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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China National Culture Group Limited (the “Company”), you should at once forward this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

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# CNCG

## CHINA NATIONAL CULTURE GROUP LIMITED

### 中國國家文化產業集團有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 745)**

**(1) PROPOSED CAPITAL REORGANISATION;  
(2) PROPOSED CHANGE IN BOARD LOT SIZE;  
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
TWO RIGHTS SHARES FOR EVERY ONE ADJUSTED SHARE  
HELD ON THE RECORD DATE;  
(4) PROPOSED APPOINTMENT OF AUDITOR; AND  
(5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing Agent

**Suncorp**  
Securities Limited

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

**VINCO** 榮高

**Vinco Financial Limited**

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

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 21 January 2025. Dealings in the Rights Shares in their nil-paid form will take place from Thursday, 6 February 2025 to Thursday, 13 February 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. (Hong Kong time) on Friday, 7 March 2025 (or such later date as the Company may determine), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional and may not proceed.

**Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Please refer to the section headed “Conditions of the Rights Issue” in this circular. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent places under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.**

A letter of advice from Vinco Financial Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 41 to 63 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on page 40 of this circular.

**A notice convening the EGM to be held at 11 a.m. on Monday, 18 November 2024 at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong together with the form of proxy are enclosed with this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.**

31 October 2024

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## CONTENTS

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	<i>Page</i>
<b>Expected timetable</b> .....	1
<b>Definitions</b> .....	5
<b>Letter from the Board</b> .....	12
<b>Letter from the Independent Board Committee</b> .....	40
<b>Letter from Vinco Financial</b> .....	41
<b>Appendix I – Financial information of the Group</b> .....	I-1
<b>Appendix II – Unaudited pro forma financial information of the Group</b> .....	II-1
<b>Appendix III – General Information</b> .....	III-1
<b>Notice of extraordinary general meeting</b> .....	EGM-1

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## EXPECTED TIMETABLE

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*The expected timetable for the proposed Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing is set out below.*

*All times and dates in this circular refer to Hong Kong local times and dates. The expected timetable set out below is for indicative purpose only assuming that the Rights Issue will be approved by the Independent Shareholders at the EGM. The expected timetable may be subject to change, and any such change will be further announced by the Company as and when appropriate.*

<b>Event</b>	<b>Date and time (Hong Kong time)</b>
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Monday, 11 November 2024
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM . . . . .	Tuesday, 12 November 2024 to Monday, 18 November 2024 (both days inclusive)
Latest time for lodging proxy forms for the EGM . . . . .	11:00 a.m. on Saturday, 16 November 2024
Record date for attendance and voting at the EGM . . . . .	Monday, 18 November 2024
Expected date and time of the EGM . . . . .	11:00 a.m. on Monday, 18 November 2024
Announcement of poll results of the EGM . . . . .	Monday, 18 November 2024
Re-opening of the register of members of the Company . . . . .	Tuesday, 19 November 2024
<b>The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reduction, which are included in this circular</b>	
Effective date of the Capital Reorganisation . . . . .	Monday, 20 January 2025
Commencement of dealings in the Adjusted Shares . . . . .	9:00 a.m. on Monday, 20 January 2025
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares . . . . .	9:00 a.m. on Monday, 20 January 2025

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## EXPECTED TIMETABLE

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Last day of dealings in the Adjusted Shares on a cum-rights basis relating to the Rights Issue . . . . .	Monday, 20 January 2025
First day of dealings in the Adjusted Shares on an ex-rights basis relating to the Rights Issue . . . . .	Tuesday, 21 January 2025
Latest time for lodging transfer of the Adjusted Shares in order to be qualified for the Rights Issue . . . . .	4:30 p.m. on Wednesday, 22 January 2025
Closure of register of members to determine the entitlement to the Rights Issue . . . . .	Thursday, 23 January 2025 to Monday, 3 February 2025 (both days inclusive)
Record Date for the Rights Issue . . . . .	Monday, 3 February 2025
Re-opening of the register of members of the Company . . . . .	Tuesday, 4 February 2025
Prospectus Documents are made available and/or despatched (as the case may be) to the Qualifying Shareholders (in the case of the Non-Qualifying Shareholders, the Prospectus only) . . . . .	Tuesday, 4 February 2025
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares . . . . .	9:00 a.m. on Thursday, 6 February 2025
Effective date of the Change in Board Lot Size from 10,000 Existing Shares to 20,000 Adjusted Shares . . . . .	Thursday, 6 February 2025
First day of dealings in nil-paid Rights Shares in board lot size of 20,000 Rights Shares . . . . .	9:00 a.m. on Thursday, 6 February 2025
Latest time for splitting nil-paid Rights Shares . . . . .	4:00 p.m. on Monday, 10 February 2025
Last day of dealing in nil-paid Rights Shares in board lot size of 20,000 Rights Shares . . . . .	Thursday, 13 February 2025
Latest Time for Acceptance and payment for the Rights Shares . . . . .	4:00 p.m. on Tuesday, 18 February 2025

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## EXPECTED TIMETABLE

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Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares . . . . .	Thursday, 20 February 2025
Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Placing . . . . .	Tuesday, 25 February 2025
Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and NQS Unsold Rights Shares available) . . . . .	Wednesday, 26 February 2025
Designated broker ceases to provide matching services for odd lots of the Adjusted Shares . . . . .	4:00 p.m. on Wednesday, 26 February 2025
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to Compensatory Arrangements . . . . .	4:00 p.m. on Thursday, 6 March 2025
Latest time for termination of the Placing Agreement . . . . .	4:00 p.m. on Friday, 7 March 2025
Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain) . . . . .	Thursday, 13 March 2025
Despatch of share certificates for the Rights Shares and/or refund cheques . . . . .	Friday, 14 March 2025
First day of dealings in the fully-paid Rights Shares . . . . .	Monday, 17 March 2025
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any) . . . . .	Wednesday, 26 March 2025

*Notes:*

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

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE**

The Latest Time for Acceptance will not take place as scheduled if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons issued by the Hong Kong Observatory:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 18 February 2025. Instead, the Latest Time for Acceptance 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 Tuesday, 18 February 2025. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected timetable” above may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the excepted timetable as soon as practicable.

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## DEFINITIONS

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*Unless otherwise specified, the following terms have the following meanings in this circular:*

“Adjusted Preference Share(s)”	the non-voting convertible preference share(s) of par value of HK\$0.035 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“AFRC”	the Accounting and Financial Reporting Council
“Announcement”	the announcement of the Company dated 2 October 2024 in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing
“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, a Sunday, a public holiday and any day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are open for general banking business in Hong Kong throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company by reducing the par value of each Existing Share from HK\$0.40 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.39 on each issued Existing Share
“Capital Reorganisation”	the proposed Capital Reduction and Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares
“Company”	China National Culture Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 745)
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the resolutions in relation to the Capital Reorganisation and the Rights Issue, which is expected to be held at 11:00 a.m., on Monday, 18 November 2024 and any adjournment thereof
“Existing Share(s)”	the ordinary share(s) of HK\$0.40 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	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 People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie, which has been established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser” or “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue and the Placing at the EGM under the Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons and not connected with any of them or their respective associates
“Last Trading Day”	2 October 2024, being the last full trading day before the release of the Announcement
“Latest Practicable Date”	29 October 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 18 February 2025 (or such other time and date as may be determined by the Company), being the latest time for the acceptance of, and payment for, the Rights Shares
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum”	the memorandum of association of the Company, as amended from time to time

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## DEFINITIONS

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“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees) after deducting the aggregate amount of the Subscription Price for the Placing Shares placed by the Placing Agent under the Placing Agreement
“No Action Shareholder(s)”	Qualifying Shareholder(s) or renounee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights lapse
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Optionholder’s Undertaking(s)”	the undertaking(s) executed by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/ her for the period from the date of such undertaking to the close of business on the Record Date (both dates inclusive)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at close of business on the Record Date and whose address(es) as shown on such register at that time is(are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

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## DEFINITIONS

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“Placing”	arrangements to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are Independent Third Parties during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Suncorp Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity as defined under the SFO
“Placing Agreement”	the placing agreement dated 2 October 2024 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing Long Stop Date”	30 June 2025 or such later date as the Company and the Placing Agent may agree in writing
“Placing Period”	the period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Wednesday, 26 February 2025 and ending at 4:00 p.m. on Thursday, 6 March 2025
“Placing Share(s)”	the Unsubscribed Rights Share(s) and the NQS Unsold Rights Share(s)
“Posting Date”	Tuesday, 4 February 2025 (or such other date as may be determined by the Company), being the date the Prospectus Documents will be made available and/or despatched (as the case may be) to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Preference Share(s)”	the non-voting convertible preference share(s) of par value of HK\$1.40 each in the share capital of the Company
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)

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## DEFINITIONS

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“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Monday, 3 February 2025 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	the Company’s branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the issue of Rights Shares at the Subscription Price on the basis of two Rights Shares for every one Adjusted Share held on the Record Date payable in full on acceptance
“Rights Share(s)”	156,244,304 Adjusted Shares to be allotted and issued pursuant to the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	Existing Share(s) and/or Adjusted Share(s) as the case may be
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“Share Option(s)”	the share option(s) granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Shareholders passed on 29 August 2014

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## DEFINITIONS

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“Share Subdivision”	the proposed subdivision of authorised but unissued Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each into forty (40) Adjusted Shares of par value of HK\$0.01 each and forty (40) Adjusted Preference Shares of par value of HK\$0.035 each, respectively
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as may be amended from time to time)
“Unsubscribed Rights Share(s)”	the number of Unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renounee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue
“%”	per cent

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## LETTER FROM THE BOARD

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**CNCG**

**CHINA NATIONAL CULTURE GROUP LIMITED**

**中國國家文化產業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 745)**

*Executive Directors:*

Ms. Sun Wei

Ms. Man Qiaozhen

*Independent non-Executive Directors:*

Mr. Liu Kwong Sang

Ms. Wang Miaojun

Ms. Wang Yujie

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place  
of business:*

Unit A, 29/F

United Centre

95 Queensway

Admiralty, Hong Kong

31 October 2024

*To the Shareholders,*

Dear Sirs,

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

### INTRODUCTION

References are made to the Announcement in relation to, among other matters, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing and the announcement of the Company dated 8 October 2024 in relation to the appointment of auditor.

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

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## LETTER FROM THE BOARD

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### PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will involve the Capital Reduction and the Share Subdivision as follows:

**(i) Capital Reduction**

The issued share capital of the Company will be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.39 on each of the issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK\$0.40 to HK\$0.01. The credit arising from the Capital Reduction be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company; and

**(ii) Share Subdivision**

Immediately following the Capital Reduction becoming effective, each of the authorised but unissued Existing Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each in the authorised share capital of the Company will be subdivided into forty (40) authorised but unissued Adjusted Shares of par value of HK\$0.01 each and forty (40) authorised but unissued Adjusted Preference Shares of par value of HK\$0.035 each, respectively.

