijing University



of Chemical Technology in 2003. He is a qualified intermediate accountant and holds the National Computer Rank Examination Grade II Certificate. He started his career in accounting since 2003. He was an accountant for Beijing Longde Group Limited\* (北京龍德實業集團有限公司) from September 2003 to June 2006, and he has been the chief audit executive for Shi Boo Investment Holding Co., Ltd. since July 2006.

**Ms. Deng Hua**, aged 39, graduated from the East China Normal University (華東師範大學) in July 2007 with a Master Degree in law. Ms. Deng has been a qualified lawyer in the PRC since 2010. Ms. Deng started her career as a PRC lawyer in the Shanghai office of Allbright Law Offices (上海市錦天城律師事務所) in September 2010 and has over 11 years of experience in the practice areas of capital markets, mergers and corporate finance. She is currently a senior partner of the Shanghai office of Allbright Law Offices.

#### *Company Secretary*

**Ms. Wong Kwun Yuet Shavonne** is a practicing solicitor in Hong Kong working at Chiu & Partners in the field of commercial and corporate finance. Ms. Wong graduated from the University of Hong Kong with the Bachelor of Business Administration (Law) and Bachelor of Laws degrees.

## 14. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
<b>Head office</b>	Unit 109-14, Block 1, No. 1818-2 Wenyi West Road Yuhang Street, Yuhang District Hangzhou, Zhejiang Province People's Republic of China
<b>Principal place of business in Hong Kong</b>	Unit 705, 7/F Nam Wo Hong Building 148 Wing Lok Street Sheung Wan, Hong Kong

<b>Principal share registrar and transfer office</b>	MUFG Fund Services (Bermuda) Limited 4th floor, North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda
<b>Hong Kong branch share registrar and transfer office</b>	Union Registrars Limited Suites 3301–04, 33/F Two Chinachem Exchange Square 338 King’s Road North Point Hong Kong
<b>Company secretary</b>	Ms. Wong Kwun Yuet Shavonne
<b>Authorised representatives</b>	Ms. Wu Siyuan Unit 705, 7/F, Nam Wo Hong Building 148 Wing Lok Street, Sheung Wan, Hong Kong  Ms. Wong Kwun Yuet Shavonne 40/F, Jardine House 1 Connaught Place Central, Hong Kong
<b>Principal bankers</b>	Hang Seng Bank 83 Des Voeux Road Central Central, Hong Kong
<b>Auditors and reporting accountants</b>	Crowe (HK) CPA Limited <i>Certified Public Accountants</i> 9/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
<b>Financial adviser to the Company</b>	Maxa Capital Limited Unit 1908, Harbour Center 25 Harbour Road Wanchai, Hong Kong

<b>Legal adviser to the Company as to Hong Kong laws</b>	Chiu & Partners 40/F, Jardine House 1 Connaught Place Central Hong Kong
<b>Independent Financial Adviser to the Takeovers Code IBC, Listing Rules IBC and the Independent Shareholders</b>	First Shanghai Capital Limited 19/F Wing On House 71 Des Voeux Road Central Hong Kong
<b>Placing Agent</b>	Eddid Securities and Futures Limited 21/F, Citic Tower 1 Tim Mei Avenue, Central Hong Kong
<b>Underwriter (Note)</b>	Eastmount Global Limited 5/F, Gloucester Tower, The Landmark 11 Pedder Street, Central, Hong Kong

*Note:*

The Underwriter is wholly-owned by Fu Ze Ventures Limited, which is wholly-owned by Eshay Investments Limited. Eshay Investments Limited is wholly-owned by Frandor Limited, which is in turn wholly-owned by Trident Trust Company (Singapore) Pte Limited, the trustee of a discretionary trust of which Ms. Liu Luoxiu is the settlor and certain family members of Ms. Liu Luoxiu, including Ms. Wu Siyuan, are discretionary beneficiaries. Each of Fu Ze Ventures Limited, Eshay Investments Limited and Frandor Limited has their registered address at Trident Chambers, P.O. Box 146, Road Town Tortola VG1110, British Virgin Islands. Whereas the registered office of Trident Trust Company (Singapore) Pte Limited is located at 77 Robinson Road, #20-01 Robinson 77, Singapore 068896.

## 15. GENERAL

As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

**16. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Company ([www.sunshine1094.com](http://www.sunshine1094.com)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the SFC ([www.sfc.hk](http://www.sfc.hk)) from the date of this circular for at least 14 days and including the date of the SGM:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the articles of association of the Underwriter;
- (iii) the annual reports of the Company for each of the financial years ended 31 December 2019 and 2020;
- (iv) the annual report of the Company for the 15 months ended 31 March 2022;
- (v) the interim results announcement of the Company for the six months ended 30 September 2022;
- (vi) the letter from the Board, the text of which is set out on pages 15 to 49 of this circular;
- (vii) the letter from the Listing Rules IBC, the text of which is set out on pages 50 to 51 of this circular;
- (viii) the letter from the Takeovers Code IBC, the text of which is set out on pages 52 to 53 of this circular;
- (ix) the letter from First Shanghai Capital Limited, the text of which is set out on pages 54 to 94 of this circular;
- (x) the report from Crowe (HK) CPA Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (xi) the letter and the property valuation report issued by Valplus dated 30 November 2022, the text of which is set out in Appendix III to this circular;
- (xii) the written consents of the experts as referred to in the section headed “11. Experts and Consents” in this Appendix IV;
- (xiii) the Directors’ service contracts referred to in the section headed “5. Directors’ Service Contracts” in this Appendix IV;
- (xiv) the material contracts referred to in the section headed “9. Material Contracts” in this Appendix IV; and
- (xv) the Announcement.

