
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Da Yu Financial Holdings Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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DA YU FINANCIAL HOLDINGS LIMITED

大禹金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

**PROPOSED ONE FOR ONE RIGHTS ISSUE
ON A NON-UNDERWRITTEN BASIS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial Adviser to the Company



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

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

ALTUS CAPITAL LIMITED

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 28 to 29 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 30 to 52 of this circular.

A notice convening the EGM to be held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 10:30 a.m. on Thursday, 28 December 2023 is set out on pages 80 to 82 of this circular. Whether or not you are able to attend the EGM, please complete the form of proxy enclosed in accordance with the instructions printed thereon and return it to the Registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable, but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. by 10:30 a.m. on Tuesday, 26 December 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof (as the case may be), should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders and aggregated fractions of Rights Shares will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

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DEFINITIONS

In this Circular, unless the context otherwise requires, the following terms shall have the following meaning:

“Announcement”	the announcement of the Company dated 17 November 2023 in relation to, among other things, the Rights Issue
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Audited NAV”	the audited consolidated net asset value attributable to the owners of the Company of approximately HK\$471,729,000 as at 31 December 2022
“Audited NAV per share”	the Audited NAV divided by 1,139,330,190 Shares in issue as at the Last Trading Day
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, a Sunday, a public holiday and a day on which typhoon signal no. 8 or above or a black rainstorm warning signal and/or extreme condition is in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks are open for general banking business in Hong Kong throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System operated by HKSCC
“Circular”	this circular in respect of, among other things, the Rights Issue
“Company”	Da Yu Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board (stock code: 1073)
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders to apply for Excess Rights Shares

DEFINITIONS

“ED(s)”	the executive Directors
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Rights Issue and the transactions contemplated thereunder
“Excess Rights Share(s)”	any Rights Share(s) provisionally allotted but not subscribed for prior to the Latest Time for Acceptance, any entitlements not provisionally allotted to any Non-Qualifying Shareholders
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Fund”	Yu Ming High Dividend Fund, a fund incorporated as an exempted limited company in the Cayman Islands in June 2021 and registered as a regulated mutual fund under the Mutual Funds Act (2021 Revision) of the Cayman Islands
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the Independent Board Committee which comprises all the independent non-executive Directors, namely, Mr. Chan Sze Chung, Mr. Suen Chi Wai and Mr. Sum Wai Kei, Wilfred, established to advise the Independent Shareholders in respect of the Rights Issue and as to voting
“Independent Financial Adviser” or “Altus”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee in relation to the Rights Issue and as to voting
“Independent Shareholder(s)”	Shareholder(s) other than the Directors (excluding independent non-executive Directors) who are required under the Listing Rules to abstain from voting at the EGM

DEFINITIONS

“Last Day for Transfer”	Wednesday, 3 January 2024, or such other date as the Company may determine, being the last date for lodging transfer of Shares prior to the closure of the register of members of the Company in order to qualify for the Rights Issue
“Last Trading Day”	Friday, 17 November 2023, being the date of the Announcement and the last full trading day of the Shares on the Stock Exchange immediately preceding the publication of the Announcement
“Latest Practicable Date”	7 December 2023, being latest practicable date prior to the publication of this circular for ascertaining certain information herein
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 25 January 2024, or such other time and date as the Company may determine, being the latest time and date for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares
“Listing Committee”	the listing committee of the Stock Exchange for considering application for listing and the granting of listing
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Board, after making reasonable enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions or prohibitions under the laws of the relevant jurisdictions or the requirements of the relevant regulatory body or stock exchange in such jurisdictions

DEFINITIONS

“Overseas Shareholder(s)”	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) for the Rights Shares to be issued to the Qualifying Shareholders in respect of their entitlements under the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this Circular, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued by the Company in connection with the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL and the EAF to be issued by the Company
“Prospectus Posting Date”	Thursday, 11 January 2024, or such other date as the Company may determine, for the despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	Shareholder(s), whose name(s) appear(s) on the register of members of the Company as at the close of business on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Wednesday, 10 January 2024, or such other date as the Company may determine, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined
“Registrar”	Hong Kong Registrars Limited, the Company’s Hong Kong branch share registrar and transfer office at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“Rights Issue”	the proposed issue by way of rights of the Rights Shares to the Qualifying Shareholders on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date at the Subscription Price
“Rights Share(s)”	up to 1,139,330,190 new Shares proposed to be offered to the Qualifying Shareholders for subscription by way of the Rights Issue

DEFINITIONS

“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.1 each in the 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\$0.15 per Rights Share under the Rights Issue
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as may be amended from time to time)
“Unaudited NAV”	the unaudited net asset value attributable to the owners of the Company of approximately HK\$475,932,000 as at 30 June 2023
“Unaudited NAV per share”	the Unaudited NAV divided by 1,139,330,190 Shares in issue as at the Last Trading Day
“US”	the United States of America
“%”	per cent.

Notes:

1. Certain amounts and percentage figures in this Circular have been subject to rounding adjustments.
2. The singular includes the plural and vice versa, unless the context otherwise requires.
3. References to any appendix, paragraph and any sub-paragraphs of them are references to the appendices to, and paragraphs of, this Circular and any sub-paragraphs of them respectively.
4. References to any statute or statutory provision include a statute or statutory provision which amends, consolidates or replaces the same whether before or after the date of this Circular.
5. Reference to one gender is a reference to all or any genders.
6. In case of any discrepancy or inconsistency between the English and Chinese versions, the English version shall prevail.

EXPECTED TIMETABLE

All times stated in this circular refer to Hong Kong times and dates. Any changes to the anticipated timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

Event	Date (Hong Kong time)
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 19 December 2023
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive)	Wednesday, 20 December 2023 to Thursday, 28 December 2023
Latest time for lodging proxy forms for the EGM	10:30 a.m. on Tuesday, 26 December 2023
Record date for attendance and voting at the EGM	Thursday, 28 December 2023
Expected date and time of the EGM	10:30 a.m. on Thursday, 28 December 2023
Announcement of the poll results of the EGM	Thursday, 28 December 2023
Register of members re-opens	Friday, 29 December 2023
Last day of dealings in the Shares on a cum-entitlement basis relating to the Rights Issue	Friday, 29 December 2023
First day of dealings in Shares on an ex-entitlement basis relating to the Rights Issue	Tuesday, 2 January 2024
Latest time for the Shareholders to lodge transfer documents of Shares in order to be qualified for the Rights Issue	4:30 p.m. on Wednesday, 3 January 2024

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive)	Thursday, 4 January 2024 to Wednesday, 10 January 2024
Record date for the Rights Issue	Wednesday, 10 January 2024
Register of members re-opens	Thursday, 11 January 2024
Despatch of the Prospectus Documents (including the PAL, EAF and the Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only)	Thursday, 11 January 2024
First day of dealings in nil-paid Rights Share	Monday, 15 January 2024
Latest time for splitting the PAL	4:30 p.m. on Wednesday, 17 January 2024
Last day of dealing in nil-paid Rights Shares	Monday, 22 January 2024
Latest time for acceptance of and payment for the Rights Shares and application and payment for Excess Rights Shares	4:00 p.m. on Thursday, 25 January 2024
Announcement of results of the Rights Issue	Thursday, 1 February 2024
Despatch of share certificates for fully-paid Rights Shares or refund cheques for payment for Rights Shares if the Rights Issue does not proceed	Friday, 2 February 2024
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 5 February 2024

EXPECTED TIMETABLE

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

The latest time for acceptance of and payment for Rights Shares and application and payment for Excess Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, a “black” rainstorm warning signal and/or extreme conditions is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 25 January 2024. Instead, the latest time for acceptance of 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 Thursday, 25 January 2024. Instead, the latest time for acceptance of and payment for the Rights Shares and for application and payment for Excess Rights Shares will be rescheduled to 4:00 p.m. on the following 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 of and payment for the Rights Shares and for application and payment for Excess Rights Shares does not take place on Thursday, 25 January 2024, the dates mentioned in the timetable section above may be affected. The Company will notify the Shareholders by way of announcement of any change to the timetable as soon as practicable.

LETTER FROM THE BOARD



DA YU FINANCIAL HOLDINGS LIMITED

大禹金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

Non-executive Directors

Mr. Kuo Jen Hao (*Chairman*)

Mr. Xu Haohao

Executive Directors

Mr. Lee Wa Lun, Warren (*Managing Director*)

Mr. Lam Chi Shing

Ms. Li Ming

Independent Non-executive Directors

Mr. Chan Sze Chung

Mr. Suen Chi Wai

Mr. Sum Wai Kei, Wilfred

Registered office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head office and

Principal Place of Business

Room 1801, 18th Floor

Allied Kajima Building

138 Gloucester Road

Wanchai, Hong Kong

11 December 2023

To the Shareholders

Dear Sir or Madam,

**PROPOSED ONE FOR ONE RIGHTS ISSUE
ON A NON-UNDERWRITTEN BASIS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

On 17 November 2023, the Company proposed to raise up to approximately HK\$170.9 million before expenses by way of the issue to the Qualifying Shareholders of a maximum of 1,139,330,190 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date) at the Subscription Price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date. The Rights Issue is available only to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue and as to voting; (iii) a letter of advice from Altus to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and as to voting; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

PROPOSED RIGHTS ISSUE

The Company proposes the Rights Issue, details of which are summarised below:

Basis of Rights Issue:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.15 per Rights Share
Number of Shares in issue as at the date of this Circular:	1,139,330,190 Shares
Maximum number of Rights Shares to be issued pursuant to the Rights Issue:	1,139,330,190 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares:	HK\$113,933,019 (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue immediately upon completion of the Rights Issue:	2,278,660,380 Shares (assuming no change in the number of Shares in issue or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Maximum proceeds from the Rights Issue before expenses:	Approximately HK\$170.9 million (assuming no change in the number of Shares in issue on or before the Record Date)
Maximum net proceeds from the Rights Issue:	Approximately HK\$170.0 million (assuming no change in the number of Shares in issue on or before the Record Date)
Rights of excess application:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotments

LETTER FROM THE BOARD

As at the Latest Practicable Date, there are no options, warrants, derivatives or other convertible securities granted by the Company which confer rights to subscribe for, convert or exchange into Shares.

Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the maximum of 1,139,330,190 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent approximately (i) 100% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Irrevocable Undertaking

As at the Latest Practicable Date, save for Mr. Lee Wa Lun, Warren, Mr. Lam Chi Shing and Ms. Li Ming (being EDs), who are interested in 227,250,000 Shares, 17,800,000 Shares and 17,800,000 Shares respectively and have indicated that they will not subscribe for their entitled Rights Shares and will not apply for the Excess Rights Shares, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue or if they will apply for the Excess Rights Shares.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

LETTER FROM THE BOARD

As the Rights Issue is not underwritten basis and has not set a minimum subscription amount, a Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or Excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue or Excess Rights Shares under the EAF will be scaled down to a level which (a) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and (b) does not cause the Company's public float to decrease to below 25%. Shares subject to scale down will be available for application as Excess Rights Shares to other Qualifying Shareholders, any subscription monies not utilized due to the scaled-down application of entitled Rights Shares or Excess Rights Shares will be refunded to the affected applicants.

Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Subscription Price

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

The Subscription Price represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 11.11% over the average closing price of approximately HK\$0.135 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 4.90% over the average closing price of approximately HK\$0.143 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.46% to the average closing price of approximately HK\$0.157 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (v) a discount of approximately 9.09% to the average closing price of approximately HK\$0.165 per Share as quoted on the Stock Exchange for the ninety consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 26.11% to the closing price of HK\$0.203 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a premium of approximately 4.90% over the theoretical ex-rights price of approximately of HK\$0.143 per Share based on the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (viii) a discount of approximately 63.41% to the Audited NAV per Share as at 31 December 2022 of approximately HK\$0.41 and discount of approximately 64.29% to the Unaudited NAV per Share as at 30 June 2023 of approximately HK\$0.42.

There is no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given that the theoretical diluted price of approximately HK\$0.143 per Share is higher than the benchmarked price of HK\$0.135 per Share (as defined under Rule 7.27B of the Listing Rules, which is the higher of the closing price on the Last Trading Day of HK\$0.135 per Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five consecutive trading days immediately prior to the Last Trading Day of approximately HK\$0.135 per Share).

The Subscription Price was determined with reference to, among others, (i) the prevailing market conditions and overall market sentiment of Hong Kong stock market, which have a direct impact in the trading price of the Shares, where the closing price of the Shares as quoted on the Stock Exchange was approximately HK\$0.155 per Share when the Rights Issue was internally discussed by the management; (ii) the management's intention to expand asset management business segment to mitigate business risks in light of the financial performance of the Group for the year ended 31 December 2022 and six months ended 30 June 2023; (iii) the fund-raising size intended by the Company; and (iv) the reasons for and benefits of proposed Rights Issue as discussed in the section headed "Reasons for and Benefits of the Rights Issue and Use of Proceeds".

The Board (excluding the independent non-executive Directors, whose recommendation are included in the "Letter from the Independent Board Committee" of this Circular) considers that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, 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, after taking into account the following factors: (i) the Qualifying Shareholders are provided with an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; (ii) the management believes that the current global economic environment and market conditions present an opportune moment to launch the Fund; (iii) the Subscription Price represents a discount of approximately 4.46% and 9.09% to the average of the closing prices of the Shares for the last 30 consecutive trading days and 90 consecutive trading days up to and including the Last Trading Day respectively, in particular, the Subscription Price represents a discount to the closing price of

LETTER FROM THE BOARD

the Shares for most of the trading days of the year, with the exception of the most recent six trading days traded in very thin volume and such discounts would encourage the Qualifying Shareholders to subscribe for their assured entitlements under the Rights Issue; and (iv) discount of approximately 63.41% to Audited NAV as at 31 December 2022 and approximately 64.29% to Unaudited NAV as at 30 June 2023 to the Subscription Price is a phenomenon beyond the control of the Company, a gap between accounting and market force.