### Effect of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,490,000,000 divided into 2,500,000,000 Existing Shares of par value of HK\$0.40 each and 350,000,000 Preference Shares of par value of HK\$1.40 each, of which 78,122,152 Existing Shares have been issued and are fully paid or credited as fully paid and no Preference Shares have been issued. Immediately upon the Capital Reduction becoming effective and assuming no further Shares will be issued or repurchased from the Latest Practicable Date up to and including the date of which the Capital Reorganisation shall become effective, the par value of all the issued Existing Shares shall be reduced from HK\$0.40 each to HK\$0.01 each by cancelling the paid-up share capital to the extent of HK\$0.39 per Share in issue.

Upon the Share Subdivision becoming effective, each of the authorised but unissued Existing Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each will be subdivided into forty (40) authorised but unissued Adjusted Shares of par value of HK\$0.01 each and forty (40) authorised but unissued Adjusted Preference Shares of par value of HK\$0.035 each, respectively.

The Adjusted Shares and Adjusted Preference Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and the Articles. The issued share capital will be reduced to HK\$781,221.52 divided into 78,122,152 Adjusted Shares of par value of HK\$0.01 each.

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## LETTER FROM THE BOARD

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Based on the 78,122,152 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$30,467,639 will arise from the Capital Reduction, which will be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

The following table sets out the effect of the Capital Reorganisation on the share capital of the Company before and after the implementation of the Capital Reorganisation, assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation.

	<b>As at the Latest Practicable Date</b>	<b>Immediately upon the Capital Reorganisation becoming effective</b>
Par value	HK\$0.40 per Existing Share HK\$1.40 per Preference Share	HK\$0.01 per Adjusted Share HK\$0.035 per Adjusted Preference Share
Authorised share capital	HK\$1,490,000,000 divided into 2,500,000,000 Existing Shares and 350,000,000 Preference Shares	HK\$1,490,000,000 divided into 100,000,000,000 Adjusted Shares and 14,000,000,000 Adjusted Preference Shares
Issued and fully paid-up or credited as fully paid-up share capital	HK\$31,248,860.80 divided into 78,122,152 Existing Shares	HK\$781,221.52 divided into 78,122,152 Adjusted Shares
Unissued share capital	HK\$1,458,751,139.20 divided into 2,421,877,848 Existing Shares and 350,000,000 Preference Shares	HK\$1,489,218,778.48 divided into 99,921,877,848 Adjusted Shares and 14,000,000,000 Adjusted Preference Shares

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## LETTER FROM THE BOARD

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	<b>As at the Latest Practicable Date</b>	<b>Immediately upon the Capital Reorganisation becoming effective</b>
Unaudited accumulated losses of the Company as at 31 March 2024	Approximately HK\$1,379 million	Approximately HK\$1,349 million (assuming no change on the accumulated losses from 31 March 2024 up to the date of the Capital Reorganisation becoming effective)

### **Conditions of the Capital Reorganisation**

The Capital Reorganisation is conditional upon the following:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the EGM;
- (ii) the Grand Court granting an order confirming the Capital Reduction;
- (iii) compliance with any conditions which the Grand Court may impose in relation to the Capital Reduction;
- (iv) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares and the Adjusted Preference Shares arising from the Capital Reorganisation.

### **Application for listing and dealings**

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is

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## LETTER FROM THE BOARD

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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.

### **Status of the Adjusted Shares**

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

### **Free exchange of share certificates**

Subject to the Capital Reorganisation becoming effective, the Shareholders may, on or after Monday, 20 January 2025 until Thursday, 20 February 2025 (both days inclusive), submit share certificates for the Existing Shares (in purple colour) to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Adjusted Shares (in green colour). Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever the number of certificates cancelled/issued is higher.

All existing share certificates of the Company will continue to be evidence of title to the Shares and continue to be valid for trading, settlement, registration and delivery purposes.

### **Reasons for the Capital Reorganisation**

Pursuant to the Companies Act, the Company may not issue Shares at a discount to the nominal value of such Shares. As the Subscription Price, which was determined with reference to the prevailing market price of the Existing Shares, is below the par value of each Share, the Company is not permitted to issue the Rights Shares under the laws of the Cayman Islands until and unless the par value of each Share is reduced pursuant to the Capital Reorganisation. In order to facilitate possible fund raising activities in the future, it is necessary to implement the Capital Reorganisation to lower the par value of the Shares, giving greater flexibility to the Company to issue new Shares in the future.

The proposed Capital Reorganisation will enable the par value of the Shares to be reduced from HK\$0.40 to HK\$0.01 each. The credit arising from the Capital Reduction will be transferred to the contributed surplus account and the contributed surplus account will be applied towards offsetting against the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of the

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## LETTER FROM THE BOARD

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credit (if any) of the contributed surplus account after offsetting against the accumulated losses will be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles.

As at 31 March 2024, the unaudited accumulated losses of the Company was approximately HK\$1,379 million. Upon the Capital Reorganisation becoming effective, the accumulated losses of the Company will be reduced by approximately HK\$30.0 million.

The Board is of the opinion that the proposed Capital Reorganisation will give greater flexibility to the Company to (i) conduct fundraising exercise to raise capital, including the Rights Issue; (ii) declare dividends; and/or (iii) undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

As such, the Directors are of the view that the Capital Reorganisation is in the best interests of the Company and its Shareholders as a whole.

### **PROPOSED CHANGE IN BOARD LOT SIZE**

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 10,000 Existing Shares. The Board proposes to change the board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares conditional upon the Capital Reorganisation becoming effective.

Based on the closing price of HK\$0.16 per Existing Share (equivalent to the theoretical closing price of HK\$0.16 per Adjusted Share) as at the Latest Practicable Date, (i) the market value of each existing board lot of 10,000 Existing Shares is HK\$1,600; (ii) the market value of each existing board lot of 10,000 Adjusted Shares would be HK\$1,600 assuming the Capital Reorganisation becoming effective; and (iii) the estimated market value of each proposed new board lot of 20,000 Adjusted Shares would be HK\$3,200 assuming the Change in Board Lot Size had already been effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size.

### **Reasons for the Change in Board Lot Size**

Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the closing price of the Existing Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$0.16 per Existing Share, the value of each existing board lot of 10,000 Existing Shares was HK\$1,600, which was less than HK\$2,000.

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## LETTER FROM THE BOARD

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Based on the above and with the view to complying with the trading requirements under the Listing Rules, the Board resolved to propose the Change in Board Lot Size, resulting in HK\$3,200 per board lot of 20,000 Shares based on the closing price of HK\$0.16 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date.

Further, the Change in Board Lot Size would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

### PROPOSED RIGHTS ISSUE

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held as at the Record Date. Set out below are the details of the Rights Issue statistics.

#### Rights Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.097 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Existing Shares in issue as at the Latest Practicable Date	:	78,122,152 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	78,122,152 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	156,244,304 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$1,562,443.04

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## LETTER FROM THE BOARD

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Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	234,366,456 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
Gross proceeds from the Rights Issue	:	Approximately HK\$15.6 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

Save for the Share Options, the Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the Latest Practicable Date.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 156,244,304 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 200% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 66.7% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

### **The Subscription Price**

The Subscription Price is HK\$0.10 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

### **The Subscription Price represents:**

- (i) a discount of approximately 37.5% to the adjusted closing price of HK\$0.16 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.16 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 31.97% to the adjusted closing price of HK\$0.147 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.147 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

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## LETTER FROM THE BOARD

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- (iii) a discount of approximately 31.51% to the adjusted average closing price of HK\$0.146 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.146 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.93% to the adjusted average closing price of HK\$0.135 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.135 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (v) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.31%, based on the theoretical diluted price of HK\$0.116 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK\$0.147 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the five (5) previous consecutive trading days prior to the Last Trading Day and taking into account the effect of the Capital Reorganisation).

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section head “Reasons for the Rights Issue, the Placing and the use of proceeds” in this circular, and the amount of funds the Company intends to raise under the Rights Issue.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed 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 that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

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## LETTER FROM THE BOARD

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### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (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 will be scaled down to a level which (i) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

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

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

- (i) the Capital Reorganisation having become effective;
- (ii) 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;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;

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## LETTER FROM THE BOARD

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- (iv) following registration, the Prospectus Documents having been made available to the Qualifying Shareholders and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (v) 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); and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled. If any of the above conditions are not satisfied at or before 4:00 p.m. on Friday, 7 March 2025 (or such later date as the Company may determine), the Rights Issue will not proceed.

**As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.**

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

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

### **Stamp duty and other applicable fees**

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

### **Qualifying Shareholders**

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

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## LETTER FROM THE BOARD

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In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Adjusted Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Wednesday, 22 January 2025.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Monday, 20 January 2025, and the Shares will be dealt with on an ex-rights basis from Tuesday, 21 January 2025. Beneficial owners whose Shares are held by nominee companies (or held in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Beneficial owners with their Shares held by nominee companies (or held in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in doubt as to their status and action to be taken.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Posting Date and will despatch the Prospectus only (without the PAL) to the Non-Qualifying Shareholders for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

**If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

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

The register of members of the Company will be closed from Thursday, 23 January 2025 to Monday, 3 February 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be two (2) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at close of business on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted by the Registrar by the Latest Time for Acceptance.

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## LETTER FROM THE BOARD

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### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Suncorp Securities Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Mr. Rick Fan of Suncorp Securities Limited at Unit 2305, 23/F, The Center, 99 Queen's Road, Central, Hong Kong (telephone number: (852) 3899 1828) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) from 9:00 a.m. on Thursday, 6 February 2025 to 4:00 p.m. on Wednesday, 26 February 2025 (both days inclusive).

Holders of odd lots arising from the Rights Issue should note that successful matching of the sale and purchase of odd lots arising from the Rights Issue are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2) (a) of the Listing Rules to make enquiries regarding the feasibility of extending the offer of the Rights Issue to Overseas Shareholders, if any. If, based on the legal advice to be provided by the legal advisor of the Company, the Board considers that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

As at the Latest Practicable Date, based on the record in the register of members of the Company, there were 21 Overseas Shareholders with registered addresses located in the PRC, which were interested in an aggregate of 2,527,275 Shares, representing approximately 3.24% of the total issued share capital of the Company. Save for the 21 Overseas Shareholders with registered addresses located in the PRC, there were no other Overseas Shareholders based on the register of members of the Company as at the Latest Practicable Date. Taking into account the advice provided by legal adviser in the PRC, the Directors are of the view that the relevant PRC legal restrictions and requirements of the regulatory body or stock exchange in the PRC do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses located in the PRC from the Rights Issue. Therefore, such Overseas Shareholders are not Non-Qualifying Shareholders and the Rights Issue will be extended to such Overseas Shareholders.