---

## NOTICE OF SGM

---

# CHERISH SUNSHINE INTERNATIONAL LIMITED 承輝國際有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 1094)**

**NOTICE IS HEREBY GIVEN** that the special general meeting (the “**Meeting**” or the “**SGM**”) of Cherish Sunshine International Limited (the “**Company**”) will be held at Unit 705, 7/F, Nam Wo Hong Building, 148 Wing Lok Street, Sheung Wan, Hong Kong on Tuesday, 20 December 2022, at 10:00 a.m. 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 30 November 2022 (the “**Circular**”):

### ORDINARY RESOLUTION

1. “**THAT** the authorised share capital of the Company be and is hereby increased from HK\$50,000,000 divided into 400,000,000 ordinary shares and 100,000,000 preference shares of par value of HK\$0.10 each to HK\$500,000,000 divided into 4,900,000,000 ordinary shares and 100,000,000 preference shares of par value HK\$0.10 each by creating an additional 4,500,000,000 unissued ordinary shares in the share capital of the Company, and any one or more directors of the Company be and is hereby authorised to do all such acts and things, to sign and execute (and where appropriate, to affix the common seal of the Company in accordance with the bye-laws of the Company to) all such further documents and to take such steps as the director(s) of the Company consider necessary, appropriate, desirable or expedient for the implementation of and giving effect to or in connection with such increase in the authorised share capital of the Company.”
2. “**THAT** subject to the passing of the resolutions numbered 1 above and 3 below and the satisfaction of the conditions of the Rights Issue (as defined below):
  - (a) the Underwriting Agreement dated 18 October 2022 (“**Underwriting Agreement**”) signed between the Company and Eastmount Global 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;

---

## NOTICE OF SGM

---

- (b) the issue by way of rights issue (“**Rights Issue**”) of not less than 189,907,953 and not more than 201,366,286 new ordinary Shares (“**Rights Shares**” and each a “**Right Share**”), on the basis of five (5) Rights Shares for every eight (8) ordinary shares held by the shareholders of the Company (“**Shareholders**”) on Wednesday, 4 January 2023 (the “**Record Date**”) (or such other date as may be agreed between the Company and the Underwriter for determining entitlements of Shareholders to participate in the Rights Issue), at a subscription price of HK\$0.63 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 (“**Qualifying Shareholders**”), 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 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, confirmed and ratified;
- (c) the placing agreement dated 18 October 2022 (“**Placing Agreement**”) entered into between the Company and Eddid Securities and Futures Limited (“**Placing Agent**”) in relation to the placing of those Rights Shares that are not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that are not successfully sold by the Company as described in the Circular 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

---

## NOTICE OF SGM

---

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.”

### SPECIAL RESOLUTION

3. **“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 on Takeovers and Mergers (“**Takeovers Code**”) waiving any 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 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.”

By order of the Board  
**Cherish Sunshine International Limited**  
**Wu Siyuan**  
*Chairman and Chief Executive*

Hong Kong, 30 November 2022

---

## NOTICE OF SGM

---

*Notes:*

1. Any shareholder of the Company entitled to attend and vote at the SGM is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more Shares may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. In order to be valid, a proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Hong Kong Branch Share Registrar (i.e. Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong) as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM (i.e. not later than 10:00 a.m. on Sunday, 18 December 2022) or any adjournment thereof. Delivery of the proxy form shall not preclude a shareholder of the Company from attending and voting in person at the SGM and, in such event, the proxy form shall be deemed to be revoked.
3. To ascertain shareholders' eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 14 December 2022 to Tuesday, 20 December 2022 (both days inclusive) during which period no share transfer will be effected. In order to qualify for attending and voting at the SGM, unregistered holders of Shares should ensure that all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Union Registrars Limited (at its address shown in Note 2 above), for registration no later than 4:00 p.m., on Tuesday, 13 December 2022.
4. References to time and dates in this Notice are to Hong Kong time and dates.
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 9:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.sunshine1094.com](http://www.sunshine1094.com) and on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and venue of the rescheduled meeting.
6. In case of discrepancy between the English version and the Chinese version of this notice of the SGM, the English version shall prevail.

*As at the date of this notice, the Board comprises two executive Directors, namely Ms. Wu Siyuan (Chairman and Chief Executive) and Ms. He Qian; three non-executive Directors, namely Ms. Liu Qian, Mr. Li Shun and Mr. Li Guanghua; and three independent non-executive Directors, namely Mr. Zhong Dengyu, Mr. Jiang Jun and Ms. Deng Hua.*