Conditions of the Rights Issue

The Rights Issue is conditional upon each of the following conditions being fulfilled:

- (i) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the EGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully paid forms;
- (ii) the delivery of the Prospectus Documents to the Stock Exchange and the issue by the Stock Exchange on or before the Prospectus Posting Date of a certificate authorising registration of the Prospectus Documents with the Registrar of Companies in Hong Kong;
- (iii) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders and the publication of the Prospectus on the website of the Stock Exchange on or before the Prospectus Posting Date;
- (iv) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked);
- (v) no applications of Rights Shares or Excess Rights Shares by any Shareholders which would result in (a) a general offer obligation as required under the Takeovers Code being triggered, or (b) public float of the Company to decrease to below 25% of the total issued Shares, be allowed, in which circumstance, relevant applications of Rights Shares and Excess Rights Shares will be scaled down and subscription monies not utilized due to scaled down application will be refunded to the affected applicants; and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 5:00 p.m. on 30 June 2024 (or such later date as the Company may determine), the Rights Issue will not proceed.

LETTER FROM THE BOARD

The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Basis of provisional allotment

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

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

Qualifying Shareholders

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

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

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by 4:30 p.m. on Wednesday, 3 January 2024. The last day of dealings in the Shares on a cum-rights basis is Friday, 29 December 2023. The Shares will be dealt with on an ex-rights basis from Tuesday, 2 January 2024.

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

Application for all or any part of a Qualifying Shareholder's entitlement to the Rights Shares should be made by completing the PAL and lodging the same with a cheque drawn on an account with, or bank cashier's order issued by, a licensed bank in Hong Kong for the Rights Shares being applied for with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before the Latest Time for Acceptance.

LETTER FROM THE BOARD

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

Non-Qualifying Shareholders

The Company will not extend the Rights Issue to the Non-Qualifying Shareholders. Accordingly, no provisional allotment of Rights Shares will be made to the Non-Qualifying Shareholders and Non-Qualifying Shareholders will not be entitled to apply for Rights Shares.

Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be made available for excess application by the Qualifying Shareholders under the EAFs.

The Company will send the Prospectus Documents, together with the PAL and EAF, to the Qualifying Shareholders only and to the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL and EAF to them.

The Overseas Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. As at 5 December 2023, there was one Overseas Shareholder with address in the PRC.

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 legal advisers of the PRC engaged by the Company as at the Latest Practicable Date and having 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 from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in the PRC.

LETTER FROM THE BOARD

If a Shareholder resident in the PRC and/or any other PRC resident (including both individuals and companies) wishes to invest in the nil-paid Rights Shares or the fully-paid Rights Shares, he/she/it shall be responsible for complying with the relevant laws of the PRC. The Company will not be responsible for verifying the PRC legal qualification of such Shareholder and/or resident and thus, should the Company suffer any losses or damages due to non-compliance with the relevant laws of the PRC by any such Shareholder and/or resident, the Shareholder and/or resident shall be responsible to compensate the Company for the same. The Company shall not be obliged to issue the nil-paid Rights Shares or the fully-paid Rights Shares to any such Shareholder and/or resident, if issuing the nil-paid Rights or the fully-paid Rights Shares to them does not comply with the relevant laws of the PRC.

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 or EAF to them. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM as Independent Shareholders.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. Such Rights Shares will form part of the Unsubscribed Rights Shares and will be made available for excess application by the Qualifying Shareholders under the EAFs in excess of their assured entitlements.

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, Non-Qualifying Shareholders should exercise caution when dealing in the Shares.

Arrangements for the Non-Qualifying Shareholders Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, had they been Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro-rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

LETTER FROM THE BOARD

Status of the Rights Shares

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

Fractional entitlements to the Rights Shares

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

Odd lot arrangement

No odd lot matching services will be provided.

Application for Excess Rights Shares

All Qualifying Shareholders are entitled to apply by way of excess application under the EAFs for additional Rights Shares in excess of their assured entitlements.

The Excess Rights Shares will comprise:

- (i) any Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or not otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) any Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders; and
- (iii) any Rights Shares which would otherwise be allotted but subject to scale down (as described below).

Application for Excess Rights Shares can be made only by Qualifying Shareholders duly completing the EAFs (in accordance with the instructions printed thereon) and lodging the same with a separate remittance for the Excess Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance, which is expected to be 4:00 p.m. on Thursday, 25 January 2024.

Qualifying Shareholders who wish to apply for Excess Rights Shares in addition to their provisional allotments must complete both the PAL and the EAF.

LETTER FROM THE BOARD

A Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or Excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue or Excess Rights Shares under the EAF will be scaled down to a level which (a) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and (b) does not cause the Company's public float to decrease to below 25%. Shares subject to scale down will be available for application as Excess Rights Shares to other Qualifying Shareholders, any subscription monies not utilized due to scaled-down application of entitled Rights Shares or Excess Rights Shares will be refunded to the affected applicants.

Basis of allocation of Excess Rights Shares

Subject to any scaling down of subscriptions, the Company will allocate the Excess Rights Shares at its discretion on a fair and equitable basis as far as practicable on the following principles:

- (i) if there are insufficient Excess Rights Shares to satisfy all EAFs, Excess Rights Shares will be allocated on a pro rata basis by reference to the number of Excess Rights Shares applied for in the relevant EAFs by the relevant Qualifying Shareholders;
- (ii) otherwise (i.e. if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs), Excess Rights Shares will be allocated in full in accordance with the EAFs to each Qualifying Shareholder who applies for Excess Rights Shares.

For the avoidance of doubt, in applying the principles above, reference will only be made to the number of Excess Rights Shares being applied for in the relevant EAFs, and no reference will be made to the Rights Shares comprised in applications through PAL or the existing number of Shares held by the relevant Qualifying Shareholders; and no preference will be given to applications for topping up odd lots.

Shareholders whose Shares are held by a nominee (or held through CCASS) should note that the Board will regard such nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, the aforesaid arrangement for allocation of Excess Rights Shares by the Company may not be extended to the beneficial owners individually. Beneficial owners whose Shares are held by a nominee (or held through CCASS) are advised to consider whether they would like to arrange for the registration of their Shares in their own names on or prior to the Last Day for Transfer.

LETTER FROM THE BOARD

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully paid and successful Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered addresses, at their own risks, on or before Friday, 2 February 2024. Refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares and Excess Rights Shares, or if the Rights Issue does not proceed, are expected to be despatched on or before Friday, 2 February 2024 to the applicants without interest to their registered addresses by ordinary post at their own risks.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 5,000 Rights Shares, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

Admission of Rights Shares into CCASS

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

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

Stamp duty, taxation and other applicable fees

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

LETTER FROM THE BOARD

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares.

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

The Group is principally engaged in (i) the provision of corporate finance advisory services; (ii) provision of asset management services; (iii) securities broking and placing; and (iv) money lending business in Hong Kong.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK\$170.9 million and the estimated net proceeds of the Rights Issue will be approximately HK\$170.0 million. The estimated expenses of the Rights Issue are approximately HK\$0.9 million, which include professional fees payable to legal counsels, Independent Financial Adviser, financial printer and other parties involved in the Rights Issue and will be borne by the Company. The net subscription price per Rights Share is expected to be approximately HK\$0.149.

The Company intends to apply approximately HK\$150 million of the net proceeds from the Rights Issue as the seed money into the Fund to expand its asset management business and HK\$20 million as capital for the Group's money lending business. In the event that the Rights Issue is not fully subscribed, the Company intends to allocate all the net proceeds to its asset management business, any funds raised above HK\$150 million will then be allocated to the money lending business.

Expansion of asset management business

Due to the nature of our corporate finance advisory services of non-repetitive basis, income from corporate finance business is volatile, and usually dwindles during low activity years such as 2023, which the management team hopes to mitigate with a new fund in our asset management business.

Through Yu Ming Investment Management Limited ("Yu Ming"), a wholly-owned subsidiary of the Company, the Group has been providing asset management services solely to SHK Hong Kong Industries Limited ("SHK"), the first investment company listed on the Stock Exchange. Although SHK was privatised in April 2021, the investment management agreement with SHK continues. For the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023, the Group's asset management business recorded revenue of approximately HK\$18,292,000, HK\$15,686,000 and HK\$7,801,000 respectively.

LETTER FROM THE BOARD

The Group has been seeking opportunities to diversify its asset management business. In view of this, Yu Ming took the initiative to establish the Yu Ming High Dividend Fund in June 2021. The Fund's investment objective is to deliver periodic income and achieve long-term capital appreciation in US dollar terms. Its primary focus will be high-yield dividend equities listed on the Stock Exchange and fixed income securities. The Fund being market driven, does not have a specified target return, is expected to invest up to 20% of its net asset value in securities from a single issuer. It is anticipated that the Fund will have more than 10 underlying investments. While there is no specified investment horizon, typically, each individual investment will have a minimum time frame of six months. Investments with shorter time frames will be considered opportunistic and supplementary in nature. Following the completion of the Rights Issue scheduled for February 2024, we anticipate that the Fund will be launched by the end of March 2024.

Since its establishment, the Fund has remained inactive as it awaited favorable market conditions to launch. Recent developments in Hong Kong debt markets and increase in US dollar interest rates have created an opportune moment for the Fund to commence operations. Additionally, the Federal Reserve of the United States recently hinted at a pause in interest rate hikes, and there are indications of initial weakness in the job market, potentially signaling an upcoming recession in the US. Consequently, it is anticipated that the US will enter a period of moderate interest rate cuts in 2024. High-yielding securities generally exhibit a positive response to lower discount rates. The Group perceives these circumstances as an advantageous backdrop to launch the Fund as it is anticipated to benefit capital appreciation after fully investing in fixed income securities or high-dividend equities, particularly during the US interest rate cut cycle.

At present, Yu Ming is the sole management shareholder and is the investment manager of the Fund. As part of the Fund's initial capitalization, the Group intends to allocate HK\$150 million from the Rights Issue (or the entire net proceeds if the Rights Issue does not raise more than HK\$150 million) as seed money. There is no minimum initial capitalization requirement of the Fund. Following the Fund's launch, an additional HK\$150 million is planned to be raised from third-party professional investors. The launching of the Fund will strategically grow our asset management business and strengthen income stream of the Group.

Expansion of money lending business

In 2022, the Company acquired Morgan Finance Limited ("Morgan"), a company engaged in money lending business. Morgan holds a money lenders license granted by the licensing court, in accordance with the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and the Money Lenders Regulations, enabling it to conduct money lending business in Hong Kong. As of the year ended 31 December 2022, all of the Group's money lending business is conducted through Morgan and its subsidiary, which generated revenue of approximately HK\$11,044,000 and a profit before tax of approximately HK\$9,618,000. However, Morgan's business scale has been constrained by the availability of capital. To address this limitation, the Group will inject HK\$20 million, being the remaining proceeds from the Rights Issue, to increase the financial resources of Morgan, which will enable Morgan to seize new growth opportunities.

LETTER FROM THE BOARD

Fund Raising Method

The Company has considered alternative fundraising methods which include debt financing and placing of new Shares or open offer and believe that the Rights Issue is the most efficient way in terms of time and costs for the Company. The Board considers it is prudent to finance the Group's long-term growth with long term financing, preferably in the form of equity which will not increase the Group's finance costs and liquidity risk. For debt financing, given the prevailing interest rate, the financial cost for obtaining a long term loan from financial institutions will be considerably high. For placing of new Shares, it would dilute the shareholding of the existing Shareholders while the Rights Issue will allow the Qualifying Shareholders to maintain their respective shareholdings in the Company on a pro rata basis and the non-subscribing Qualifying Shareholders to dispose of their nil paid rights in the market. As for open offer, while it is similar to a right issue, it does not allow free trading of rights entitlements in the open market. In view of the above, the Company considers that the Rights Issue is an appropriate means to raise fund.

As the Company is raising capital for expansion, but not for discharging financial obligations or for fulfilling a forthcoming contractual commitment, there is no need to have an assured amount to be raised. The current state of the Hong Kong capital market is expected to command a high underwriting fee for the Rights Issue, and without the need of an assured amount to be raised, the Board believes the cost of the underwriting outweighs its benefits.