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## LETTER FROM THE BOARD

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Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the 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.

**Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue, subject to the results of the enquiries to be made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. On 2 October 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 6 March 2025, placees to subscribe for all (or as many as possible) of those Unsubscribed Rights Shares and NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- A. for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and

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## LETTER FROM THE BOARD

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B. for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

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

### **The Optionholder's Undertakings**

On 2 October 2024, each of the holders of the Share Options (including Ms. Sun Wei and Ms. Man Qiaozhen, the executive Directors, Ms. Wang Miaojun and Ms. Wang Yujie, the independent non-executive Directors, and employees and consultants of the Company) has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Save for the Optionholder's Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable date.

### **Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares**

Details of the Placing Agreement are summarised below:

Date	:	2 October 2024 (after trading hours)
Issuer	:	The Company
Placing Agent	:	Suncorp Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder(s); and (ii) are Independent Third Parties.

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## LETTER FROM THE BOARD

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- Placing Period : The period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Wednesday, 26 February 2025 and ending at 4:00 p.m. on Thursday, 6 March 2025.
- Commission and expenses : The Placing Agent shall be entitled to a commission fee equal to 2.0% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent.
- Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue at the date of completion of the Placing.
- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;

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## LETTER FROM THE BOARD

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- (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

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

Termination : The Placing Period shall end at 4:00 p.m. on Thursday, 6 March 2025 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by the Placing Agent at any time prior to 4:00 p.m. on Friday, 7 March 2025 or any other date by mutual written agreement between the Placing Agent and the Company in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. Further, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the reasonable opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

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## LETTER FROM THE BOARD

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The Company shall use its best endeavours to procure the fulfillment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. Considering that the completion of the Rights Issue is contingent upon, among other factors, the effectiveness of the Capital Reorganisation, and that the Capital Reorganisation itself is subject to, among other things, the Grand Court's approval of the Capital Reduction, an outcome beyond the Company's control, the Company and the Placing Agent have mutually agreed to extend the Placing Long Stop Date beyond the end of the indicative Placing Period. This extension is intended to mitigate any potential delays in satisfying the conditions precedent to the Rights Issue that may arise due to unforeseen circumstances. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders and Non-Qualifying Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders.

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## LETTER FROM THE BOARD

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The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders.

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Friday, 14 March 2025 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Friday, 14 March 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

### **No fractional entitlement**

On the basis of provisional allotment of two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

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

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 their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The nil-paid and fully-paid Rights Shares will be traded in board lot size of 20,000 Shares.

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## LETTER FROM THE BOARD

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### **RIGHTS SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

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

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

### **WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE ADJUSTED SHARES AND/OR THE NIL-PAID RIGHTS SHARES**

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the paragraph headed “(1) Proposed Capital Reorganisation – Conditions of the Capital Reorganisation” in this circular. Therefore, the Capital Reorganisation may or may not proceed.

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Proposed Rights Issue – Conditions of the Rights Issue” in this circular.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will 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.

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## LETTER FROM THE BOARD

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**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Adjusted Shares and/or the Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).**

### **REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE USE OF PROCEEDS**

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services.

According to the Company's annual report for the year ended 31 March 2024, the Group's revenue generated from e-commerce business increased significantly from approximately HK\$1.9 million for the year ended 31 March 2023 to approximately HK\$22.1 million for the year ended 31 March 2024. The Group is principally engaged in the wholesale e-commerce business by operating an e-commerce platform which provides choices of different model of used iPhones and different types of parts to customers. The Group is responsible for performing various testing on the appearances and functioning of the used iPhones and parts procured from suppliers and arrange for the packaging and delivery to customers.

The significant increase in revenue generated by the Group from the e-commerce business was mainly attributable to the increase in market demand for used iPhones and parts resulting from (i) the frequent release of new iPhone models, with a new model launching almost every single year. Upon the launch of new iPhone models, existing users are generally inclined to purchase or trade-in for the iPhone of the latest model, resulting in an increase in supply of iPhones of previous generation in the secondary market; (ii) owing to the recent economic downturn, consumers are becoming more cost-conscious and starting to focus more on value-for-money, thereby increasing the demand for used iPhones; and (iii) the repair costs of iPhone tend to be relatively high, which resulted in some mobile phone wholesalers to turn to the secondary market to find replacement parts, thereby increasing the demand for iPhone parts.

In view of the increasing demand for used iPhones and parts as well as the growing penetration rate of e-commerce in Hong Kong, the Group is committed to continually review and expand the product mix of its e-commerce business, expand its market share and strengthen its market position in Hong Kong.

Further, as announced by the Company on 16 July 2024, in order to cater the market demand, the Group would continuously review the product mix of the e-commerce business regularly. The Group is currently diversifying its product portfolio to non-electronic goods including but not limited to clothing, frozen seafood, and food products (such as health food and tea) etc.

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## LETTER FROM THE BOARD

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As at 31 August 2024, the balance of cash and cash equivalents of the Group amounted to approximately HK\$1.1 million. Despite the Company's continuous efforts in safeguarding its working capital by requesting its customers to pay deposit before order acceptance and continuously follow up with outstanding payments from customers, the Group has encountered increased frequency of delayed payments by customers which is mainly attributable to the economic downturn and the prevailing high interest rate environment, which in turn exerted pressure on the working capital of the Group. Taking into consideration the Group's immediately available working capital, the Board considers that the Group has an imminent funding needs for its business expansion and daily operation.

Based on the above, the Company proposes to conduct the Rights Issue to (i) strengthen the Group's e-commerce business; and (ii) replenish its general working capital.

### **Use of Proceeds**

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.1 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 74.8% of the net proceeds or approximately HK\$11.3 million for developing the Group's e-commerce business by strengthening its e-commerce platform to improve the consumers' online shopping experience, expanding and refining its product portfolio by enlarging the Group's pool of suppliers and enlarging the product portfolio available for customer's selection and settling the deposit and payment to suppliers. Currently, the Group has established business relationships with suppliers of different types of products, mainly comprising iPhone and parts as well as non-electronic goods including but not limited to clothing, frozen seafood, and food products (such as health food and tea) etc. The Group is generally required by its suppliers to pay deposits in advance. The Directors believe that the payment of deposits to suppliers demonstrates the Group's commitment to establishing a stable business relationship with suppliers, which could facilitate the Group in negotiating more favourable and better pricing terms with suppliers in the long-run. In view of the Group's ability to provide deposits upon placement of purchase orders, the suppliers are expected to be more willing to prioritise the Group's orders and expedite their delivery time, thereby allowing the Group to secure a stable supply of goods in fulfilling consumers demand. As such, the Directors consider that it is prudent for the Group to increase its reserves by utilising part of the net proceeds from the Rights Issue for settling the deposits payable to suppliers; and
- (ii) approximately 25.2% of the net proceeds or approximately HK\$3.8 million for general working capital of the Group.

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## LETTER FROM THE BOARD

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In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

### **Alternative fund-raising methods considered**

The Company had considered other fund-raising alternatives available to the Group, including debt financing and other equity financing such as placing or subscription of new Shares.

The Board considers that to finance the funding needs of the Group in the form of equity is a better alternative than debt as it would not result in additional interest burden and will improve the gearing of the Group. In particular, the Company had difficulties in sourcing debt financing from financial institutions due to the lack of security as the Company does not have material tangible assets in Hong Kong.

Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, a rights issue is preferred. Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs.

Based on the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the Independent Financial Adviser) considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, based on publicly available market information, the Board understands that where the Unsubscribed Rights Shares and NQS Unsold Rights Shares are to be fully-underwritten, the underwriting commission charged by underwriters is generally much higher than the commission charged for placing on a best effort basis. To improve the cost effectiveness of the Rights Issue and having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

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## LETTER FROM THE BOARD

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### EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

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

### TAXATION

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

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Capital Reorganisation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iv) immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Capital Reorganisation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue		Immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Public Shareholders	78,122,152	100.00	78,122,152	100.00	234,366,456	100.00	78,122,152	33.33
Places	-	-	-	-	-	-	156,244,304	66.67
	<u>78,122,152</u>	<u>100.00</u>	<u>78,122,152</u>	<u>100.00</u>	<u>234,366,456</u>	<u>100.00</u>	<u>234,366,456</u>	<u>100.00</u>

*Note:*

- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

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## LETTER FROM THE BOARD

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### POSSIBLE ADJUSTMENT TO OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

Pursuant to the terms of the Share Option Scheme, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme, and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

### LISTING RULES IMPLICATIONS

#### The Capital Reorganisation

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. None of the Shareholders or their respective associates had any interest in the Capital Reorganisation. Accordingly, no Shareholder is required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the EGM.

#### The Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the Announcement (after taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules and none of the Directors and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

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## LETTER FROM THE BOARD

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### THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

### GENERAL

The EGM will be convened for the Shareholders to consider and, if fought fit, approve the Capital Reorganisation and the Rights Issue. For the purpose of determining the Shareholders' entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 November 2024 to Monday, 18 November 2024 (both days inclusive).

In order to be registered as a member of the Company on the record date for attendance and voting at the EGM, all transfers of Shares (together with the relevant share certificate(s)) must be lodged with the Registrar by no later than 4:30 p.m. (Hong Kong time) on Monday, 11 November 2024. A notice convening the EGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 18 November 2024 at 11: 00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Saturday, 16 November 2024 at 11: 00 a.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

### DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the fulfilment of the conditions of the Rights Issue, the Prospectus Documents containing, among other matters, details of the Rights Issue, are expected to be made available on the websites of the Company (<http://www.hklistco.com/745>) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) on or before Tuesday, 4 February 2025. The Company will despatch the PAL in printed form to the Qualifying Shareholders but will not despatch the PAL to the Non-Qualifying Shareholders.

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## LETTER FROM THE BOARD

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### PROPOSED APPOINTMENT OF AUDITOR

Reference is made to the announcement of the Company dated 24 September 2024, Elite Partners CPA Limited (“**Elite Partners**”) had retired as the auditor.

Reference is also made to the announcement of the Company dated 8 October 2024. In view of the vacancy in the office of auditor following the retirement of Elite Partners, the Board has resolved, with the recommendation of the audit committee, to propose to appointment of Infinity CPA Limited as the new auditor, and to hold office until the conclusion of the next annual general meeting of the Company to be held in 2025, subject to the approval of the Shareholders at the EGM.

In assessing the appointment of Infinity CPA Limited as the auditor, the audit committee has considered a number of factors, including but not limited to (i) the audit fee proposed by Infinity CPA Limited; (ii) its extensive experience, industry knowledge, and technical competence in providing audit work to listed companies; (iii) its demonstrated independence from the Group and objectivity; (iv) its market reputation; (v) its resources and capabilities, including the size and structure of the proposed audit team; (vi) Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors published by the Accounting and Financial Reporting Council (the “**AFRC**”); and (vii) Guidance Notes on Change of Auditors published by the AFRC. The Audit Committee has also reviewed the credentials of Infinity CPA Limited, including its market reputation, independence from the Group, experience and manpower.

Based on the above, the audit committee has assessed and considered that Infinity CPA Limited is eligible and suitable to act as the new auditor. The Board and the audit committee are of the view that the proposed appointment of Infinity CPA Limited is in the interest of the Company and the Shareholders as a whole.

### RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolutions. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on page 40 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 41 to 63 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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## LETTER FROM THE BOARD

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The Directors consider that the terms of the Capital Reorganisation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

Yours faithfully,  
By order of the Board  
**China National Culture Group Limited**  
**SUN Wei**  
*Executive Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**CNCG**

**CHINA NATIONAL CULTURE GROUP LIMITED**

**中國國家文化產業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 745)**

31 October 2024

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 31 October 2024 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

Vinco Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing Agreement, and the advice from the Independent Financial Adviser as set out on pages 41 to 63 of this circular, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

The Independent Board Committee

**Mr. Liu Kwong Sang**

**Ms. Wang Miaojun**

**Ms. Wang Yujie**

*Independent non-executive Directors*

**China National Culture Group Limited**

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## LETTER FROM VINCO FINANCIAL

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*The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms of the Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:*

**VINCO**  榮高  
**Vinco Financial Limited**

31 October 2024

*To the Independent Board Committee and the Independent Shareholders of  
China National Culture Group Limited*

Dear Sirs,

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

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 October 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing. The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders as at the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise up to approximately HK\$15.6 million before expenses by way of issuing up to 156,244,304 Rights Shares (assuming full subscription under the Rights Issue and there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation). Assuming there will be no change in the total number of issued Shares from Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.1 million.

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## LETTER FROM VINCO FINANCIAL

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In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the Announcement (after taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules and none of the Directors and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Liu Kwong Sang, Ms. Wang Miaojun and Ms. Wang Yujie, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

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## LETTER FROM VINCO FINANCIAL

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

### BASIC OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

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## LETTER FROM VINCO FINANCIAL

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the annual report of the Company for the year ended 31 March 2024 (the “**Annual Report 2024**”); (ii) the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report 2023**”); (iii) the management account of the Group; (iv) the Placing Agreement; (v) the Circular; and (vi) market information obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into account the following principal factors and reasons:

#### **1. Business and financial information of the Group**

##### ***Information of the Group***

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services.

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## LETTER FROM VINCO FINANCIAL

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### ***Business and financial performance of the Group***

Set out below is a summary of the audited consolidated financial information of the Group for the three years ended 31 March 2024 (“**FY2024**”), 31 March 2023 (“**FY2023**”) and 31 March 2022 (“**FY2022**”) respectively which were extracted from the Annual Report 2024 and Annual Report 2023:

	<b>For the year ended 31 March</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	27,883	43,019	67,457
Net loss	(43,668)	(1,498)	(34,551)

	<b>As at 31 March</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Bank and cash balances	727	6,282	3,651
Total assets	32,039	78,006	87,103
Total liabilities	15,289	17,025	30,768
Net assets	16,750	60,981	56,335

### ***FY2024 vs FY2023***

According to the Annual Report 2024, the Group recorded revenue in the amount of approximately HK\$27.9 million in FY2024, representing a decrease of approximately 35.2% as compared to in the amount of approximately HK\$43.0 million in FY2023. Such decrease was mainly due to the decrease in revenue generated from advertising segment. The Group recorded a net loss in FY2024 in the amount of approximately HK\$43.7 million as compared to that in FY2023 in the amount of approximately HK\$1.5 million. Such change was mainly due to (i) decrease in the Group’s revenue as discussed above; and (ii) provision of impairment losses on accounts receivable amounted to approximately HK\$34.5 million in FY2024, but it was the reversal of impairment losses on accounts receivable in FY2023 in the amount of approximately HK\$3.7 million.

The Group’s bank and cash balances amounted to approximately HK\$0.7 million as at 31 March 2024, representing a decrease of 88.4%, as compared to that of approximately HK\$6.3 million as at 31 March 2023. The Group’s total assets as at 31 March 2024 amounted to approximately HK\$32.0 million and its total liabilities as at 31 March 2024 amounted to approximately HK\$15.3 million. The Group’s net assets amounted to

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## LETTER FROM VINCO FINANCIAL

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approximately HK\$16.8 million as at 31 March 2024, representing a decrease of approximately 72.5% as compared to that of approximately HK\$61.0 million as at 31 March 2023. Such decrease was mainly due to the increase in net loss as discussed above.

### *FY2023 vs FY2022*

According to the Annual Report 2023, the Group recorded revenue in the amount of approximately HK\$43.0 million in FY2023, representing a decrease of approximately 36.2% as compared to in the amount of approximately HK\$67.5 million in FY2022. Such decrease was mainly due to the decrease in revenue generated from advertising and e-commerce segments. The Group recorded a net loss in FY2023 in the amount of approximately HK\$1.5 million as compared to that in FY2022 in the amount of approximately HK\$34.6 million. Such change was mainly due to the decrease in administrative expenses and the impairment loss recognised in respect of intangible assets and accounts receivable.

The Group's bank and cash balances amounted to approximately HK\$6.3 million as at 31 March 2023, representing an increase of approximately 72.1%, as compared to that of approximately HK\$3.7 million as at 31 March 2022. The Group's total assets as at 31 March 2023 amounted to approximately HK\$78.0 million and its total liabilities as at 31 March 2023 amounted to approximately HK\$17.0 million. The Group's net assets amounted to approximately HK\$61.0 million as at 31 March 2023, representing an increase of approximately 8.2% as compared to that of approximately HK\$56.3 million as at 31 March 2022. Such increase was mainly due to recognition of equity-settled share-based payment of approximately HK\$4.7 million and issue of shares upon exercise of share option of approximately HK\$6.8 million, but offset by loss for the year as discussed above and fair value loss on investments in equity instruments at fair value through other comprehensive income of approximately HK\$4.7 million.

### ***Prospects and outlook of the Group***

As stated in the Annual Report 2024, the revenue from e-commerce has increased from approximately HK\$1.9 million in FY2023 to approximately HK\$22.1 million in FY2024, representing an increase of approximately 1,068.4%. The increase of revenue generated from the e-commerce business mainly due to sales demands of used iPhones and parts increase. The increase is mainly because (i) the release cycle of new iPhone models is quite rapid, typically with a new model launching every year. As newer models come out, more and more users choose to purchase the latest iPhones, leading to a large influx of previous generation iPhones into the secondary market; (ii) with changes in the economic environment, some consumers are starting to focus more on value-for-money and are more inclined to purchase used iPhones, this cost-conscious consumer behavior increased demand in the used iPhones; and (iii) the repair costs of iPhone tend to be relatively high, which causes some mobile phone wholesalers to turn to the secondary market to find replacement parts which increase the demand of iPhone parts.

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## LETTER FROM VINCO FINANCIAL

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Having considered the growth and potential businesses in the used phones and parts market, we are of the view that the Rights Issue allows additional cash flow for the Group's business expansion and is a reasonable decision for the interests of the Company and the Shareholders as a whole.

### **2. Reasons for the Rights Issue and use of proceeds**

As set out in the Board Letter, the Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the provision of design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services. In view of the increasing demand for used iPhones and parts as well as the growing penetration rate of e-commerce in Hong Kong, the Group is committed to continually review and expand the product mix of its e-commerce business, expand its market share and strengthen its market position in Hong Kong. Further, as announced by the Company on 16 July 2024, in order to cater the market demand, the Group would continuously review the product mix of the e-commerce business regularly. The Group is currently diversifying its product portfolio to non-electronic goods including but not limited to clothing, frozen seafood, and food products (such as health food and tea) etc. As at 31 August 2024, the balance of the cash and cash equivalents of the Group amounted to approximately HK\$1.1 million. Despite the Company's continuous efforts in safeguarding its working capital by requesting its customers to pay deposit before order acceptance and continuously follow up with outstanding payments from customers, the Group has encountered increased frequency of delayed payments by customers which is mainly attributable to the economic downturn and the prevailing high interest rate environment, which in turn exerted pressure on the working capital of the Group. Taking into consideration the Group's immediately available working capital, the Board considers that the Group has an imminent funding needs for its business expansion and daily operation. The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and NQS Unsold Rights Shares are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$0.5 million, which are payable by the Company.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.1 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 74.8% of the net proceeds or approximately HK\$11.3 million for developing the Group's e-commerce business by strengthening its e-commerce platform to improve the consumers' online shopping experience, expanding and refining its product portfolio by enlarging the Group's pool of suppliers and enlarging

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## LETTER FROM VINCO FINANCIAL

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the product portfolio available for customer's selection and settling the deposit and payment to suppliers. Currently, the Group has established business relationships with suppliers of different types of products, mainly comprising iPhone and parts as well as non-electronic goods including but not limited to clothing, frozen seafood, and food products (such as health food and tea) etc. The Group is generally required by its suppliers to pay deposits in advance. The Directors believe that the payment of deposits to suppliers demonstrates the Group's commitment to establishing a stable business relationship with suppliers, which could facilitate the Group in negotiating more favourable and better pricing terms with suppliers in the long-run. In view of the Group's ability to provide deposits upon placement of purchase orders, the suppliers are expected to be more willing to prioritise the Group's orders and expedite their delivery time, thereby allowing the Group to secure a stable supply of goods in fulfilling consumers demand. As such, the Directors consider that it is prudent for the Group to increase its reserves by utilising part of the net proceeds from the Rights for settling the deposits payable to suppliers; and

- (ii) approximately 25.2% of the net proceeds or approximately HK\$3.8 million for general working capital of the Group.

### ***Fund raising alternatives***

With reference to the discussion with the management of the Group, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity fund raising.

Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, the Company had difficulties in sourcing debt financing from financial institutions due to the lack of security as the Company does not have material tangible assets in Hong Kong.

As for equity fund raising, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. It is relatively smaller in scale as compared to fund raising through rights issue and placing or subscription of new Shares will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company, which is not the intention of the Company.

The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more favourable as it offers the Qualifying Shareholders an option to sell their entitlement rights when

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## LETTER FROM VINCO FINANCIAL

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comparing with an open offer. The Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue.