In view of the above and the reasons described in the sub-section headed "Subscription Price" under the section headed "Proposed Rights Issue" above, the Board (excluding the independent non-executive Directors, whose recommendation are included in the "Letter from the Independent Board Committee" of this Circular) considers that the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SHAREHOLDING STRUCTURE

For illustrative purpose only, set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by any Qualifying Shareholders and no Excess Rights Shares taken up); (iii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and no Excess Rights Shares taken up); and (iv) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and Excess Rights Shares fully taken up on pro-rata basis):

LETTER FROM THE BOARD

	(i) As at the Latest Practicable Date		(ii) immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by any Qualifying Shareholders and no Excess Rights Shares taken up)		(iii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and no Excess Rights Shares taken up)		(iv) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and Excess Rights Shares fully taken up on pro-rata basis)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First Steamship Company Limited ^{1,2}	331,660,000	29.11	331,660,000	29.11	579,500,000	29.99	683,370,248	29.99
Xu Haohao ³	214,058,614	18.79	214,058,614	18.79	428,117,228	22.16	523,512,699	22.98
Lee Wa Lun, Warren ⁴	227,250,000	19.94	227,250,000	19.94	227,250,000	11.76	227,250,000	9.97
Lam Chi Shing ⁴	17,800,000	1.56	17,800,000	1.56	17,800,000	0.92	17,800,000	0.78
Li Ming ⁴	17,800,000	1.56	17,800,000	1.56	17,800,000	0.92	17,800,000	0.78
Public Shareholders	330,761,576	29.04	330,761,576	29.04	661,523,152	34.25	808,927,433	35.50
Total	1,139,330,190	100	1,139,330,190	100	1,931,990,380	100	2,278,660,380	100

Notes:

1. First Steamship Company Limited is a company listed on the Taiwan Stock Exchange Corporation (“TWSE”) (TWSE stock code: 2601). As at the Latest Practicable Date, Henghua Investment Co., Ltd., is the single largest shareholder of First Steamship Company Limited, holding approximately 6.92% of the issued shares of First Steamship Company Limited.
2. As one of the conditions of the Rights Issue is subject to no general offer obligation being triggered under the Takeovers Code, shareholding of First Steamship Company Limited will be scaled down to below 30% in scenario (iii) and (iv) above. Pursuant to class (1) of the definition of “acting in concert” under the Takeovers Code, First Steamship Company Limited and Mr. Xu Haohao will be presumed to be acting in concert in the event that their respective shareholding in the Company both increased to 20% or more as a result of the Rights Issue, and general offer obligation will be triggered under the Takeovers Code. In such event, First Steamship Company Limited and Mr. Xu Haohao will make application to the Executive to rebut such presumption and/or scale down their shareholding.
3. Mr. Xu Haohao is a non-executive Director.
4. Mr. Lee Wa Lun, Warren, Mr. Lam Chi Shing and Ms. Li Ming are EDs.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 January 2024 to Wednesday, 10 January 2024 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue.

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

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any fundraising activity involving issue of equity securities in the past twelve months immediately preceding the Announcement and up to the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 month period immediately preceding the Latest Practicable Date, the Rights Issue will be subject to the approval by the Independent Shareholders at the EGM by way of poll at which the controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM. As at the Latest Practicable Date, the Company does not have any controlling shareholder, Mr. Lee Wa Lun, Warren, Mr. Lam Chi Shing, Ms. Li Ming (being EDs) holding 227,250,000 Shares, 17,800,000 Share and 17,800,000 Shares (representing approximately 19.94%, 1.56% and 1.56% of the total issued capital), respectively, and Mr. Xu Haohao (being a non-executive Director) holding 214,058,614 Shares (representing approximately 18.79% of the total issued capital), are Directors who have an interest in the Shares, and therefore will abstain from voting in favour of the resolutions in respect of the Rights Issue at the EGM.

The Rights Issue has no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Chan Sze Chung, Mr. Suen Chi Wai and Mr. Sum Wai Kei, Wilfred has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and as to the voting action thereof.

Altus has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue and as to voting.

EGM

The register of members of the Company will be closed from Wednesday, 20 December 2023 to Thursday, 28 December 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

A notice convening the EGM to be held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong at 10:30 a.m. on Thursday, 28 December 2023 is set out on pages 80 to 82 of this Circular.

LETTER FROM THE BOARD

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Rights Issue. Only the Independent Shareholders will be entitled to vote on the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM 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. Whether or not you intend to attend the EGM, 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, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for the holding of the EGM (i.e. by 10:30 a.m. on Tuesday, 26 December 2023) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to, among other things, the Rights Issue and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM, 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. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee whose views in respect of the Rights Issue and the transactions contemplated thereunder are further set out below) consider that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable, and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose views in respect of the Rights Issue and the transactions contemplated are further set out below) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Having taken into account the advice of Altus, the Independent Board Committee considers that the terms of the Rights Issue and the transactions contemplated thereunder are normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

LETTER FROM THE BOARD

FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 28 to 29 of this Circular which contain its recommendation to the Independent Shareholders in respect of the Rights Issue and as to voting. Your attention is also drawn to the letter from Altus set out on pages 30 to 52 of this Circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and as to voting.

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

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

The Rights Issue is subject to the fulfilment of conditions including the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

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

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

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

On behalf of the Board
Da Yu Financial Holdings Limited
Kuo Jen-Hao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



DA YU FINANCIAL HOLDINGS LIMITED

大禹金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

Registered office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and

principal place of business
Room 1801, 18th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

11 December 2023

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED ONE FOR ONE RIGHTS ISSUE ON A NON-UNDERWRITTEN BASIS

We refer to the circular dated 11 December 2023 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 as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, 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 EGM. Altus has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in these regards. Details of the advice of Altus, together with the principal factors it has taken into consideration in giving its advice, are contained in its letter set out on pages 30 to 52 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice of Altus, we consider that the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and/or its Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Da Yu Financial Holdings Limited

Chan Sze Chung

Independent Non-executive

Director

Suen Chi Wai

Independent Non-executive

Director

Sum Wai Kei, Wilfred

Independent Non-executive

Director

LETTER FROM ALTUS

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

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

11 December 2023

To the Independent Board Committee and the Independent Shareholders

Da Yu Financial Holdings Limited
Room 1801, 18th Floor
Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

Dear Sir/Madam,

PROPOSED ONE FOR ONE RIGHTS ISSUE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 11 December 2023 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 17 November 2023 the Company announced that it proposes to raise up to approximately HK\$170.9 million before expenses through the issue of a maximum of 1,139,330,190 Rights Shares (assuming no change in number of Shares in issue on or before the Record Date) to the Qualifying Shareholders at the Subscription Price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every one (1) existing Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

LETTER FROM ALTUS

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

As advised by the Management, Shareholders will be informed by way of announcement of the Company if there are material changes in the shareholding structure of the Company after the Latest Practicable Date.

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A and 7.27A of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of Independent Shareholders at the EGM by way of poll. The controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and 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 EGM.

As at the Latest Practicable Date, the Company does not have any controlling shareholder. Mr. Lee Wa Lun, Warren, Mr. Lam Chi Shing and Ms. Li Ming (being EDs) holding 227,250,000 Shares, 17,800,000 Shares and 17,800,000 Shares (representing approximately 19.94%, 1.56% and 1.56% of the total issued capital) respectively and Mr. Xu Haohao (being a non-executive Director) holding 214,058,614 Shares (representing approximately 18.79% of the total issued capital) are Directors who has an interest in the Shares, and therefore will abstain from voting in favour of the resolutions in respect of the Rights Issue at the EGM.

The Rights Issue has no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors namely Mr. Chan Sze Chung, Mr. Suen Chi Wai and Mr. Sum Wai Kei, Wilfred has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interest of the Company and Shareholders as a whole; and (iii) how to vote on the relevant resolutions to be proposed at the EGM in relation to the Rights Issue, after taking into account the recommendation of the Independent Financial Adviser.

LETTER FROM ALTUS

THE INDEPENDENT FINANCIAL ADVISER

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

We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the resolutions, and that our engagement is on normal commercial terms, we are independent of the Company.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”); and (iii) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other factors the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any of such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading. We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

LETTER FROM ALTUS

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group

The Group is principally engaged in the provision of corporate finance advisory services and asset management services through its wholly-owned subsidiary, Yu Ming Investment Management Limited, in securities broking and placing of securities through a wholly-owned subsidiary, Morton Securities Limited, and in money lending business in Hong Kong mainly through another wholly-owned subsidiary, Morgan Finance Limited.

1.1 Past financial information

Set out below is a summary of the key items of the Group's (i) consolidated statement of profit or loss for the two financial years ended 31 December ("FY") 2022 and the six months ended 30 June ("1H FY") 2023; and (ii) consolidated statement of financial position as at 31 December 2022 and 30 June 2023.

Consolidated statement of profit or loss

<i>HK\$'000</i>	FY2021	FY2022	1H FY2022	1H FY2023
Revenue	59,476	76,700	44,667 ⁽¹⁾	21,147 ⁽¹⁾
– advisory and related services	36,700	47,231	26,418	9,048
– asset management services	17,246	14,684	7,557	7,326
– securities and related services	4,484	2,787	1,401	1,186
– referral fees	–	9,125	8,375	375
– sundry income	1,046	1,002	486	475
– loan interest and related income	–	1,871	430 ⁽¹⁾	2,737 ⁽¹⁾
Other net income	547	267	91	5
Other net financial gain/(loss)	(9,785)	(1,739)	(1,201)	892
Operating expenses	(46,644)	(64,078)	(17,598)	(16,735)
<i>including</i>				
– employee benefit	(17,769)	(23,848)	(7,943)	(7,865)
– impairment losses on goodwill	–	(21,724)	–	–
– administrative and other expenses	(23,742)	(18,566)	(9,559)	(8,766)
Profit before income tax	3,594	11,150	25,959	5,309
Income tax expenses	(2,459)	(5,785)	(4,136)	(1,106)
Profit and total comprehensive income attributable to the owners of the Company	1,135	5,365	21,823	4,203

Note:

- (1) Unlike the FY2022 Annual Report, interest revenue was presented as separate line items in the 2023 Interim Report. For easy comparison, interest revenue was added to "Revenue" item.

LETTER FROM ALTUS

FY2022 vs FY2021

The Group's revenue increased by around 29% in FY2022 compared with FY2021 driven mainly by (i) higher revenue from advisory and related services; and (ii) referral fee income derived from its money lending business which the Group expanded into in the second quarter of 2022. Revenue from asset management services, derived solely from services to SHK Hong Kong Industries Limited (“SHK”), declined by about 15% due to lower level of assets under management.

1H FY2023 vs 1H FY2022

The Group's revenue declined significantly to HK\$21.1 million in 1H FY2023 from HK\$44.7 million in 1H FY2022 due mainly to (i) around 66% decrease in revenue from advisory and related services; and (ii) an absence of referral fees from its money lending business. Revenue from asset management services meanwhile remained stable at HK\$7.3 million in 1H FY2023 compared with HK\$7.6 million in 1H FY2022. Other revenue from securities and related services as well as loan interest income from money lending business remained comparatively nominal.

Employee benefit expenses as well as administrative and other expenses were largely stable in 1H FY2023 and 1H FY2022. Given the reduction in revenue, profit before income tax decreased significantly by close to 80% to HK\$5.3 million in 1H FY2023.

Consolidated statement of financial position

<i>HK\$'000</i>	As at 31 December 2022	As at 30 June 2023
Non-current assets	375,700	360,459
<i>including</i>		
– goodwill	281,241	281,241
– intangible assets	60,989	59,263
– mortgage loans	32,370	14,374
Current assets	279,636	278,958
<i>including</i>		
– term loans	1,501	21,772
– financial assets at fair value through profit or loss	11,586	11,607
– client trust bank balances	160,737	143,647
– cash and cash equivalents	91,328	91,906
Current liabilities	(173,544)	(151,743)
<i>including</i>		
– trade and other payables & accrued expenses	(168,834)	(144,995)
Non-current liabilities	(10,063)	(11,742)
Net assets	471,729	475,932
Net tangible assets (excluding goodwill and intangible assets)	129,499	135,428

LETTER FROM ALTUS

The Group's non-current assets principally consisted of goodwill and intangible assets which in aggregate amounted to around HK\$340 million level as at 31 December 2022 and 30 June 2023. Between the aforesaid periods, current assets had remained stable at around HK\$280 million level where in particular, the Group's cash and cash equivalents had remained stable at around HK\$91 million. Aggregate current and non-current liabilities decreased slightly from HK\$183.6 million as at 31 December 2022 to HK\$163.5 million as at 30 June 2023.

In line with the marginal profit recorded, net assets of the Group increased from HK\$471.7 million as at 31 December 2022 to HK\$476.0 million as at 30 June 2023. In term of net tangible assets where goodwill and intangible assets are excluded, it amounted to HK\$129.5 million as at 31 December 2022, and improved slightly to HK\$135.4 million as at 30 June 2023.

1.2 Outlook and prospects of the Group

The Group stated in its 2023 Interim Report that it has been well-prepared to expand its service offerings, and had anticipated the high numbers of delisting notices filed by the Stock Exchange on listed companies will offer opportunities for financial advisory services, coupled with expectations of new businesses after the lifting of COVID travel restrictions.

The Group however stated that capital market post-COVID did not revive as it had expected and its prospect for the full year 2023 and 2024 hinges on new mandates and income recognition of ongoing corporate finance transactions, the renewal of its investment management agreement with SHK, and the subsequent development of its securities business and money lending business.

We noted that overall, the Group's financial performance had deteriorated since FY2022 caused principally by sharp decreased in revenue from non-recurring corporate finance advisory services while performance of its relatively new money lending business appeared not yet stabilised. The stable asset management business provided some respite but it hinges on the annual renewal of its arrangement with SHK, its sole customer.

2. Rationale for the Rights Issue and proposed use of proceeds

2.1 The funding needs

The non-repetitive nature of the Company's corporate finance advisory services, especially in restructuring and resumption cases, has led to a dwindling corporate finance business in recent years. The Group's income declined approximately 53% in 1H FY2023 primarily attributed to a decrease in corporate finance advisory income and the absence of referral fees from its money lending business.

LETTER FROM ALTUS

We noted that in response, the Management intends to mitigate such volatility by setting up a new fund in the asset management business which generates more stable and recurring asset management fees. The Group intends to use approximately HK\$150 million of the net proceeds from the Rights Issue as seed money for the Fund to expand its asset management business and HK\$20 million as capital for the Group's money lending business. In the event that the Rights Issue is not fully subscribed, the Company intends to allocate all the net proceeds to its asset management business, any fund raised above HK\$150 million will then be allocated to money lending business. Set out below is our evaluation of the two proposed uses of the net proceeds.

Expansion of asset management business

We noted that the Group has been providing asset management services exclusively to SHK. Even though SHK was privatised in April 2021, the investment management agreement with SHK continues. The Group's asset management business recorded revenues of approximately HK\$18.3 million, HK\$15.7 million, and HK\$7.8 million for the years ended 31 December 2021 and 2022 and the six months ended 30 June 2023 respectively.