In comparison, the Board considers that the Rights Issue provides a good opportunity for the Group to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms and avoid dilution. The Rights Issue will allow the Qualifying Shareholders to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability), therefore the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

Having considered (i) the Group's financial position as at 31 March 2024; (ii) its net loss making performance for the three years ended 31 March 2024; (iii) its funding needs for its business expansion and daily operation; (iv) the growth and potential businesses in the used phones and parts market as mentioned in the paragraphs headed "Prospects and outlook of the Group" above; and (v) the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and given that it offers relatively more flexibility and the opportunity to participate in the growth of the Company, we concur with the Director's view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

### 3. Principal terms of the Rights Issue

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Adjusted Share held as at the Record Date. Set out below are the details of the Rights Issue statistics:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.097 per Rights Share (on the basis that all the Rights Shares will be taken up)

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## LETTER FROM VINCO FINANCIAL

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Number of Existing Shares in issue as at the Latest Practicable Date	:	78,122,152 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective		78,122,152 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	156,244,304 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$1,562,443.04
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	234,366,456 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
Gross proceeds from the Rights Issue	:	Approximately HK\$15.6 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

Save for the Share Options, the Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the Latest Practicable Date.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 156,244,304 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 200% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and approximately 66.7% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

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## LETTER FROM VINCO FINANCIAL

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### *The Optionholder's Undertakings*

On 2 October 2024, each of the holders of the Share Options (including Ms. Sun Wei and Ms. Man Qiaozhen, the executive Directors, Ms. Wang Miaojun and Ms. Wang Yujie, the independent non-executive Directors, and employees and consultants of the Company) has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Save for the Optionholder's Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

### *The Subscription Price*

The Subscription Price is HK\$0.10 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 37.5% to the adjusted closing price of HK\$0.16 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.16 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 31.97% to the adjusted closing price of HK\$0.147 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.147 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.51% to the adjusted average closing price of HK\$0.146 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.146 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 25.93% to the adjusted average closing price of HK\$0.135 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.135 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

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## LETTER FROM VINCO FINANCIAL

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- (v) a discount of approximately 0.14% to the theoretical ex-rights price of approximately HK\$0.116 per Share based on the benchmarked price, being the closing price of HK\$0.147 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.31%, based on the theoretical diluted price of approximately HK\$0.116 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK\$0.147 per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of the five (5) previous consecutive trading days prior to the date of this announcement and taking into account the effect of the Capital Reorganisation).

The Subscription Price was determined with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of the proposed Rights Issue as discussed in the section head “Reason for the Rights Issue, the Placing and the use of proceeds” in this Circular, and the amount of funds the Company intends to raise under the Rights Issue.

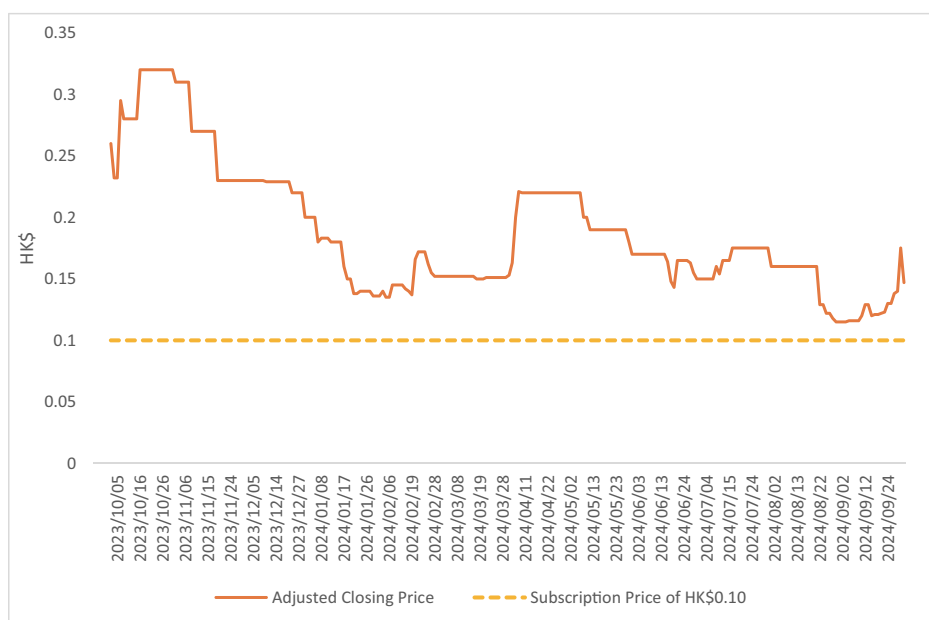
In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the theoretical adjusted closing price per Adjusted Share during the one year ended the date of the Announcement (being a period of approximately one year prior to and including the Last Trading Day) (the “**Review Period**”), with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue, which is conditional upon, among others, the Capital Reorganisation having become effective (the “**Adjusted Closing Price**”); and (ii) the average daily trading volumes of the Existing Shares for each of the months/periods during the Review Period.

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## LETTER FROM VINCO FINANCIAL

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We consider that the Review Period is adequate to illustrate the recent price movement of the Adjusted Shares for conducting a reasonable comparison among the historical adjusted closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company, the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the Adjusted Closing Price versus the Subscription Price of HK\$0.10 per Share:



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

The Adjusted Closing Price of the Adjusted Share during the Review Period ranged from HK\$0.115 per Adjusted Share (the “**Lowest Closing Price**”) to HK\$0.320 per Adjusted Share (the “**Highest Closing Price**”) and with the average Adjusted Closing Price of approximately HK\$0.188 per Adjusted Share (the “**Average Closing Price**”).

We noted from the above that during the Review Period, the Adjusted Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.10 represents (i) a discount of approximately 13.0% to the Lowest Closing Price; (ii) a discount of approximately 68.8% to the Highest Closing Price; and (iii) a discount of approximately 46.9% to the Average Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the Lowest Closing Price, Highest Closing Price and the Average Closing Price respectively.

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## LETTER FROM VINCO FINANCIAL

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### *Liquidity of the Shares*

The table below sets out the average daily trading volume of the Adjusted Shares per month and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	<b>Total trading volume of the Shares in the month</b>	<b>Number of trading days in the month</b>	<b>Average daily trading volume of the Shares in the month/ period  (Note 1)</b>	<b>Percentage of average daily trading volume to total number of Shares  (approximately %) (Note 2)</b>
<b>2023</b>				
October	254,015	20	12,701	0.0163
November	315,090	22	14,322	0.0183
December	35,725	19	1,880	0.0024
<b>2024</b>				
January	319,960	22	14,544	0.0186
February	505,885	19	26,626	0.0341
March	42,175	20	2,109	0.0027
April	292,600	20	14,630	0.0187
May	84,020	21	4,001	0.0051
June	767,033	19	40,370	0.0517
July	76,992	22	3,500	0.0045
August	182,125	22	8,278	0.0106
September	454,695	19	23,931	0.0306
October	61,375	1	61,375	0.0786

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

*Notes:*

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculation is based on the average daily trading volume of Adjusted Shares divided by the total issued Shares of the Company at the end of each respective month.

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## LETTER FROM VINCO FINANCIAL

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As illustrated in the table above, the percentage of average daily trading volume of Adjusted Shares during the Review Period ranged from 0.0024% to approximately 0.0786% of the total number of issued Shares for each of their respective month/period. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it appears to be reasonable for the Subscription Price to be set at a discount to the prevailing theoretical adjusted closing prices of the Adjusted Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

### ***Comparison with other rights issue transactions***

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 31 rights issues transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange for the 6-month period immediately prior to the Last Trading Day. Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