In June 2021, Yu Ming initiated the establishment of the Fund, whose investment objective is to deliver periodic income and achieve long-term capital appreciation in US dollar terms. The Fund's primary targets are high-yield dividend equities listed on the Stock Exchange and fixed income securities. It is noted that the Fund has remained inactive since its establishment as the Group awaits more favourable market conditions to launch the Fund. The Management informed that recent developments in the Hong Kong debt market and the high interest rate environment, as further detailed in the "Letter from the Board", have created an opportune moment for the Fund to relaunch and commence operations.

The Group intends to allocated HK\$150 million from the Rights Issue (or the entire proceeds if the Rights Issue does not raise more than HK\$150 million) as seed money of the Fund. There is no minimum initial capitalisation requirement of the Fund. Following the Fund's launch, an additional HK\$150 million is planned to be raised from third-party professional investors.

We concur with the Management that the launch of the Fund would strategically grow the Company's asset management business and strengthen the Group's income stream. Taking into account (i) that the Management is experienced in providing asset management service; (ii) the recent favourable market developments to launch the Fund; and (iii) that proceeds from the Rights Issue (even if the amount successfully raised is lower than targeted) will enable the Management to kick start and launch the Fund which could bring in additional revenue to the Group, we are of the view that the Group's rationale for fund raising is fair and reasonable.

LETTER FROM ALTUS

Expansion of money lending business

The Group has expanded into money lending business in 2022 which generated revenue of approximately HK\$11.0 million and profit before tax of approximately HK\$9.6 million in FY2022. The Management has however noted that its business scale has been constrained by the availability of capital for further lending. To address this, the Group intends to inject approximately HK\$20 million from the remaining Rights Issue proceeds to increase its financial resources to seize growth opportunities, and to cater to a broader customer base.

Taking into account that (i) money lending business is capital intensive; and (ii) the Management has maintained a reasonable track record since the Group started its money lending business where so far no loss allowance for the Group's mortgage loans and term loans has been necessary since the inception of this business up to the Latest Practicable date, we concur that it is fair and reasonable to allocate some proceeds from the Rights Issue to the money lending business.

2.2 Fund raising method

We understand from the Management that when the Rights Issue was under contemplation, the Company has also considered various fundraising methods, including (i) debt financing; and (ii) other equity fund-raising methods such as placing of new Shares and open offer, and the Company decided to propose the Rights Issue. We analyse and compare such other methods below.

In respect of debt financing, we concur that given the prevailing high interest rate environment, the financing cost for loan or debt will be high. As the uses of proceeds are to fund long term business growth, we concur with the Board that it is prudent to finance the Group's long-term growth with long term financing, preferably in the form of equity which will not incur ongoing financial burden such as interest costs and liquidity risk. In respect of placing of new Shares, it results in a certain dilution on the shareholding of the existing Shareholders. In contrast, the Rights Issue would allow the existing Shareholders the opportunity to participate and maintain their proportionate shareholdings in the Company.

Comparing the Rights Issue with an open offer, while they are similar in nature, an open offer does not allow free trading of rights entitlements in the open market. The Rights Issue will have the mechanism which allows existing Shareholders to (i) increase their respective shareholding in the Company by acquiring additional rights entitlements in the markets (subject to availability); and (ii) potentially recoup some value of their rights entitlements if they do not wish to participate in the Rights Issue by disposing their nil-paid Rights Shares in the market (subject to demand).

LETTER FROM ALTUS

Having considered and compared the various fund-raising methods, in particular the flexibility afforded to the existing Shareholders under the Rights Issue to maintain their proportionate shareholding and potentially recoup the value of their rights entitlements if they do not participate in the Rights Issue, we are of the view that the Rights Issue is the most appropriate fund raising method for the Company under the current circumstances.

3. Principal terms of the Rights Issue and the Placing

3.1 Summary of the key terms

Basis of Rights Issue:	One (1) Rights Share for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.15 per Rights Share
Number of Shares in issue as at the date of this Circular:	1,139,330,190 Shares
Maximum number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 1,139,330,190 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$113,933,019 (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue immediately upon completion of the Rights Issue:	Up to 2,278,660,380 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Maximum proceeds from the Rights Issue before expenses:	Up to approximately HK\$170.9 million (assuming no change in the number of Share in issue on or before the Record Date)
Maximum net proceeds from the Rights Issue:	Up to approximately HK\$170 million (assuming no change in the number of Share in issue on or before the Record Date)
Rights of excess application:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotments

LETTER FROM ALTUS

For further information of the Rights Issue and the Placing, please refer to the “Letter from the Board” in the Circular.

3.2 Subscription Price

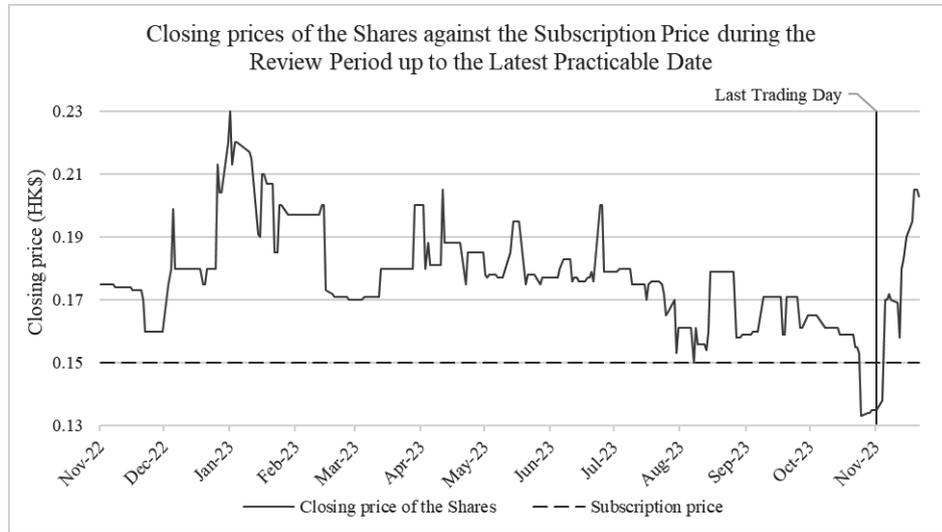
The Subscription Price of HK\$0.15 per Rights Share represents:

- (i) a premium of approximately 11.11% over the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 11.11% over the average closing price of HK\$0.135 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 4.90% over the average closing price of HK\$0.143 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.46% to the average closing price of HK\$0.157 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 9.09% to the average closing price of HK\$0.165 per Share as quoted on the Stock Exchange for the ninety consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 26.11% to the closing price of HK\$0.203 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (vii) a premium of approximately 4.90% over the theoretical ex-rights price of approximately of HK\$0.143 per Share based on the closing price of HK\$0.135 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (viii) a discount of approximately 63.41% to the Audited NAV per Share as at 31 December 2022 of approximately HK\$0.41 and a discount of approximately 64.29% to the Unaudited NAV per Share as at 30 June 2023 of approximately HK\$0.42.

LETTER FROM ALTUS

Historical price performance of the Shares

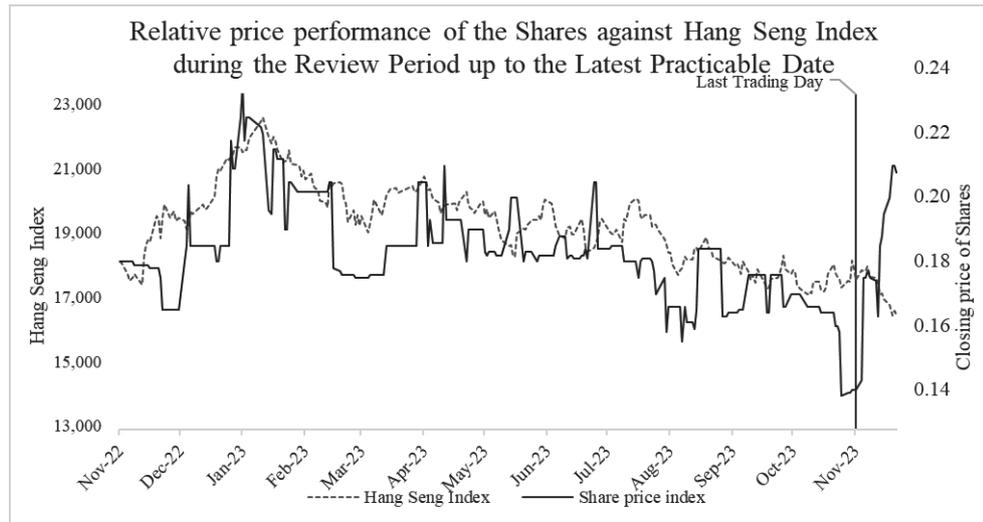
Set out below are two charts illustrating the historical closing price of the Shares during the period from 17 November 2022, being 12 months immediately preceding the Last Trading Day, to the Last Trading Day (the “**Review Period**”). We consider that a period of 12 months, which reflects historical and prevailing market sentiment, is adequate to illustrate the recent price movement of the Shares for the purpose of conducting a reasonable comparison.



As illustrated in the above charts, the closing price of the Shares have been on a general downward trend, with a high of HK\$0.230 recorded on 17 January 2023 and a low of HK\$0.133 recorded on 10 November 2023 during the Review Period. The average daily closing price per Share was HK\$0.177 during the Review Period.

LETTER FROM ALTUS

We note that the Subscription Price of HK\$0.15 per Share is below the average daily closing prices of the Shares throughout the Review Period and represents (i) a discount of approximately 34.8% from the highest closing price; (ii) a premium of 11.3% of the lowest closing price; and (iii) a discount of approximately 15.3% from the average daily closing price of the Review Period.



We noted the price trend of the Shares during the Review Period had generally been in line with general market, as indicated by the Hang Seng Index, illustrated in the table above. However, we noted that the price of Shares dropped sharply and abruptly in the week before the Last Trading Day on insignificant trading volume, and also diverged from general market as indicated by the Hang Seng Index. Therefore, we consider using the closing prices for longer periods, such as 30 and 90 consecutive trading days up to and including the Last Trading Day, as reference to determine the Subscription Price to be more representative. The Subscription Price represents a discount of approximately 4.46% and 9.09% of the closing price for the 30 and 90 consecutive trading days up to and including the Last Trading Day respectively.

From the perspective of encouraging participation in the Rights Issue with reasonable level of discounts to historical and prevailing market price trend of Shares, we consider the Subscription Price to be fair and reasonable.

LETTER FROM ALTUS

Trading liquidity of the Shares

Set out below is the average daily trading volume of the Shares on a monthly basis and the respective percentage of the average daily trading volume of the Shares during the Review Period as compared to (i) the total number of issued Shares as at the Latest Practicable Date; and (ii) the total number of issued Shares held by the public Shareholders as at the Latest Practicable Date.

Month	Number of trading days	Average daily trading volume of Shares	Average daily trading volume as a percentage to the total number of issued Shares ⁽¹⁾⁽²⁾ (%)	Average daily trading volume as a percentage to the total number of issued Shares held by public Shareholders ⁽¹⁾⁽³⁾ (%)
2022				
November	10	0	0.0000	0.0000
December	20	403,600	0.0354	0.1220
2023				
January	18	7,515,467	0.6596	2.2722
February	20	24,810	0.0022	0.0075
March	23	11,196	0.0010	0.0034
April	17	1,180,718	0.1036	0.3570
May	21	197,457	0.0173	0.0597
June	21	13,933	0.0012	0.0042
July	20	21,325	0.0019	0.0064
August	23	30,757	0.0027	0.0093
September	19	35,813	0.0031	0.0108
October	20	10,860	0.0010	0.0033
November (to the Last Trading Day)	12	15,833	0.0014	0.0048
Max			0.6596	0.2722
Min			0.0000	0.0000
Average			0.0615	0.2117

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

Notes:

- (1) Calculated based on the total number of issued Shares as at each month end/period.
- (2) The calculation is based on the average daily trading volume divided by total number of issued Shares as at the end of each relevant month/period.
- (3) The calculation is based on the average daily trading volume divided by total number of issued Shares held by the public Shareholders (i.e. 330,761,576 Shares) as at the Latest Practicable Date.

LETTER FROM ALTUS

As illustrated in the above table, the percentage of average daily trading volume to (i) the total number of issued Share; and (ii) the total number of Shares held by public Shareholders, ranged from approximately nil to 0.6596% and nil to 2.2722% respectively. The average daily trading volume of the Shares during the Review Period was approximately 700,152 Shares, representing approximately 0.0615% and 0.2117% of the total number of issued Shares and the total number of Shares held by public Shareholders as at the Latest Practicable Date, indicating that the Shares were generally illiquid in the open market.

We further note that the average daily trading volume in January 2023 is particularly high as compared to the other months of the Review Period. Based on the disclosure of interest on the website of the Stock Exchange, Xu Haohao, a non-executive Director purchased 79,515,000 Shares on 17 January 2023. For illustration purpose, by excluding the purchase made by Mr. Xu Haohao, the average daily trading volume of Share during the Review Period would be approximately 374,271 Shares, representing approximately 0.0329% and 0.1132% of the total number of issued Shares and the total number of Share held by public Shareholders as at the Latest Practicable Date.

Given the thin trading volume of the Shares, we consider that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount to the prevailing Share price. Taking into account the low trading liquidity of the Shares, we are of the view that, from the perspective of trading liquidity of the Shares, the Rights Issue is an appropriate equity financing method for the Group and the Subscription Price thereunder is fair and reasonable.

Comparison with recent rights issue transactions

In assessing the fairness and reasonableness of the Subscription Price, we have also conducted an analysis on the subscription prices of other recent rights issue exercises. Based on the criteria of (i) rights issues conducted by listed companies on the Stock Exchange; and (ii) rights issues that had issued relevant prospectuses during the six months prior to the Last Trading Day (the “**Comparison Review Period**”), we have identified an exhaustive list of 35 comparable rights issues (the “**Comparables**”).

LETTER FROM ALTUS

Set out below is the list of Comparables.

No.	Prospectus Date	Company name	Stock code	Ratio	Premium/(discount) over/ to closing price on the last trading day (%)	Premium/(discount) over/ to the closing price for the 30 consecutive trading days up to and including the last trading day (%)	Premium/(discount) over/ to the closing price for the 90 consecutive trading days up to and including the last trading day (%)	Theoretical dilution effect (%)	Excess Application (%)	Underwriting commission or placing commission (%)	Funds raised (HK\$ million)	Underwriting
1	9 May 2023	Xinyi Energy Holdings Limited	3868	1 for 10	(9.9)	(8.4)	(15.5)	0.8 Y	Y	N/A	1,629.5	N
2	11 May 2023	Yuexiu Property Company Limited	123	30 for 100	(28.3)	(21.7)	(15.7)	7.2 Y	Y	2.0	8,360.0	Y
3	17 May 2023	CBK Holdings Limited	8428	5 for 1	(15.9)	(14.8)	(21.6)	13.2 N	N	3.5	20.6	N
4	19 May 2023	China Wantian Holdings Limited	1854	1 for 5	(41.9)	(62.3)	(54.5)	7.0 Y	Y	0.1	111.4	Y
5	19 May 2023	Windmill Group Limited	1850	2 for 1	(11.5)	(10.8)	(14.8)	2.8 N	N	1.0	128.2	N
6	19 May 2023	Add New Energy Investment Holdings Group Limited	2623	1 for 3	(13.6)	(13.8)	(10.3)	3.4 N	N	0.0	97.4	Y
7	22 May 2023	PT International Development Corporation Limited	372	1 for 2	(69.2)	(63.8)	(73.5)	23.1 N	N	Underwriting: 0.5 Placing: 0.25	33.6	Y
8	24 May 2023	China Medical & HealthCare Group Limited	383	1 for 2	(15.4)	(11.2)	(17.7)	5.7 Y	Y	2.5	318.6	Y
9	28 May 2023	Haitong International Securities Group Limited	665	3 for 10	0.0	(12.0)	(20.1)	1.0 Y	Y	NA	1,160.0	N
10	31 May 2023	Kingland Group Holdings Limited	1751	1 for 2	(70.4)	(72.2)	(72.7)	23.5 N	N	3.5	14.9	N
11	5 Jun 2023	Sandmartin International Holdings Limited	482	3 for 2	(16.7)	(16.9)	(31.8)	10.0 N	N	Placing: 2 Underwriting: 1	88.6	Y
12	9 Jun 2023	Diwang Industrial Holdings Limited	1950	3 for 2	1.5	(11.9)	(12.4)	6.8 N	N	0.5	289.4	N
13	13 Jun 2023	Alco Holdings Limited	328	4 for 1	(25.0)	(17.8)	(28.4)	20.0 N	N	0.5	90.7	N
14	14 Jun 2023	Pinstone Capital Limited	804	1 for 2	(40.8)	(39.4)	(38.3)	13.6 N	N	NA	30.5	Y
15	15 Jun 2023	Min Fu International Holding Limited	8511	1 for 2	(8.3)	(22.2)	(18.0)	3.3 N	N	4.0	24.0	N
16	27 Jun 2023	Finet Group Limited	8317	1 for 2	(52.4)	(69.0)	(71.5)	18.0 N	N	Placing commission: fixed fee of HK\$20,000	9.3	Y
17	29 Jun 2023	Crosslee Group Holdings Limited	3893	1 for 2	(9.1)	(8.1)	(7.9)	3.0 Y	Y	NA	17.3	N
18	4 Jul 2023	China Zhesang Bank Co., LTD.	2016	3 for 10	(15.2)	(19.5)	(19.0)	6.3 Y	Y	NA	9,756.0	Y
19	11 Jul 2023	China New Consumption Group Limited	8275	3 for 2	(26.5)	(34.4)	(53.3)	16.0 N	N	2.5	35.3	N
20	14 Jul 2023	China Investment Development Limited	204	1 for 1	(41.2)	(31.2)	(55.5)	20.4 N	N	NA	54.1	N
21	14 Jul 2023	Luk Hin Entertainment Group Holdings Limited	8052	1 for 1	(5.9)	(12.6)	(4.4)	2.9 N	N	Underwriting: 3 Placing: 3	40.9	Y
22	19 Jul 2023	China Ruiteng Renewable Energy Holdings Limited	527	5 for 2	(28.0)	14.0	(13.2)	20.0 N	N	Placing: a fixed fee of HK\$70,000 and subject to completion of the Placing, 1.5	213.7	N

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No.	Prospectus Date	Company name	Stock code	Ratio	Premium/(discount) over/ to closing price on the last trading day (%)	Premium/(discount) over/ to the closing price for the 30 consecutive trading days up to and including the last trading day (%)	Premium/(discount) over/ to the closing price for the 90 consecutive trading days up to and including the last trading day (%)	Theoretical dilution effect (%)	Excess Application (%)	Underwriting commission or placing commission (%)	Funds raised (HK\$ million)	Underwriting
23	27 Jul 2023	Hao Bai International (Cayman) Limited	8431	1 for 2	(5.7)	(16.7)	(36.0)	3.8	N	1.6	18.3	N
24	7 Aug 2023	Hi-Level Technology Holdings Limited	8113	1 for 1	(35.5)	(32.5)	(32.8)	17.7	N	1.0	38.0	N
25	9 Aug 2023	Jimu Group Limited	8187	2 for 1	(15.6)	5.1	(39.1)	0.0	Y		14.4	Y
26	15 Aug 2023	Platt Nera International Limited	1949	1 for 2	(58.0)	(56.4)	(56.1)	19.3	N		20.0	N
27	24 Aug 2023	China Best Group Holding Limited	370	2 for 5	(37.3)	(31.5)	(32.9)	11.1	N		90.6	N
28	25 Aug 2023	GBA Holdings Limited	261	4 for 5	(25.0)	(24.1)	(32.6)	11.3	Y		50.2	Y
29	18 Sep 2023	Future World Holdings Limited	572	1 for 1	(27.1)	(31.4)	(49.2)	13.9	Y		70.0	Y
30	18 Sep 2023	Classified Group (Holdings) Limited	8232	3 for 2	(15.0)	(10.0)	(26.6)	8.8	N		14.3	Y
31	27 Sep 2023	Argo Holdings Limited	3313	2 for 1	(4.8)	(18.2)	(22.3)	6.5	N		123.5	N
32	3 Oct 2023	Tasty Concepts Holding Limited	8096	5 for 2	(4.7)	(2.0)	(19.8)	0.0	N		27.5	N
33	5 Oct 2023	Almana Limited	8186	3 for 1	(26.7)	(30.0)	(29.3)	21.8	N		19.0	N
34	6 Oct 2023	Rare Earth Magnesium Technology Group Holdings Ltd.	601	1 for 2	(39.9)	(20.5)	(31.2)	13.3	Y		15.8	Y
35	12 Oct 2023	Asian Citrus Holdings Limited	73	1 for 2	(31.4)	(36.5)	(43.3)	11.1	Y		16.8	Y
			Maximum		1.5	14.0	(4.4)	23.47		Underwriting: fixed fee of HK\$50,000		
			Minimum		(70.4)	(72.2)	(73.5)	0.8		3.5		
			Mean		(24.6)	(26.1)	(32.6)	10.40		0.0		
			Median		(22.1)	(20.5)	(29.3)	7.10		1.3		
		The Company	1073	1 0 1	11.11	(4.46)	(9.09)	0.00		2.0		

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While the Comparables may have different principal business activities and scale of operations, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that they can provide a fair and representative reference as to how the recent market generally perceives rights issues, including their prevailing terms. We also consider that the length of the Comparison Review Period is adequate, and can fairly and reasonably reflect prevailing market conditions.

Based on the above analysis, except for two comparables, being Diwang Industrial Holdings Limited and Alco Holdings Limited, all the other Comparables have set the subscription prices of their rights issues at discount to the prevailing closing prices of the relevant last trading days of their rights issues. Therefore, we consider it is common market practice for rights issues to set their subscription prices at a discount to the prevailing market prices.

As illustrated above, we noted that the discount/premium to the closing price of the Last Trading Day under the Comparables has a wide range from approximately a premium of 1.5% to a discount of 70.4%, with a mean and median of a discount of 24.6% and 22.1% respectively. Due to the abrupt and sharp decrease in Share price in the week before the Last Trading Day on insignificant trading volume, the Subscription Price represents a premium of approximately 11.11% the closing price of the Shares on the Last Trading Day and is higher than the maximum premium, mean and median of the Comparables. For the same reason, the Subscription Price also represented a premium over the average closing price per Share for the five and ten consecutive trading days up to the including the Last Trading Day.

However, with reference to the average closing price per Share for longer periods, we noted that the Subscription Price represented (i) a discount of approximately 4.46% to the average closing price per Share for the 30 consecutive trading days up to and including the Last Trading Day, which is within the Comparables' range of a discount of 72.2% to a premium of 14.0%; and (ii) a discount of approximately 9.09% to the average closing price per Share for the 90 consecutive trading days up to and including the Last Trading Day, which is within the Comparables' range of a discount of 73.5% to a discount of 4.4%.

We noted (i) the abrupt and sharp decrease in Share price in the week before the Last Trading Day as discussed in the section "Historical price performance of the Shares" resulting the Subscription Price being at premiums to Share price on the Last Trading Day and the average closing price of the Share for the five and ten consecutive trading days up to the including the Last Trading Day; and (ii) the Subscription Price represented a discount to the average closing price per Share for longer periods such as the 30 and 90 consecutive trading days up to the including the Last Trading Day, which are also within the range of the Comparables. We have also

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weighed the fact that while setting the Subscription Price at a discount to the historical and prevailing market prices would enhance the attractiveness of the Rights Issue so as to encourage participation from the Qualifying Shareholders, the premium of the Subscription Price to the Last Trading Day mitigates potential dilution effects to Qualifying Shareholders who choose not to participate in the Rights Issue. Based on a combination of the above consideration, we are of the view that the Subscription Price is fair and reasonable.

Excess application

As discussed in the “Letter from the Board” of the Circular, all Qualifying Shareholders are entitled to apply by way of excess application under the EAFs for additional rights Shares in excess of their assured entitlements.

The Excess Rights Shares will comprise:

- (i) any Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) any Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders; and
- (iii) any Rights Shares which would otherwise be allotted but subject to scale down (as described below).

A Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or Excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue or Excess Rights Shares under the EAF will be scaled down to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and (ii) does not cause the Company’s public float to decrease to below 25%. Any subscription monies not utilised due to scaled-down application of entitled Rights Shares or Excess Rights Shares will be refunded to the affected applicants.

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Among the Comparables, 12 of out 35 of the Comparables allow application for excess rights shares. Therefore, we consider that the Rights Issue which allows application for excess Rights Shares and the possibility of applying for excess Rights Shares under the Rights Issue are not uncommon in the market.

3.3 Other terms

Irrevocable undertaking

As at the Latest Practicable Date, save for Mr. Lee Wa Lun, Warren, Mr. Lam Chi Shing, and Ms. Li Ming (being EDs), who are interested in 227,250,000 Shares, 17,800,000 Shares and 17,800,000 Shares respectively and who have indicated they will not subscribe for their entitled Rights Shares and will not apply for the Excess Rights Shares, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue or if they will apply for the Excess Rights Shares. As each Shareholder has his or her own investment circumstance, financial planning and allocation of financial resources, we are of the view that the fact that certain Directors not participating in the Rights Issue has no material effect on our assessment as to the fairness and reasonableness of the terms of the Rights Issue.

Non-underwritten basis of the Rights Issue

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. In the event that the provisional allotments for the Rights Issue are not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders together with the Rights Shares not provisionally allotted to the Non-Qualifying Shareholders will be made available for excess application under the EAFs. There is no minimum subscription level or minimum amount to be raised under the Rights Issue.

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As the Rights Issue will proceed on a non-underwritten basis, a Shareholder who applies to take up all or part of his/her/its entitlement under the PAL and/or Excess Rights Shares under the EAF may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or cause the public float of the Company to decrease to below 25%. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue or Excess Rights Shares under the EAF will be scaled down to a level which (a) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and (b) does not cause the Company's public float to decrease to below 25%. Any subscription monies not utilised due to the scaled-down application of entitled Rights Shares or Excess Rights Shares will be refunded to the affected applicants.

Underwriting arrangement is subject to whether the Company can secure suitable underwriters at reasonable terms and costs, which is subject to, among others, market conditions at the relevant time. We noted that 19 out of the 35 Comparables were conducted on a non-underwritten basis implying it is not uncommon for rights issues to proceed on such basis.

In addition, as the Company is raising capital for expansion instead of discharging financial obligations or fulfilling a forthcoming contractual commitment, there is no necessity to have an assured amount to be raised.

Taking into account that (i) the purpose of the Rights Issue is raising capital for expansion and even if the amount successfully raised is lower than target, it would enable the Management to kick start and launch the Fund; and (ii) the fact that it is not uncommon for rights issues to proceed on non-underwritten basis, we are of the view that it is fair and reasonable for the Rights Issue to proceed on a non-underwritten basis.

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4. Financial impact

The Group's financial position will improve following the Rights Issue.

In terms of net tangible assets per Share, as set out in Appendix II to this Circular, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company would be approximately HK\$0.134 (assuming all Qualifying Shareholders have taken up the Rights Shares), representing an increase of 13.6% as compared to the unaudited consolidated net tangible assets per share attributable to owners of the Company as at 30 June 2023 of approximately HK\$0.118.