# LETTER FROM VINCO FINANCIAL

Date of announcement	Company name	Stock code	Basic of entitlement	Maximum dilution on the shareholding (%)	Premium/ (discount) of rights issue share over/ to closing price per share on the last trading day prior to announcement of rights issue (%)	Premium/ (discount) of subscription price per rights issue share over/ to theoretical ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue (%)	Premium/ (discount) of theoretical dilution effect (Note 1) (%)	Excess application/ Placing (Note 3)	Placing commission (Note 4) (%)	Underwriting arrangement	Underwriting commission (%)	Minimum placing/ underwriting commission HK\$
26/9/2024	Imovax Holdings Limited	2680	1 for 2	33.33	(67.39)	(59.02)	(22.78)	Placing	1.00	Non-underwritten	N/A	No
23/9/2024	Hatcher Group Limited	8365	3 for 1	75.00	(31.50)	(10.40)	(23.60)	Placing	N/A	Fully-underwritten	N/A	No
23/9/2024	Shougang Fushan Resources Group Limited	639	1 for 30	3.23	1.96	1.90	0.06	Excess application	N/A	Non-underwritten	N/A	No
13/9/2024	Dragon Rise Group Holdings Limited	6829	1 for 1	50.00	(48.70)	(33.10)	(24.90)	Placing	1.00	Fully-underwritten	2.00	100,000
13/9/2024	Shougang Century Holdings Limited	103	1 for 5	16.67	10.00	8.20	6.80	Excess application	N/A	Non-underwritten	N/A	No
9/9/2024	Crown International Corporation Limited	727	1 for 2	33.33	2.27	1.50	0	Excess application	N/A	Non-underwritten	N/A	No
4/9/2024	China New Consumption Group Limited	8275	1 for 2	33.33	(5.66)	(4.76)	(2.50)	Placing	3.50	Non-underwritten	N/A	250,000
2/9/2024	Guangdong – Hong Kong Greater Bay Area Holdings Limited	1396	1 for 2	33.33	(22.03)	(15.85)	(8.28)	Excess application	N/A	Non-underwritten	N/A	No
22/8/2024	BeijingWest Industries International Limited	2339	1 for 2	33.33	(13.85)	(9.68)	(4.62)	Excess application	N/A	Non-underwritten	N/A	No
14/8/2024	Ziyuan Holdings Group Limited	8223	1 for 5	16.67	(66.44)	(62.26)	(11.09)	Excess application	N/A	Fully-underwritten	7.07	No
2/8/2024	Asia Television Holdings Limited	707	1 for 2	33.33	(46.80)	(37.00)	(15.60)	Placing	2.00	Non-underwritten	N/A	100,000
31/7/2024	Emperor International Holdings Limited	163	1 for 2	33.33	(30.60)	(23.60)	(10.50)	Excess application	N/A	Fully-underwritten	2.00	No
22/7/2024	Roma (meta) Group Limited	8072	3 for 1	75.00	(23.08)	(7.41)	(8.18)	Placing	1.25	Non-underwritten	N/A	100,000
19/7/2024	Trendzon Holdings Group Limited	1865	4 for 1	80.00	(14.30)	(4.30)	(4.60)	Placing	1.00	Non-underwritten	N/A	No
12/7/2024	Guan Chao Holdings Limited	1872	4 for 1	80.00	(20.00)	(4.76)	(20.07)	Placing	0.75	Non-underwritten	N/A	No
2/7/2024	Tonking New Energy Group Holdings Limited	8326	1 for 2	33.33	(41.18)	(33.30)	(11.76)	Placing	1.00	Non-underwritten	N/A	100,000
28/6/2024	Jiading International Group Holdings Limited	8153	3 for 1	75.00	(16.67)	(4.76)	(12.50)	Placing	3.00	Non-underwritten	N/A	No
27/6/2024	Harvey Group Holdings Limited	8219	1 for 2	33.33	(59.30)	(49.20)	(19.80)	Placing	3.50	Non-underwritten	N/A	100,000
26/6/2024	Ev Dynamics (Holdings) Limited	476	3 for 2	60.00	(3.06)	N/A (Note 2)	(1.84)	Placing	1.50	Non-underwritten	N/A	150,000
25/6/2024	Chong Fai Jewellery Group Holdings Company Limited	8537	3 for 1	75.00	(32.20)	(10.40)	(24.60)	Placing	1.00	Non-underwritten	N/A	130,000
19/6/2024	Bonny International Holding Limited	1906	1 for 4	20.00	(43.02)	(38.16)	(8.71)	Excess application	N/A	Non-underwritten	N/A	No
4/6/2024	MMG Limited	1208	2 for 5	28.57	(31.41)	(24.65)	(10.17)	Excess application	N/A	Fully-underwritten	2.00	No
29/5/2024	Icon Culture Global Company Limited	8500	1 for 1	50.00	(36.71)	(22.84)	(18.59)	Placing	0.50	Non-underwritten	N/A	No
16/5/2024	Futian Holdings Limited	8196	1 for 2	33.33	0	0	(4.60)	Excess application	N/A	Non-underwritten	N/A	No
10/5/2024	Sky Blue 11 Company Limited	1010	1 for 1	50.00	(33.30)	(20.00)	(17.90)	Placing	5.00	Non-underwritten	N/A	No
30/4/2024	Goldway Education Group Limited	8160	3 for 1	75.00	(27.50)	(8.66)	(20.90)	Placing	1.00	Non-underwritten	N/A	No
26/4/2024	Flying Financial Service Holdings Limited	8030	3 for 1	75.00	(24.20)	(7.40)	(23.70)	Placing	3.00	Non-underwritten	N/A	800,000
18/4/2024	Shin Hwa World Limited	582	2 for 1	66.67	(33.33)	(22.31)	(22.22)	Excess application	N/A	Underwritten on a best-effort	1.0	No
9/4/2024	Walnut Capital Limited	905	1 for 2	33.33	(45.10)	(35.50)	(14.92)	Placing	1.00	Non-underwritten	N/A	No
8/4/2024	China UpTown Group Company Limited	2330	2 for 1	66.67	(31.80)	(22.70)	(22.70)	Excess application and placing	2.50	Non-underwritten	N/A	No
8/4/2024	Heng Tai Consumables Group Limited	197	1 for 2	33.33	0	0	0	Excess application	N/A	Non-underwritten	N/A	No
			<b>Maximum</b>	80.00	10.0	8.20	6.80		5.00		7.07	800,000
			<b>Minimum</b>	3.23	(67.39)	(62.26)	(24.90)		0.50		1.00	100,000
			<b>Average</b>	46.40	(26.95)	(18.68)	(13.06)		1.86		2.81	203,333
			<b>Median</b>	33.33	(30.60)	(13.13)	(14.60)		1.13		2.00	100,000
<b>2/10/2024</b>	<b>The Company</b>	<b>745</b>	<b>2 for 1</b>	<b>66.67</b>	<b>(31.97)</b>	<b>(0.14)</b>	<b>(21.31)</b>	<b>Placing</b>	<b>2.00</b>	<b>Non-underwritten</b>	<b>N/A</b>	<b>No</b>

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## LETTER FROM VINCO FINANCIAL

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Source: the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk))

Notes:

1. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rule**”), or extracted from announcement, circular or prospectus in respect of the relevant rights issue.
2. This information is not disclosed in the relevant announcement of the respective Comparable.
3. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.
4. In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute underwriting/placing commissions.

According to our research, we observed that (i) 26 of the 31 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the “**LTD Price**”); and (ii) 25 of the 31 Comparables had set the subscription price of their rights issue at a discount to the theoretical ex-rights prices (the “**Ex-rights Price**”) based on the LTD Price. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price and the Ex-rights Price, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 10.00% to a discount of approximately 67.39% with average and median discounts of approximately 26.93% and 30.60% respectively. The discount of approximately 31.97% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 8.20% to a discount of approximately 62.26% with average and median discounts of approximately 18.68% and 13.13% respectively. The discount of approximately 0.14% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from a premium of approximately 6.80% to a discount of 24.90% with average and median discount of approximately 13.06% and 14.60% respectively. The theoretical dilution effect of the Rights Issue of approximately 21.31% falls within the range of the Comparables.

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## LETTER FROM VINCO FINANCIAL

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Taking into account that (i) the Subscription Price falls below the Adjusted Closing Price during the Review Period; (ii) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of a rights issue at a discount to the LTD Price and the Ex-rights Price with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (iii) the discounts of the Subscription Price to the LTD Price and the Ex-rights Price of the Company fall within discount ranges of the Comparables; and (iv) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables, we consider the Subscription Price is fair and reasonable.

Among the Comparables, we noted that 19 out of 31 Comparables exercise placing in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

### ***Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares***

Extracted details of the Placing Agreement are shown below:

Date : 2 October 2024 (after trading hours)

Issuer : The Company

Placing Agent : Suncorp Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder(s); and (ii) are Independent Third Parties.

Placing Period : The period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Wednesday, 26 February 2025 and ending at 4:00 p.m. on Thursday, 6 March 2025.

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## LETTER FROM VINCO FINANCIAL

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- Commission and expenses : The Placing Agent shall be entitled to a commission fee equal to 2.0% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent.
- Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

For further details, please refer to section headed “Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares” in the Board Letter. As stated in the Board Letter, the engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

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## LETTER FROM VINCO FINANCIAL

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Since the Compensatory Arrangements would provide (a) a distribution channel of the Placing Shares to the Company; (b) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (c) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders, we considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders.

To assess the fairness and reasonableness of the terms of the Placing Agreement, we have reviewed the placing commissions of the Comparables, if any, and noted that their placing commissions ranged from 0.50% to 5.00%, with an average and median of approximately 1.86% and 1.13% respectively. Pursuant to the Placing Agreement, the Placing Agent shall be entitled to a commission fee equal to 2.00% of the amount which is equal to the Placing price multiplied by the Placing Shares that have been successfully placed by the Placing Agent. The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms. In addition, we noted that the placing commissions of 10 out of 19 Comparables which conducted placing were subject to no minimum charge. Accordingly, we consider the placing commissions of the Placing Agreement with no minimum charge to be fair and reasonable.

As illustrated from the Comparables, the placing commission of the Placing Agreement falls within the range of the placing commissions among the Comparables and slightly higher than the average and median of the placing commissions among Comparables. Having considered that (i) the placing commission of the Placing Agreement is based on the number of the Placing Shares that have been successfully placed by the Placing Agent, with no minimum payment, and is fair and reasonable and in the interest of the Company; and (ii) the placing commission of the Placing Agreement falls within the range of the Comparables, we are of the view that the placing commission of the Placing Agreement is fair and reasonable.

### ***Potential dilution effect on the Rights Issue***

Pursuant to the Board Letter, the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution. However, 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. The Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). Therefore the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

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## LETTER FROM VINCO FINANCIAL

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The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the Board Letter.

Assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and all 156,244,304 Rights Shares have taken up: (i) all Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted by up to a maximum of 66.67%, which fall within the range of the Comparables.

Immediately upon (i) completion of the Capital Reorganisation; and (ii) completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under Rights Issue, the shareholding interests of the Qualifying Shareholders will not suffer from any dilution. Immediately upon (i) completion of the Capital Reorganisation; and (ii) immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing, the shareholding interests of other public shareholders in the Company will be diluted from approximately 100% to approximately 33.30%.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is within the range of that of the Comparables; (iv) the Compensatory Arrangements would provide (a) a distribution channel of the Placing Shares to the Company; (b) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (c) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders; (v) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (vi) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be beneficial to the long term development of the Group, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

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## LETTER FROM VINCO FINANCIAL

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### ***Financial effects of the Rights Issue***

#### *Net tangible assets*

According to the “UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP” set out in the Appendix II to the Circular, the audited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK\$16.8 million as at 31 March 2024, while the unaudited consolidated net tangible assets per Share before completion of the Rights Issue was approximately HK\$0.21; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$31.9 million, while the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights issue was approximately HK\$0.14.

#### *Gearing ratio and liquidity*

There were no bank borrowings and thus the Group’s gearing ratio was zero as at 31 March 2024. Since the net proceeds are intended to be utilised for (i) developing the Group’s e-commerce business by strengthening its e-commerce platform, expanding and refining its product portfolio and settling the deposit and payment to suppliers; and (ii) the general working capital of the Group, the Group’s liquidity would be improved upon completion of the Rights Issue.

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interest of the Company and the Shareholders.

### ***Recommendation***

Taking into consideration of the principal factors and reasons as set out in this letter, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholder as a whole.

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## LETTER FROM VINCO FINANCIAL

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Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue and the transaction contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Vinco Financial Limited**  
**Alister Chung**  
*Managing Director*

*Note:* Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

**A. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for the three years ended 31 March 2022, 2023 and 2024 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company (<http://www.hklistco.com/745>), respectively:

- (i) the audited consolidated financial statements of the Group for the year ended 31 March 2022 is disclosed in the annual report of the Company for the year ended 31 March 2022 published on 28 July 2022, from pages 34 to 104:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0728/2022072800831.pdf>;

- (ii) the audited consolidated financial statements of the Group for the year ended 31 March 2023 is disclosed in the annual report of the Company for the year ended 31 March 2023 published on 28 July 2023, from pages 48 to 117:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0728/2023072801447.pdf>;  
and

- (iii) the audited consolidated financial statements of the Group for the year ended 31 March 2024 is disclosed in the annual report of the Company for the year ended 31 March 2024 published on 31 July 2024, from pages 52 to 117:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0731/2024073100953.pdf>.

**B. STATEMENT OF INDEBTEDNESS**

Apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, as at 30 September 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 September 2024 up to the Latest Practicable Date.

**C. WORKING CAPITAL STATEMENT**

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

**D. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 March 2024, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group is principally engaged in the provision of design services and advertising through mobile devices, e-commerce relating to the sale of products over the internet and trading and production of films and provision of other film related services.