In terms of liquidity position, the Group had cash and cash equivalents of approximately HK\$91.9 million and the Group had current assets of approximately HK\$280.0 million and current liabilities of approximately HK\$151.7 million as at 30 June 2023, giving rise to a current ratio (being current assets divided by current liabilities) of approximately 183.8%. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group may increase by up to the amount of net proceeds from the Rights Issue; that is up to approximately HK\$261.9 million. In such case, the current ratio of the Group will potentially increase from approximately 183.8% to 295.9%.

As stated under the paragraphs headed "Expansion of asset management business" of the "Letter from the Board", HK\$150 million of the net proceeds from the Rights Issue is proposed to be allocated as seed money for the Fund. Without the Rights Issue, the existing cash level of the Group as at 30 June 2023 would not be sufficient for such purpose. Besides, given the fluctuating performance of the Group's other business segments, it is reasonable for the Group to maintain its current level of cash balance for operational and working capital needs.

5. Possible dilution effect

All Qualifying Shareholders are entitled to subscribe for the Rights Shares.

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

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For illustrative purposes only set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by any Qualifying Shareholders); (iii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and no Excess Rights Shares taken up); and (iv) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and Excess Rights Shares fully taken up on pro-rata basis):

	(i) As at the Latest Practicable Date		(ii) immediately after completion of the Rights Issue (assuming no acceptance of the Rights Shares by any Qualifying Shareholders and no Excess Rights Shares taken up))		(iii) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and no Excess Rights Shares taken up))		(iv) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and Excess Rights Shares fully taken up on pro-rata basis)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
First Steamship Company Limited ^{1,2}	331,660,000	29.11	331,660,000	29.11	579,500,000	29.99	683,370,248	29.99
Xu Haohao ³	214,058,614	18.79	214,058,614	18.79	428,117,228	22.16	523,512,699	22.98
Lee Wa Lun, Warren ⁴	227,250,000	19.94	227,250,000	19.94	227,250,000	11.76	227,250,000	9.97
Lam Chi Shing ⁴	17,800,000	1.56	17,800,000	1.56	17,800,000	0.92	17,800,000	0.78
Li Ming ⁴	17,800,000	1.56	17,800,000	1.56	17,800,000	0.92	17,800,000	0.78
Public Shareholders	330,761,576	29.04	330,761,576	29.04	661,523,152	34.25	808,927,433	35.50
Total	<u>1,139,330,190</u>	<u>100</u>	<u>1,139,330,190</u>	<u>100</u>	<u>1,931,990,380</u>	<u>100</u>	<u>2,278,660,380</u>	<u>100</u>

Notes:

1. First Steamship Company Limited is a company listed on the Taiwan Stock Exchange Corporation (“TWSE”) (TWSE stock code: 2601). As at the Latest Practicable Date, Henghua Investment Co., Ltd., is the single largest shareholder of First Steamship Company Limited, holding approximately 6.92% of the issued shares of First Steamship Company Limited.
2. As one of the conditions of the Rights Issue is subject to no general offer obligation being triggered under the Takeovers Code, shareholding of First Steamship Company Limited will be scaled down to below 30% in the scenario (iii) and (iv) above. Pursuant to class (1) of the definition of “acting in concert” under the Takeovers Code, First Steamship Company Limited and Mr. Xu Haohao will be presumed to be acting in concert in the event that their respective shareholding in the Company both increased to 20% or more as a result of the Rights Issue, and general offer obligation will be triggered under the Takeovers Code. In such event, First Steamship Company Limited and Mr. Xu Haohao will make application to the Executive to rebut such presumption and/or scale down their shareholding.

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3. Mr. Xu Haohao is a non-executive Director.
4. Mr. Lee Wa Lun, Warren, Mr. Lam Chi Shing and Ms. Li Ming are EDs

We have considered that (i) the Qualifying Shareholder are provided with an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell in the market, subject to availability, their nil-paid rights to subscribe for the Rights Shares; and (iii) while setting the Subscription Price at a discount to the historical and prevailing market prices would encourage participation from the Qualifying Shareholders, the premium of the Subscription Price to the more recent closing prices mitigates potential dilution effects to Qualifying Shareholders who choose not to participate in the Rights Issue.

Based on the above, we are of the view that the implementation of the Rights Issue, which is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to Qualifying Shareholders who choose not to participate in the Rights Issue, is acceptable and justifiable.

RECOMMENDATION

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

Yours faithfully,
For and on behalf of
Altus Capital Limited
Chang Sean Pey
Responsible Officer

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

SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Details of the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 and the audited consolidated financial information of the Group for the years ended 31 December 2020, 2021 and 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (<https://www.irasia.com/listco/hk/dayufinancial>):

- (i) the unaudited financial information of the Group for the six months ended 30 June 2023 is in the interim report of the Company six months ended 30 June 2023 published on 13 September 2023, from pages 18 to 56 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0913/2023091300345.pdf>);
- (ii) the audited financial information of the Group for the year ended 31 December 2022 is in the annual report of the Company for the year ended 31 December 2022 published on 21 April 2023, from pages 72 to 167 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0421/2023042100453.pdf>);
- (iii) the audited financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 21 April 2022, from pages 71 to 155 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042100920.pdf>); and
- (iv) 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 23 April 2021, from pages 68 to 155 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300967.pdf>).

STATEMENT OF INDEBTEDNESS

As at 31 October 2023, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had outstanding indebtedness of lease liabilities amounting to approximately HK\$4,094,000.

Save for the aforesaid outstanding indebtedness of lease liabilities as at the close of business on 31 October 2023, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills and payables), acceptance credits, debentures, mortgages, pledges, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

SUFFICIENCY OF WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the financial resources presently available to the Group including internally generated funds and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of publication of this circular.

MATERIAL ADVERSE CHANGE

As disclosed in the interim report of the Group for the six months ended 30 June 2023, the Group recorded a net profit of approximately HK\$4.2 million for the interim period (2022: approximately HK\$21.8 million), representing a decrease in profit of approximately HK\$17.6 million. The reasons were mainly due to the drop in corporate finance advisory income and the absence of substantial fee income in the money lending business during the interim period despite the favourable decreases in investment loss, amortisation charge of intangible assets and resulting tax effect.

Further as disclosed in the announcement of the Company dated 23 November 2023, based on the unaudited financial information then available together with the Group's unaudited consolidated management accounts for the ten months ended 31 October 2023, owing to goodwill impairment, the Group is expected to record a consolidated net loss of approximately HK\$170 million for the year ending 31 December 2023, as compared to the profit of approximately HK\$5 million for the year ended 31 December 2022.

The consolidated net loss is primarily attributable to the anticipated recognition of non-cash impairment loss on goodwill of approximately HK\$178 million for the year ending 31 December 2023. The remaining goodwill balance will be approximately HK\$103 million after the aforesaid impairment. The corporate finance business of the Group is volatile in nature and subject to market sentiment, given the dampened stock market condition and low activities in the capital markets in Hong Kong, such impairment of goodwill is considered necessary. The impairment loss on goodwill will not have any cash flow impact to the operations of the Group.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up).

BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT

The Group is principally engaged in (i) the provision of corporate finance advisory services; (ii) provision of asset management services; (iii) securities broking and placing; and (iv) money lending business in Hong Kong.

Corporate finance advisory services

Our corporate finance business is volatile in nature and subject to market sentiment. During the six months ended 30 June 2023, the Group's corporate finance business revenue declined compared to the same period in 2022, primarily due to decreased primary and secondary fundraising activities, dampened stock market conditions, and lower capital market activities in Hong Kong. To mitigate these challenges, the Group is actively seeking new engagements for its corporate finance advisory services. Despite miserable market conditions, we still secured over 15 mandates on various transactions in 2023 covering privatisation, general offer, resumption of trading, rights issue and fund raising, as well as advising on contentious situation. However, due to the nature of this business, the performance of this segment largely depends on the Group's ability to secure new mandates in the areas it specializes in, as the corporate finance practice operates primarily on a project basis.

Provision of asset management services

The Group's asset management business offers a recurring revenue. It consists of providing asset management services to SHK, an investment company formerly listed on the Main Board. The performance of the asset management business has remained stable in recent years. For the years ended 31 December 2021 and 2022, as well as the six months ended 30 June 2023, the Group's asset management business recorded revenues of approximately HK\$18,292,000, HK\$15,686,000, and HK\$7,801,000, respectively.

The asset management fee structure under the management agreement with SHK consists of base management fee and performance fee. Base management fee is stable and regular in nature, based on the asset value of SHK from time to time. Performance fee is volatile, depending on the investment performance of SHK every year, subject to high watermark clause. The performance of this segment largely depends on how well the Group manages to make asset allocations and invest in individual securities of SHK.

On another hand, increase in US dollar interest rates have created an opportune moment for the Fund to commence operations. Additionally, the Federal Reserve of the United States recently hinted at a pause in interest rate hikes, and there are indications of initial weakness in the job market, potentially signaling an upcoming recession in the US. High-yielding securities generally exhibit a positive response to lower discount rates. Consequently, it is anticipated that the US will enter a period of moderate interest rate cuts in 2024. The Group views these circumstances as an advantageous backdrop to launch the Fund, which will further enhance the income of the asset management business.

Securities broking and placing services

The Group's securities broking and placing business is affected by the decrease in turnover on the Stock Exchange, up to 31 October 2023, the average daily turnover of 2023 is HK\$78.8 billion, which is significantly lower than the average daily turnover in 2022 and 2021 of HK\$124.9 billion and HK\$166.7 billion respectively. As at the Latest Practicable Date, there were two placing transactions in 2023 but currently, there are no negotiations for new projects. Nonetheless, the securities broking and placing business is dependent on Hong Kong stock market, but could benefit from the potential pause in interest rate hikes hinted by the Federal Reserve of the US, which may stimulate the market and increase securities trading activities.

Money lending services

In 2022, the Company acquired Morgan, a company engaged in money lending business. As of the year ended 31 December 2022, all of the Group's money lending business is conducted through Morgan and its subsidiary, which generated revenue of approximately HK\$11,044,000 and a profit before tax of approximately HK\$9,618,000.

Morgan made many new loans in 2023 but is currently not in any negotiations for new projects. Despite the impact of COVID-19, inflation, rising interest rates, and geopolitical tensions, the loans market in Hong Kong has remained relatively robust. It is anticipated that Morgan can expand its business and increase its revenue stream by participating in more significant loan transactions after the injection of capital.

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

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2023 (the “Unaudited Pro Forma Financial Information”) prepared by the Directors in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Rights Issue on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 as if the Rights Issue had taken place on 30 June 2023.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, 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 or any future date after the completion of the Rights Issue.

The following Unaudited Pro Forma Financial Information was prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023, as extracted from the published interim report for the six months ended 30 June 2023 of the Company and adjusted as described below:

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 HK\$'000	Estimated net proceeds from the Rights Issue HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after the completion of the Rights Issue HK\$'000
Based on 1,139,330,190 Rights Shares to be issued at Subscription Price of HK\$0.15 per Rights Share	<u>135,428</u> (Note 1)	<u>170,050</u> (Note 2)	<u>305,478</u>
Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 per Share before the completion of the Rights Issue (Note 3)			<u>HK\$0.119</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 per Share immediately after the completion of the Rights Issue (Note 4)			<u>HK\$0.134</u>

Notes:

1. The amount of consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 of approximately HK\$135,428,000 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company of approximately HK\$475,932,000, after deducting goodwill of approximately HK\$281,241,000 and intangible assets of approximately HK\$59,263,000 as at 30 June 2023, as extracted from the Group's published interim report for the six months ended 30 June 2023.
2. The estimated net proceeds of approximately HK\$170,050,000 from the Rights Issue are calculated based on gross proceeds of approximately HK\$170,900,000 from the issue of 1,139,330,190 Rights Shares at the Subscription Price of HK\$0.15 per Rights Share after deduction of the estimated professional fees and other related expenses payable by the Company of approximately HK\$850,000 attributable to the Rights Issue.
3. The unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2023 is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$135,428,000 divided by 1,139,330,190 Shares in issue as at 30 June 2023.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 per share immediately after the completion of the Rights Issue (assuming full acceptance of the Rights Shares by all Qualifying Shareholders except EDs and Excess Rights Shares fully taken up on pro-rata basis) is arrived at based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 immediately after completion of the Rights Issue of approximately HK\$305,478,000 divided by 2,278,660,380 Shares which comprise of 1,139,330,190 Shares in issue as at 30 June 2023 and 1,139,330,190 Rights Shares to be issued assuming that the Rights Issue has been completed on 30 June 2023.
5. Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

The following is the text of the independent reporting accountants' assurance report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this Circular.



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

To the directors of Da Yu Financial Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Da Yu Financial Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 and related notes as set out on pages 57 to 58 of Appendix II of the Company's circular dated 11 December 2023 (the "Circular") in connection with the proposed rights issue of the Company on the basis of one Rights Share for every one existing share held by the qualifying shareholders at the close of business on the record date (the "Proposed Rights Issue"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages 57 to 58 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Rights Issue on the Group's financial position as at 30 June 2023 as if the Proposed Rights Issue had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company 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 "Stock Exchange") (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Management

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

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company 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 a 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 Proposed Rights Issue at 30 June 2023 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 entity, 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 of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; 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.

BDO Limited

Certified Public Accountants

Hong Kong

11 December 2023

RESPONSIBILITY STATEMENT

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

SHARE CAPITAL

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

As at the Latest Practicable Date

Authorised share capital:	<i>HK\$</i>
10,000,000,000 Shares of HK\$0.10 each	1,000,000,000.00
Issued and paid-up share capital:	
1,139,330,190 Shares of HK\$0.10 each	113,933,019.00

Immediately following the completion of the Rights Issue (assuming no other issue or repurchase of Shares up to completion of the Rights Issue)

Authorised share capital:	<i>HK\$</i>
10,000,000,000 Shares of HK\$0.10 each	1,000,000,000.00
Issued and paid-up share capital:	
2,278,660,380 Shares of HK\$0.10 each immediately following the completion of the Rights Issue	227,866,038.00

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 allotted and issued 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.