In past years, the Group's advertising business mainly focused on the PRC advertising industry which engaged in providing advertising, design and other related services through mobile devices and other channel, such as financial magazine, and provision of communication marketing platform services. As mentioned in the annual report of the Company for the year ended 31 March 2024, the Group will continue to expand the customers bases of advertising business in Hong Kong and allocate resources to offer customized services and products to the customers to strengthen the market position in Hong Kong. The Group will look for relevant potential opportunities to increase the Group's visibility and exposure to attract customers, such as participating in relevant types of exhibitions or cooperating with well-known companies.

Besides, the Group is also engaged in the wholesale e-commerce business by operating an e-commerce platform which provides choices of different model of used iPhones and different type of parts to the customers. Apart from operating the e-commerce platform, after the Group sourced and purchased those used iPhones and parts from suppliers, the Group negotiates the pricing and certain terms and requirements with the customers and performs the testing, including but not limited to the appearances and functioning, and is also responsible for packaging and delivery of those products and parts to the customers. For the packaging and delivery processes, the Group may outsource to third parties depends on the utilization of resources of the Group. As mentioned in the annual report of the Company for the year ended 31 March 2024, the Group will continue to allocate resources to offer customized services and products to the customers to strengthen the market position in Hong Kong. Besides, in order to cater the market demand, the Group will continue to review the products mix of the e-commerce business regularly.

Additionally, the Group aim to develop the Group's movie segment, including but not limited to the investment in, purchase of and distribution of film, web series and TV Series contents, which are expected to generate positive contributions to the Group in the future.

The Group has been actively seeking new business opportunities from time to time in order to (i) broaden the source of income; (ii) diversify its business; and (iii) enhance the long-term growth potential of the Group and the Shareholder's value. Looking forward, the Group will strive to enhance its profitability, judge the hour and size up the situation and make good use of government policies and national development plans in order to maximize its investment return and position to appropriate business opportunities in pursuing healthy and stable growth.

### **PRINCIPAL RISKS AND UNCERTAINTIES**

A number of factors may affect the results and business operations of the Group. The principal risks and uncertainties faced by the Group are set out below:

#### **Operational risks**

The Group's revenue is mainly derived from contracts which are not recurring in nature and any significant decrease in number of contracts would affect its operations and financial results.

Approximately 20.8% of the Group's revenue generated during the year ended 31 March 2024 was derived from advertising and value added services through mobile devices. The Group's engagements with customers were on a project basis and non-recurring in nature. The Group did not enter into any long term agreement or master service agreement with its customers. After completion of a contract, the Group's customers are not obliged to engage it again in subsequent contracts, and the Group has to undergo the tendering process for every new contract. There is no assurance that the Group's existing customers will award new contracts to it, nor can the Group guarantee that it would be able to maintain its business relationships with its existing customers. In the event that the Group is unable to attract new customers or secure new contracts from its existing customers, there may be a significant decrease in its revenue, and its operations and financial results would hence be adversely affected.

#### **Equity price risks**

Equity price risk arises from fluctuation in quoted market price of the Group's investment in financial assets. The Group counter the equity price risk by ensuring a board diversification of the Group's investment portfolio and ensuring the investment portfolio are frequently reviewed and monitored.

#### **Liquidity risks**

Liquidity risk is the potential that the Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.



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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

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*Notes:*

1. The consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$16,750,000 as at 31 March 2024 is based on the consolidated net assets of the Group attributable to owners of the Company as at 31 March 2024 of approximately HK\$16,750,000, as extracted from the published annual report of the Group for the year ended 31 March 2024.
2. The estimated net proceeds from the Rights Issue of approximately HK\$15,124,000 are based on two Rights Shares to be issued at the Subscription Price of HK\$0.10 per Rights Share and after deducting estimated related expenses, including among others, placing commission, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$500,000.
3. The calculation of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 per Share before the completion of the Rights Issue is based on the audited consolidated net tangible assets of the Group as at 31 March 2024 of approximately HK\$16,750,000, divided by 78,122,152 Shares in issue as at 31 March 2024.
4. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 March 2024 per Share immediately after the completion of the Rights Issue is based on unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2024 immediately after the completion of the Rights Issue of approximately HK\$31,874,000, being the aggregate audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2024 of approximately HK\$16,750,000 and the estimated net proceeds from the Rights Issue of approximately HK\$15,124,000, divided by 234,366,456 Shares which represents the sum of 78,122,152 Shares in issue and 156,244,304 Rights Shares (assuming no new shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after the completion of the Rights Issue, as if the Rights Issue had been completed on 31 March 2024.
5. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2024.

**B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from Infinity CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this Prospectus.*



**Infinity CPA Limited**  
Room 1501, 15th Floor  
Olympia Plaza  
255 King’s Road  
North Point, Hong Kong

The Board of Directors of  
**China National Culture Group Limited**

**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of pro forma financial information of China National Culture Group Limited (the “**Company**”) and its subsidiaries (collectively, 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 as at 31 March 2024 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 31 October 2024 (the “**Circular**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A 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 basis of two rights shares for each existing share at the subscription price of HK\$0.10 per rights share (the “**Rights Issue**”) on the Group’s consolidated financial position as at 31 March 2024 as if the Rights Issue had taken place at 31 March 2024. As part of this process, information about the Group’s consolidated financial position has been extracted by the directors of the Company from the Group’s consolidated financial statements for the year ended 31 March 2024, on which an annual 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 “**Listing Rules**”) and with reference to Accounting Guideline (“**AG**”) 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“**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.

The firm applies Hong Kong Standard on Quality Management 1, 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 ACCOUNTANT'S 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 accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 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.

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**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP**

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The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 March 2024 would have been as presented.

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

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

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

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

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

**OPINION**

In our opinion:

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

Yours faithfully,  
**Infinity CPA Limited**  
*Certified Public Accountants*  
Hong Kong

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL****(a) Share capital as at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
2,500,000,000	Existing Shares of HK\$0.4 each	1,000,000,000
350,000,000	Preference Shares of HK\$1.4 each	<u>490,000,000</u>
		<u><u>1,490,000,000</u></u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>78,122,152</u>	Existing Shares of HK\$0.4 each	<u>31,248,860.80</u>

**(b) Immediately following the Capital Reorganisation having become effective**

<i>Authorised:</i>		<i>HK\$</i>
100,000,000,000	Adjusted Shares of HK\$0.01 each	1,000,000,000
14,000,000,000	Adjusted Preference Shares of HK\$0.035 each	<u>490,000,000</u>
		<u><u>1,490,000,000</u></u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>78,122,152</u>	Adjusted Shares of HK\$0.01 each	<u><u>781,221.52</u></u>

**(c) Immediately following the Capital Reorganisation becoming effective and upon completion of the Rights Issue**

<i>Authorised:</i>		<i>HK\$</i>
100,000,000,000	Adjusted Shares of HK\$0.01 each	1,000,000,000
14,000,000,000	Adjusted Preference Shares of HK\$0.035 each	<u>490,000,000</u>
		<u>1,490,000,000</u>
 <i>Issued and fully paid:</i>		 <i>HK\$</i>
78,122,152	Adjusted Shares of HK\$0.01 each	78,122.152
	Rights Shares to be allotted and issued under	
<u>156,244,304</u>	the Rights Issue	<u>1,562,443.04</u>
	Shares in issue immediately upon completion of	
<u>234,366,456</u>	the Rights Issue	<u>2,343,664.56</u>

All the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,888,400 Shares under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executive's interests and short positions in the Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of the Directors, chief executive and their associates in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	Number of issued ordinary shares/ underlying shares of the Company			Total	Percentage of the issued share capital of the Company
	Personal interest	Family interests	Corporate interest		
Ms. Sun Wei					
– Unlisted share options	1,810,500	–	–	1,810,500	2.32%
Ms. Man Qiaozhen					
– Unlisted share options	1,810,500	–	–	1,810,500	2.32%
Ms. Wang Miaojun					
– Unlisted share options	1,221,700	–	–	1,221,700	1.56%
Ms. Wang Yujie					
– Unlisted share options	1,221,700	–	–	1,221,700	1.56%

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

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

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

**4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

**5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

**6. COMPETING INTERESTS**

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

**7. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

**8. MATERIAL CONTRACTS**

Save for the Placing Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular.

**9. EXPERTS AND CONSENTS**

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular (collectively, the “**Experts**”):

<b>Name</b>	<b>Qualification</b>
Vinco Financial Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Infinity CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2024, being the date to which the latest published audited accounts of the Company were made up.

**10. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and NQS Unsold Rights Shares are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$0.5 million, which are payable by the Company.

**11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE****Board of Directors***Executive Directors*

Ms. Sun Wei

Ms. Man Qiaozhen

*Independent non-Executive Directors*

Mr. Liu Kwong Sang

Ms. Wang Miaojun

Ms. Wang Yujie

**Audit committee**Mr. Liu Kwong Sang (*Chairperson*)

Ms. Wang Miaojun

Ms. Wang Yujie

**Nomination committee**Ms. Wang Miaojun (*Chairperson*)

Ms. Sun Wei

Mr. Liu Kwong Sang

Ms. Wang Yujie

**Remuneration committee**Mr. Liu Kwong Sang (*Chairperson*)

Ms. Sun Wei

Ms. Wang Miaojun

Ms. Wang Yujie

**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**

Unit A, 29/F

United Centre

95 Queensway

Admiralty, Hong Kong

<b>Authorised representatives</b>	Ms. Sun Wei Mr. Lam Chee Sum Eddie
<b>Business address of all Directors and authorised representatives</b>	Unit A, 29/F United Centre 95 Queensway Admiralty, Hong Kong
<b>Company Secretary</b>	Mr. Lam Chee Sum Eddie
<b>Principal share registrar and transfer office</b>	Suntera (Cayman) Limited Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman KY1-1110, Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Admiralty Hong Kong
<b>Principal banker</b>	Bank of China (Hong Kong) Limited 14th Floor Bank of China Tower No. 1 Garden Road Hong Kong
<b>Auditor</b>	Infinity CPA Limited <i>Certified Public Accountants</i> Room 1501, 15th Floor Olympia Plaza 255 King's Road North Point Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws</b>	David Fong & Co. Unit A, 12th Floor China Overseas Building 139 Hennessy Road Wanchai Hong Kong

<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Vinco Financial Limited Unit 2602, 26/F The Center 99 Queen's Road Central Hong Kong
<b>Placing Agent</b>	Suncorp Securities Limited Unit 2305, 23/F The Center 99 Queen's Road Central Hong Kong

## 12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Ms. SUN Wei (“Ms. Sun”)**, aged 40, was appointed to the Board in February 2014 as an executive Director, and was appointed as a member of the remuneration committee and nomination committee of the Board in November 2014. She also serves as a director of certain subsidiaries of the Company. Ms. Sun holds a Bachelor of Arts in English Education degree from Shanghai International Studies University, PRC, a Master of Science degree in Finance from Clark University, United States of America and a Postgraduate Certificate in Professional Accounting from City University of Hong Kong. Ms. Sun has over five years of experience in accounting and administration. From May 2020 to June 2021, Ms. Sun has been appointed as a director of TD Holdings, Inc. (ticket symbol: GLG) whose securities are listed on the United States Nasdaq Stock Market.