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

The Company had not issued any Shares since 31 December 2022, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

As at the Latest Practicable Date, no member of the Group was under option, or agreed conditionally or unconditionally to be put under option.

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

DISCLOSURE OF INTERESTS

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 interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be 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 they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange, were as follows:

(i) Long positions in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
Mr. Lee Wa Lun, Warren	Beneficial owner	227,250,000	19.94%
Mr. Xu Haohao	Interest of controlled corporation/Beneficial owner	214,058,614 [#]	18.79%
Mr. Lam Chi Shing	Beneficial owner	17,800,000	1.56%
Ms. Li Ming	Beneficial owner	17,800,000	1.56%

[#] Details were disclosed in Note 3 in the section headed "Interest of substantial shareholders" below.

As at the Latest Practicable Date, saved as disclosed above, none of the Directors and chief executive of the Company were interested in or were deemed to have interests or short positions 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 contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange; or (iv) were required to be disclosed under the Takeovers Code.

Interest of substantial shareholders

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, the following person, other than a Director or chief executive of the Company, had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% 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 of Shareholder	Capacity	Number of Shares held	Approximate percentage of the total issued share capital of the Company
First Steamship Company Limited	Beneficial owner	331,660,000 <i>(Note 1)</i>	29.11%
Ms. Cheung Kit Shan Susanna	Interest of a spouse	227,250,000 <i>(Note 2)</i>	19.94%
Beyond Global Enterprises Limited (“Beyond Global”)	Interest of controlled corporation	213,553,614 <i>(Note 3)</i>	18.74%
Victory Gain Ventures Limited (“Victory Gain”)	Beneficial owner	206,768,614 <i>(Note 3)</i>	18.15%
IXL Fund	Beneficial owner	6,785,000 <i>(Note 3)</i>	0.59%
Allied Group Limited (“AGL”)	Interest of controlled corporation	64,590,000 <i>(Note 4)</i>	5.66%
Mr. Lee Seng Hui	Interest of controlled corporation	64,590,000 <i>(Noted 4)</i>	5.66%
Mr. Lee Seng Huang	Interest of controlled corporation	64,590,000 <i>(Note 4)</i>	5.66%
Ms. Lee Su Hwei	Interest of controlled corporation	64,590,000 <i>(Note 4)</i>	5.66%
Mr. Chan Kin	Interest of controlled corporation	57,360,000 <i>(Note 5)</i>	5.03%
Argyle Street Management Holdings Limited (“ASMH”)	Interest of controlled corporation	57,360,000 <i>(Note 5)</i>	5.03%

Notes:

1. First Steamship Company Limited is a company listed on the Taiwan Stock Exchange Corporation (“TWSE”) (TWSE stock code: 2601). As at the Latest Practicable Date, Henghua Investment Co. Ltd., is the single largest shareholder of First Steamship Company Limited, holding approximately 6.92% of the issued shares of First Steamship Company Limited.
2. Ms. Cheung Kit Shan Susanna is the spouse of Mr. Lee Wa Lun, Warren. By virtue of the SFO, Ms. Cheung Kit Shan Susanna is deemed to have an interest in the said shares in which Mr. Lee Wa Lun, Warren is interested.

3. As per notification filed by Mr. Xu Haohao with the relevant event date of 6 December 2023, Victory Gain holds 206,768,614 Shares, which is direct wholly-owned by Beyond Global; IXL Fund holds 6,785,000 Shares, which is indirect wholly-owned by Beyond Global through its wholly-owned subsidiaries; and Beyond Global is wholly-owned by Mr. Xu Haohao. Therefore, Mr. Xu Haohao and Beyond Global are respectively deemed to have an interest in the said shares in which Victory Gain and IXL Fund are interested. In addition, Mr. Xu Haohao has personal interest in 505,000 Shares.
4. Universal Way Limited holds 64,590,000 Shares, which is indirect wholly-owned by AGL through its wholly-owned subsidiaries. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of Lee and Lee Trust, being a discretionary trust. Lee and Lee Trust controlled approximately 74.99% of the total number of issued shares of AGL (inclusive of Mr. Lee Seng Hui's personal interests). Therefore, Mr. Lee Seng Hui, Ms. Lee Su Hwei, Mr. Lee Seng Huang and AGL are respectively deemed to have an interest in the said shares in which Universal Way Limited is interested.
5. ASM Connaught House Fund LP and ASM Connaught House (Master) Fund III LP hold 45,850,000 Shares and 11,510,000 Shares respectively, which are held indirectly by ASMH through a number of controlled corporations. Mr. Chan Kin has over 50% controlling interests in ASMH. Therefore, Mr. Chan Kin and ASMH are respectively deemed to have an interest in the said shares in which ASM Connaught House Fund LP and ASM Connaught House (Master) Fund III LP are interested.

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 disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% 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.

DIRECTORS' SERVICES CONTRACTS

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).

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.

DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND OTHER INTERESTS

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 December 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.

MATERIAL CONTRACTS

As at the Latest Practicable Date, there is no material contract (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 from 17 November 2021 (being the date falling two years immediately preceding 17 November 2023 (being the date of the Announcement)) up to and including the Latest Practicable Date.

LITIGATION

As at the Latest Practicable Date, the Group has the following litigations:

1. On 8 May 2017 Yu Ming received a writ of summons dated 5 May 2017 filed by China Health Group Limited (formerly China Healthcare Holdings Limited) as plaintiff (“Plaintiff”) against (i) Yu Ming; (the “Action”) (ii) 賈虹生 ; and (iii) 趙愷 as defendants under High Court Action No. HCA1077/2017. Pursuant to the statement of claim therein, Plaintiff sought, *inter alia*, against Yu Ming a declaration that the engagement letter entered into in March 2016 and another engagement letter entered into in May 2016 between Plaintiff and Yu Ming are void and an order that Yu Ming do forthwith pay the sum of HK\$5,300,000, being the fees paid by Plaintiff to Yu Ming under the said engagement letters, to Plaintiff. Yu Ming has appointed legal advisor to act for it in relation to the Action, and based on the information and documents Yu Ming provided to it, such legal advisor is of the opinion that Yu Ming has good prospect of successfully defending the Action. Furthermore, Yu Ming has on 7 June 2017 taken out an application to the court to strike out the Action on the ground that it discloses no reasonable cause of action and/or is frivolous or vexatious and/or is unnecessary and tends to prejudice, embarrass or delay the fair trial of the action and/or is otherwise an abuse of the process of the court. The hearing of the application scheduled to be heard on 21 June 2017 has been adjourned by consent. Plaintiff filed and served its affirmation in opposition to the striking out summons on 29 August 2017, and Yu Ming filed and served its affirmation in reply on 1 November 2017. The hearing for the striking out summons was heard on 19 June 2018 and the application was dismissed. Plaintiff filed its amended statement of claim (which

amendments are principally additional details which Plaintiff averred support its claims, but no amendments were made to the actual claims and reliefs sought against the defendants in the statement of claim) on 30 August 2018, Yu Ming has filed its defence and counterclaim by 11 October 2018 and Plaintiff has filed its reply and also served a Mediation Notice on 4 January 2019. Yu Ming served its request for further and better particulars of Plaintiff's reply on 10 January 2019 and filed and served an amended defence on 17 January 2019. Mediation took place on 25 February 2019 but was unsuccessful and the parties failed to reach any agreement. Plaintiff filed and served answers to the request for further and better particulars of Plaintiff's reply on 18 April 2019. The Plaintiff has filed in court a re-renewed writ of summons on 4 June 2019, and the re-renewed writ of summons has expired on 8 May 2020. The Plaintiff has not applied for a renewal of the expired re-renewed writ of summons after May 2020.

The Group's legal advisor is of the view that Yu Ming is entitled to rely on the "indoor management rule", which states that any person contracting with a company and dealing in good faith with the same may assume that acts within its constitution and powers have been properly and duly performed and are not bound to inquire whether acts of internal management have been regular. They are also of the view that there are contemporaneous records and correspondence evidencing Yu Ming's work done for the plaintiff pursuant to the engagement letters. Based on the information and documents provided to it by Yu Ming, the Group's legal advisor is of the opinion that, the vagaries of litigation aside, Yu Ming is very likely to successfully defend the Action.

The Directors, having obtained the legal opinion from the legal advisor, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated and determined that no provision in respect of this case was made for the six months ended 30 June 2022 and 2023.

2. In prior years, several plaintiffs filed writ of summons against Yu Ming. At the end of the reporting period, the Directors, having obtained the legal opinion from the legal advisors that no litigation has yet been commenced against Yu Ming up to the date of 2023 Interim Report, although respective plaintiffs are entitled to serve a writ of summons on any defendant within 12 months of the issue of writ of summons and to apply for extension of the validity of the writ of summons for a period of not exceeding 12 months from the expiry date of the writ of summons and to serve the writ of summons within such extended period, the writs of summons have lapsed since they have not been served within such period, and no demand or claim has been received from respective plaintiffs in relation to any of the matters mentioned in the said writs of summons, considered that the ultimate outcome and potential obligation of these cases cannot be reliably estimated and determined that no provision in respect of these cases were made for the six months ended 30 June 2022 and 2023.

Save as disclosed above, no member of the Group was involved in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened against any member of the Group as at the Latest Practicable Date.

EXPERTS AND CONSENTS

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

Name	Qualification
BDO Limited	Certified public accountants
Altus	A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

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 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including printing, registration, translation, legal, financial advisory, accounting and other professional fees, are estimated to be approximately HK\$0.9 million.

PARTICULARS OF DIRECTORS

Biographies of the existing Directors are set out below:

Executive Directors**Mr. Lee Wa Lun, Warren (“Mr. Warren Lee”)**

Mr. Warren Lee, aged 60, was appointed as an executive Director on 25 July 2019 and acts as the Managing Director and the chairman of the executive committee of the Company. He was one of the founding directors of Yu Ming in August 1996 and has worked in Yu Ming ever since. Mr. Warren Lee is responsible for overseeing business development of Yu Ming, maintaining client relationship, monitoring industry developments and supervising corporate finance advisory and asset management teams on the provision of services to clients. Mr. Warren Lee is also a director of certain subsidiaries of the Company.

Mr. Warren Lee is currently a director of SHK, a company formerly listed on the Main Board (former stock code: 666, which was privatised in April 2021). He was appointed as SHK’s director in September 2004.

Mr. Warren Lee was appointed as an independent non-executive director of Wise Ally International Holdings Limited (“Wise Ally”) in December 2019. Wise Ally is a company listed on the Main Board (stock code: 9918).

From December 2008 to November 2013, Mr. Warren Lee was a director of First Natural Foods Holdings Limited (now known as Imperial Pacific International Holdings Limited), a company listed on the Main Board (stock code: 1076). From June 2010 to June 2013, Mr. Warren Lee was an executive director of Viva China Holdings Limited (now known as Viva Goods Company Limited), a company formerly listed on GEM of the Stock Exchange (former stock code: 8032) and now transferred to the Main Board (stock code: 933).

From December 2006 to May 2007, Mr. Warren Lee was the chief executive officer of Nam Tai Electronics, Inc. (now known as Nam Tai Property Inc.), an electronics manufacturing services provider listed on the New York Stock Exchange (NYSE: NTP). Between March 2004 and February 2006, he was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited (“NTEEP”), a company formerly listed on the Main Board (former stock code: 2633, which was privatised on 13 November 2009). Between February 2006 and April 2007, he was re-designated as a non-executive director of NTEEP. Between January 2007 and April 2007, he was also a non-executive director of J.I.C. Technology Company Limited (now known as China Renewable Energy Investment Limited), a company listed on the Main Board (stock code: 987).

Mr. Warren Lee graduated with a Bachelor of Science degree from the University of East Anglia in the United Kingdom in 1986 and obtained a distinction in Master of Science degree from The City University Business School in London in 1988.

Mr. Warren Lee is licensed by the SFC to act as a Responsible Officer to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Mr. Lam Chi Shing (“Mr. Lam”)

Mr. Lam, aged 43, was appointed as an executive Director on 25 July 2019 and is a member of the executive committee of the Company. He joined Yu Ming in 2005. He is a director and the portfolio manager of Yu Ming and is licensed by the SFC to act as a Responsible Officer to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. Mr. Lam mainly supervises the asset management business of Yu Ming. He is responsible for formulating investments ideas, identifying different investment opportunities both in listed and unlisted securities and execution of investment decisions. He is also involved in the provision of corporate finance services by Yu Ming. Mr. Lam is also a director of certain subsidiaries of the Company.

Mr. Lam has over 16 years of experience in asset management and corporate finance gained in Yu Ming. Prior to joining Yu Ming, Mr. Lam worked in corporate lending and syndication department of The Bank of East Asia, Limited. Mr. Lam graduated from The Chinese University of Hong Kong in 2002 with a Bachelor of Business Administration degree, and is accredited with Chartered Financial Analyst since September 2009.

Ms. Li Ming (“Ms. Li”)

Ms. Li, aged 46, was appointed as an executive Director on 25 July 2019 and is a member of the executive committee of the Company. Ms. Li has over 20 years of experience in corporate finance. She joined Yu Ming in October 2007. She is a director of Yu Ming and is responsible for supervising and leading execution of corporate finance projects of Yu Ming. She is also involved in the provision of asset management services by Yu Ming. Ms. Li is also a director of certain subsidiaries of the Company. Prior to joining Yu Ming, Ms. Li worked with Asian Capital (Corporate Finance) Limited from April 2001 to October 2007.

Ms. Li is also appointed as an independent non-executive director of Fufeng Group Limited, a company listed on the Main Board (stock code: 546), effective from 1 April 2022.

Ms. Li is licensed by the SFC to act as a Responsible Officer to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as well as a Licensed Representative to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Ms. Li obtained Master of Finance (Investment Management) degree from The Hong Kong Polytechnic University in 2010 and Bachelor of Arts degree in Business Administration awarded by the University of Hertfordshire of the United Kingdom in 2000.

Non-executive Directors

Mr. Kuo Jen-Hao (“Mr. Kuo”)

Mr. Kuo, aged 47, was appointed as a non-executive Director on 23 December 2019. Mr. Kuo is the chairman of board of directors of the Company and a member of each of audit committee and remuneration committee of the Company. He is also the director of certain subsidiaries of the Company. Mr. Kuo is currently the chairman and the general manager of First Steamship Company Limited (“First Steamship”), a substantial shareholder of the Company, and a director and the chairman of Grand Ocean Retail Group Limited, a subsidiary of First Steamship. Both companies listed on the Taiwan Stock Exchange Corporation. In addition, Mr. Kuo is also a chairman of Taiwan Environment Scientific Co., Ltd., a company listed on the Taipei Exchange, and a non-executive director and chairman of the board of Sandmartin International Holdings Limited (“Sandmartin”), a company incorporated in Bermuda with limited liability with its shares listed on the Main Board (stock code: 482). He was a non-executive director and chairman of the board of Summit Ascent Holdings Limited, a company listed on the Main Board (stock code: 102), for a period from December 2017 to April 2019. He was also a director of IRC Properties Inc. (now known as Philippine Infradev Holdings Inc.), a company listed on the Philippine Stock Exchange, for the period from July 2017 to May 2018.

A winding up petition dated 5 July 2017 was filed by a petitioner against Sandmartin (the “Petition”), which was prior to the appointment of Mr. Kuo as a non-executive director of Sandmartin, and the Petition was dismissed by an order granted by the High Court of Hong Kong on 7 January 2019.

Mr. Kuo has several years of work experience in investment advisory, financial advisory and corporate finance at PricewaterhouseCoopers, Bank of America Merrill Lynch and Private Equity Management Group and held various key roles at several private and listed companies engaging in (i) the administrative and corporate business; (ii) corporate finance; and (iii) general management in real estate development business, shipping business, retailing business and logistics business. Mr. Kuo has a wealth of experience in business strategy development and innovation management.

Mr. Kuo graduated with a Bachelor's degree in Business Administration from Aletheia University in Taiwan and holds a Master degree of Business Administration from Pace University in 2003 in the United States. Mr. Kuo is an inactive certified public accountant of the New Jersey State Board of Accountancy.

Mr. Xu Haohao (“Mr. Xu”)

Mr. Xu, aged 39, was appointed as a non-executive Director on 31 May 2023 and is a member of the audit committee and the nomination committee of the Company. He is also a director of a subsidiary of the Company. Mr. Xu is currently a major shareholder and executive director of Yuen Wo International Limited, a company registered in Hong Kong. Mr. Xu holds a Bachelor's degree in Financial Administration from University of Winnipeg, Canada and an EMBA degree from the City University of Hong Kong. Mr. Xu has extensive experience in financial and corporate management. From September 2019 to August 2022, Mr. Xu served as executive director and the chief executive officer of Man Sang International Limited, a company listed on the Main Board (stock code: 938). Previously, Mr. Xu served as an executive director of CWT International Limited, a company listed on the Main board (formerly known as Shougang Concord Technology Holdings Limited, stock code: 521) from December 2014 to June 2019 and held various senior management positions including co-chairman and chief executive officer during his term of service. From November 2016 to September 2019, Mr. Xu was also a non-executive director of AID Life Science Holdings Limited (now known as 8088 Investment Holdings Limited), a company formerly listed on GEM (former stock code: 8088, which was privatised in August 2022), and from May 2018 to April 2019, a director of HY Energy Group Co., Ltd., an A-Shares listed company on the Shanghai Stock Exchange (stock code: 600387). From September 2012 to March 2014, Mr. Xu worked in finance department of Hong Kong Airlines Limited.

Mr. Xu is a director and shareholder of Beyond Global Enterprises Limited, a substantial shareholder of the Company. He is also a director of Victory Gain Ventures Limited, a substantial shareholder of the Company and a subsidiary of Beyond Global Enterprises Limited.

Independent Non-executive Directors**Mr. Chan Sze Chung (“Mr. Chan”)**

Mr. Chan, aged 53, was appointed as an independent non-executive Director on 26 July 2019. He is also the chairman of the audit committee and a member of each of remuneration committee and nomination committee of the Company. He has over 20 years of experience in finance and accounting. Mr. Chan is currently an independent non-executive director of Tongfang Kontafarma Holdings Limited (now known as Kontafarma China Holdings Limited), a company listed on the Main Board (stock code: 1312).

From December 2009 to August 2010, Mr. Chan was the chief financial officer of Coolpoint Energy Limited (now known as Viva Goods Company Limited), a company formerly listed on GEM of the Stock Exchange (former stock code: 8032) and now transferred to the Main Board (stock code: 933).

Mr. Chan became financial controller of Nam Tai Group Management Limited in April 2001, and was promoted in September 2008 as chief financial officer of NTEEP, a company formerly listed on the Main Board (former stock code: 2633, which was privatised on 13 November 2009) and also as acting chief financial officer of Nam Tai Electronics, Inc. (now known as Nam Tai Property, Inc.), a company listed on the New York Stock Exchange (NYSE: NTP).

Before joining Nam Tai Group Management Limited, Mr. Chan was employed as the financial controller of J.I.C. Enterprises (Hong Kong) Limited, a company engaged in manufacturing and trading of liquid crystal display panels, and was employed by Deloitte Touche Tohmatsu during the period from January 1993 to August 1997 and served as a senior accountant at the time of his resignation.

Mr. Chan graduated from the University of Wales with a Bachelor of Arts degree in Accounting and Finance in 1991 and obtained a Master of Arts degree in Accounting and Finance at the University of Lancaster in December 1992. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, and that he is also recognised as a chartered financial analyst by the CFA Institute of the United States of America.

Mr. Suen Chi Wai (“Mr. Suen”)

Mr. Suen, aged 59, was appointed as an independent non-executive Director on 26 July 2019. He is also the chairman of the nomination committee and a member of each of audit committee and remuneration committee of the Company. Mr. Suen is a practising solicitor in Hong Kong. He was a partner of Withers from February 2018 to March 2023, he is currently a consultant of Withers. He has more than 20 years of experience in corporate finance and with area of practice principally in initial public offerings on the Stock Exchange, mergers and acquisitions, corporate reorganisations and Listing Rules compliance, and he has advised clients from various industries such as clean energy, pharmaceutical, medical, retails, manufacturing, entertainment and biological.

Mr. Suen has served as an independent non-executive director of Xin Yuan Enterprises Group Limited, a company listed on the Main Board (stock code: 1748) since September 2018, Venus Medtech (Hangzhou) Inc., a company listed on the Main Board (stock code: 2500) since July 2019, and BoardWare Intelligence Technology Limited, a company listed on the Main Board (stock code: 1204) since June 2022.

Before joining Withers, Mr. Suen was an associate and later a partner of DLA Piper Hong Kong from June 2007 to May 2012 and May 2012 to February 2018, respectively, and served as a manager in the investment products department of the SFC from October 2005 to July 2006, responsible for reviewing applications of collective investment schemes and monitoring continuing compliance of authorised schemes. Mr. Suen was an assistant solicitor at Woo Kwan Lee & Lo from September 2000 to March 2005.

Mr. Suen received a Bachelor of Science degree from the University of East Anglia in the United Kingdom in July 1987 and a Postgraduate Certificate in Laws from the University of Hong Kong in June 1998. Mr. Suen was admitted as a solicitor in Hong Kong in October 2000 and in England and Wales in December 2003. Mr. Suen has also been a fellow member of the Association of Chartered Certified Accountants since May 1998 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 1993.

Mr. Sum Wai Kei, Wilfred (“Mr. Sum”)

Mr. Sum, aged 59, was appointed as an independent non-executive Director on 26 July 2019. He is also the chairman of the remuneration committee and a member of each of audit committee and nomination committee of the Company.

Mr. Sum is the head of corporate finance, equity capital markets and debt capital markets department of BOCOM International Holdings Company Limited (“BOCOM”). He had been with BOCOM from September 2008 to September 2016 and rejoined in March 2017. Between 2002 and 2008, Mr. Sum had been with TSC Capital Limited (now known as KGI Capital (Hong Kong) Limited). After leaving BOCOM in September 2016 and before re-joining in March 2017, he worked in CEB International Capital Corporation Limited and Celestial Capital Limited.

Mr. Sum was admitted as Certified Practising Accountant of the Australian Society of Certified Practising Accountants in 1997 until 2008. Mr. Sum obtained a Bachelor of Science degree from the University of East Anglia in the United Kingdom in 1986 and a Master of Commerce degree from the University of New South Wales in Australia in 1992.

Business address of the Directors

The business address of the Directors is the same as the Company’s principal office in Hong Kong at Room 1801, 18th Floor Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Registered office:	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong:	Room 1801 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong
Legal advisers to the Company as to Hong Kong law:	Robertsons 57th Floor The Center 99 Queens Road Central Hong Kong
Principal share registrar and transfer office:	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office:	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Financial adviser to Company:	Yu Ming Investment Management Limited Room 1801 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong

Independent financial adviser:	Altus Capital Limited 21 Wing Wo Street Central Hong Kong
Auditors and reporting accountants:	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Principal bankers:	BNP Paribas Hong Kong Branch 63rd Floor Two IFC 8 Finance Street Central Hong Kong OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong
Authorised representatives:	Mr. Lee Wa Lun, Warren Room 1801 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong Mr. Lee Hon Sang Room 1801 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong

Company Secretary:

Mr. Lee Hon Sang

Certified public accountant of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants

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.

DOCUMENTS ON DISPLAY

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

- (i) the letter from Altus, the text of which is set out on pages 30 to 52 of this circular;
- (ii) the report from BDO Limited on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular; and
- (iii) the written consents of the experts as referred to in the section headed “Experts and Consents”.

NOTICE OF EGM



DA YU FINANCIAL HOLDINGS LIMITED

大禹金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Da Yu Financial Holdings Limited (the “Company”) will be held at Plaza 3, Basement 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Thursday, 28 December 2023 at 10:30 a.m. for the purpose of considering, if thought fit, passing with or without amendments, the following ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** subject to the satisfaction of the conditions set out in the letter from the board (the “Board”) of directors (the “Director(s)”) of the Company under the heading “Conditions of the Rights Issue” in the circular of the Company dated 11 December 2023 (the “Circular”) (including the conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting and not having revoked the listing of and permission to deal in the Rights Shares (as defined below)):

- (a) the issue by way of rights (the “Rights Issue”) of a maximum of 1,139,330,190 new shares (the “Rights Shares” and each a “Rights Share”) at a subscription price of HK\$0.15 per Rights Share to the qualifying shareholders of the Company (the “Qualifying Shareholders”) whose names appear on the register of members of the Company on 10 January 2024 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the “Record Date”) (other than those shareholders (the “Non-Qualifying Shareholders”) with registered addresses outside Hong Kong whom the Board, after making reasonable enquiries, considers it necessary or expedient not to offer the Rights Shares to them on account either of legal restrictions or prohibitions under the laws of the relevant jurisdictions or the requirements of the relevant regulatory body or stock exchange in such jurisdictions) on the basis of one (1) Rights Share for every one (1) share of the Company then held on the Record Date and pursuant to the terms and conditions as set out in the Circular (a copy of which marked “A” is produced to the Meeting and initialed by the chairman of the Meeting for the purpose of identification) of which this notice convening the Meeting forms part, be and is hereby approved;

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- (b) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Non-Qualifying Shareholders as he/she deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (c) any one of the Directors be and is hereby authorised to do all such acts and things, as he/she may in his/her discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he/she considers necessary or expedient in his/her opinion to implement and/or give effect to the Rights Issue and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

By Order of the Board
Da Yu Financial Holdings Limited
Kuo Jen-Hao
Chairman

Hong Kong, 11 December 2023

Notes:

1. Any member entitled to attend, speak and vote at the Meeting will be entitled to appoint a proxy or, if such member is a holder of two or more shares, proxies to attend, speak and vote in such member's stead. A proxy need not be a member of the Company but must attend the Meeting in person to represent the appointing member.
2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting (i.e. by 10:30 a.m. on Tuesday, 26 December 2023) or any adjournment thereof.
3. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the Meeting convened or any adjournment thereof (as the case may be) and in such event the instrument appointing the proxy shall be deemed to be revoked.

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4. Where there are joint holders of any share, any one of such joint holders may vote at the Meeting, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, whether in person or by proxy, the one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
5. To ascertain shareholders' eligibility to attend, speak and vote at the Meeting, the register of members of the Company will be closed from Wednesday, 20 December 2023 to Thursday, 28 December 2023, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend, speak and vote at the Meeting, all transfers of share ownership, accompanied by the relevant share certificates, must be lodged with the Hong Kong branch share registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 19 December 2023.
6. References to time and dates in this notice are to Hong Kong time and dates.

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

Non-executive Directors:

Mr. Kuo Jen-Hao (*Chairman*)

Mr. Xu Haohao

Executive Directors:

Mr. Lee Wa Lun, Warren (*Managing Director*)

Mr. Lam Chi Shing

Ms. Li Ming

Independent Non-executive Directors:

Mr. Chan Sze Chung

Mr. Suen Chi Wai

Mr. Sum Wai Kei, Wilfred