**Ms. MAN Qiaozhen (“Ms. Man”)**, aged 38, was appointed to the Board in March 2018 as an executive Director. Ms. Man graduated with a bachelor's degree in Finance from Shenyang Normal University (沈陽師範大學) in July 2008. Ms. Man has over six years of experience in banking industry. She served positions as deputy general manager of private banking section, senior account manager and account manager (private banking) in a number of banks in the PRC. Ms. Man also has years of experience in media industry.

### Independent non-executive Directors

**Mr. LIU Kwong Sang (“Mr. Liu”)**, aged 62, was appointed to the Board in September 2004 as an independent non-executive Director, and the Chairperson of the audit committee of the Board. He was also appointed as the Chairperson of remuneration committee of the Board in 2004, and a member of the nomination committee of the Board in 2012.

Mr. Liu has been practising as a certified public accountant in Hong Kong with more than 27 years of experience in accounting profession. Mr. Liu graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy (with honours) and obtained the Master degree in Business Administration from the University of Lincoln, the United Kingdom. He is a fellow member of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Institute of Financial Accountants, the United Kingdom and a fellow member of the Institute of Public Accountants, Melbourne, Australia. Mr. Liu is also a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Taxation Institute of Hong Kong, a Chartered Tax Adviser and a fellow member of the Society of Registered Financial Planners.

Mr. Liu currently acts as the independent non-executive director of Graphex Group Limited, whose securities are listed on the main board of the Stock Exchange, and as the independent non-executive director of ATIF Holdings Limited (ticker symbol: ATIF) whose shares are listed on the United States Nasdaq Stock Market since April 2019 and Mr. Liu has also been appointed as an independent non-executive director of Armlogi Holding Corp. (ticker symbol: BTOC) whose shares are listed on the United States Nasdaq Stock Market in May 2024.

From 28 September 2004 to 6 November 2023, Mr. Liu has been appointed as the independent non-executive director of abc Multiactive Limited, securities of which are listed on the GEM of the Stock Exchange.

Mr. Liu was previously independent non-executive director of Polytec Asset Holdings Limited, securities of which are previously listed on the main board of the Stock Exchange, for the period from 24 July 2000 to 1 September 2000, and from 1 December 2000 to 9 June 2021. The listing of shares of Polytec Asset Holdings Limited was withdrawn by way of a scheme of privatization with effective from 26 May 2021.

He was also previously the independent non-executive director of Pine Care Group Limited, securities of which are listed on the main board of the Stock Exchange, for the period from 23 January 2017 to 19 October 2020. He was the independent non-executive director of Evershine Group Holdings Limited, whose securities are listed on the GEM of the Stock Exchange, for the period from 16 January 2014 to 20 May 2014 and, from 23 May 2014 to 1 January 2017.

**Ms. WANG Miaojun (“Ms. Wang”)**, aged 44, was appointed to the Board in February 2014 as an independent non-executive Director, and the Chairperson of the nomination committee, and a member of the audit committee and remuneration committee of the Board. Ms. Wang holds a bachelor degree in Electronics and Information Engineering from Shenzhen University. Ms. Wang has over 10 years of experience in IT and media industry. Ms. Wang is currently a general manager of the online media department and a director in an online media company. Ms. Wang had extensive experience in operation and management and had held management roles in electronics, IT and media companies and had an established network of relationship within IT industry in the PRC.

**Ms. WANG Yujie (“Yujie”)**, aged 39, was appointed to the Board in July 2016 as an independent non-executive Director, and a member of the nomination committee, audit committee and remuneration committee of the Board. She was graduated from 首都經濟貿易大學華僑學院 (Overseas Chinese College, Capital University of Economics and Business), formerly known as 燕京華僑大學 (Yanjing Overseas Chinese University\*) with a bachelor’s degree in Foreign Trade English from the Department of Foreign Languages in July 2008. Yujie has years of experience working in bidding maintenance department of a Chinese search engine company.

#### **Senior management**

**Mr. Lam Chee Shum Eddie (“Mr. Lam”)** aged 49, was appointed as the company secretary and an authorised representative of the Company on 2 July 2024. Mr. Lam graduated from the University of California, Los Angeles with a Bachelor of Arts degree in Business Economics. Mr. Lam is a full member of the California Board of Accountancy of Certified Public Accountants and a Chartered Financial Analyst charter holder. He has over 20 years’ working experience in the field of accounting, auditing and company secretarial services.

### **13. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Liu Kwong Sang (Chairperson), Ms. Wang Miaojun and Ms. Wang Yujie. Mr. Liu Kwong Sang, who possess appropriate professional qualifications, accounting and financial management expertise, is the chairman of the Audit Committee. The primary duties of the Audit Committee are: to independently review and supervise the financial reporting process, internal control and risk management systems on an ongoing basis, to ensure good communications among Directors and the Company’s auditor, to recommend the appointment of external auditor on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications,

\* For identification purpose only

performance and compensation of the independent accountant, to review interim and annual results announcements as well as the consolidated financial statements prior to their approval by the Board, to provide advice on audit report, accounting policies and comments to all Directors.

#### **14. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.hklistco.com/745>) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2022, 2023 and 2024;
- (c) the Placing Agreement;
- (d) the letter from the Board, the text of which is set out on pages 12 to 39 of this circular;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 40 of this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 41 to 63 of this circular;
- (g) the accountant's report on the unaudited pro forma financial information of the Group issued by Infinity CPA Limited, the text of which is set out in Appendix II to this circular;
- (h) the written consent referred to in paragraph headed "9. Experts and consents" of this appendix; and
- (i) this circular.

**15. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. As at the Latest Practicable Date, the Group does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.
- (c) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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

# CNCG

**CHINA NATIONAL CULTURE GROUP LIMITED**

**中國國家文化產業集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 745)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**EGM**”) of China National Culture Group Limited (the “**Company**”) will be held at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong at 11:00 a.m. on Monday, 18 November 2024 to consider and, if thought fit, pass with or without amendments (as applicable), the following resolutions. Unless otherwise stated, the capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 31 October 2024 (a copy of which has been produced to the EGM marked “**A**” and signed by the chairman of the EGM for the purpose of identification) (the “**Circular**”), of which the notice convening the EGM shall form part.

### SPECIAL RESOLUTION

1. “**RESOLVED THAT**, subject to and conditional upon (i) an order being made by the Grand Court of the Cayman Islands confirming the Capital Reduction; (ii) compliance with any condition which the Grand Court may impose in relation to the Capital Reduction; (iii) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act in respect of the Capital Reduction; and (iv) the Listing Committee of the Stock Exchange granting approval for the listing of, and the permission to deal in, the Adjusted Shares and the Adjusted Preference Shares, with effect from the date on which these conditions are fulfilled (the “**Effective Date**”):
  - (a) the issued share capital of the Company be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.39 on each of the issued Existing Shares such that the par value of each issued Existing Share will be reduced from HK\$0.40 to HK\$0.01;
  - (b) the credit arising from the Capital Reduction will be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company;

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (c) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Existing Shares of par value of HK\$0.40 each and the authorised but unissued Preference Shares of par value of HK\$1.40 each in the authorised share capital of the Company will be subdivided into forty (40) authorised but unissued Adjusted Shares of par value of HK\$0.01 each and forty (40) authorised but unissued Adjusted Preference Shares of par value of HK\$0.035 each, respectively.

### ORDINARY RESOLUTION

2. **“RESOLVED THAT** subject to the passing of resolution number 1 above and the fulfilment of all conditions as set out in the paragraph headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the Circular:
- (a) the issue of up to 156,244,304 Rights Shares (assuming full subscription under the Rights Issue and there is no change in the total number of issued Shares up to and including the Record Date other than as a result of the Capital Reorganisation) pursuant to an offer by way of rights to the Shareholders of the Company at the Subscription Price of HK\$0.10 per Rights Share on the basis of two (2) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders as at the Record Date, save for the Non-Qualifying Shareholders, and on and subject to such terms and conditions as may be determined by the Directors, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the placing agreement dated 2 October 2024 entered into between the Company and Suncorp Securities Limited (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/ have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the Board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the Memorandum and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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Articles of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution; and

- (d) any one or more Directors be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Rights Issue and the Placing Agreement, on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”
3. “**RESOLVED THAT** to appoint Infinity CPA Limited as the auditor of the Company with effect from the date on which this resolution is adopted until the conclusion of the next annual general meeting of the Company and to authorise the board of directors of the Company to fix its remuneration.”

By order of the Board of  
**China National Culture Group Limited**  
**SUN Wei**  
*Executive Director*

Hong Kong, 31 October 2024

*Registered office:*

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

*Head office and principal  
place of business:*

Unit A, 29/F  
United Centre  
95 Queensway  
Admiralty, Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or, if he is the holder of two or more shares (“**Shares**”) of the Company, more than one proxy to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of Shares, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or person authorised, and must be deposited with the Hong Kong branch share registrar and transfer office (“**Registrar**”) of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof.
4. For the purpose of determining members who are qualified for attending and voting at the EGM, the register of members of the Company will be closed from Tuesday, 12 November 2024 to Monday, 18 November 2024, both days inclusive, during which no transfer of Shares will be effected. In order to qualify for attending and voting at the EGM, all transfers of Shares, accompanied by the relevant share certificates, must be lodged with the Registrar at the address stated in note 3 above not later than 4:30 p.m. on Monday, 11 November 2024 for registration.
5. Delivery of an instrument appointing a proxy should not preclude a member from attending and voting in person at the above EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, voting on the proposed resolution set out in this notice will be taken by a poll.
7. If a tropical cyclone warning signal No. 8 or above is hoisted or remains hoisted, or a black rainstorm warning signal or “extreme conditions” caused by super typhoons is in force in Hong Kong at any time after 9:00 a.m. on Monday, 18 November 2024, the EGM will be proposed to be adjourned to a date to be determined. The Company will make a separate announcement on this.
8. All times and dates specified herein refer to Hong Kong local times and dates.

*As at the date hereof, the Board of Directors comprises Ms. SUN Wei and Ms. MAN Qiaozhen as Executive Directors, and Mr. LIU Kwong Sang, Ms. WANG Miaojun and Ms. WANG Yujie as Independent Non-Executive Directors.*