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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 a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

**If you have sold** all your shares in EJE (Hong Kong) Holdings Limited, you should at once hand this circular and the accompanying proxy form to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

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### **EJE (HONG KONG) HOLDINGS LIMITED**

**壹家壹品 (香港) 控股有限公司 \***

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

**(Stock Code: 8101)**

### **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE BOND AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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

A letter of advice from TD King Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 39 of this circular. The letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 18 of this circular.

A notice convening the EGM of EJE (Hong Kong) Holdings Limited to be held at Room 01B, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, 61-65 Gilman Street and 73 Connaught Road Central, Hong Kong on Friday, 28 August 2020 at 11:00 a.m., is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting should you so wish.

31 July 2020

*\* For identification purpose only*

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## CHARACTERISTICS OF GEM

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

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

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## PRECAUTIONARY MEASURES FOR THE EGM

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To safeguard the health and safety of the Shareholders and other participants attending the EGM and to prevent and control the spreading of coronavirus disease 2019 (“**COVID-19**”), the following precautionary measures will be implemented at the EGM:

- (1) Every attendee is required to complete a health and travel declaration;
- (2) Compulsory body temperature checks or screening at the entrance of the EGM venue;
- (3) Every attendee is required to wear a surgical face mask inside the EGM venue at all times. Please note that no masks will be provided at the EGM venue and attendees should wear their own masks;
- (4) Seating at the EGM venue will be arranged so as to allow for appropriate social distancing. As a result, there will be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding; and
- (5) No gifts, refreshments or beverages will be provided at the EGM.

Any attendees who (i) do not or refuse to comply with any of the precautionary measures (1) to (3) above; (ii) have travelled outside Hong Kong within 14 days immediately before the EGM (“**recent travel history**”); (iii) with a body temperature of over 37.3 degree celsius, or have any flu-like symptoms or are otherwise unwell; (iv) are subject to quarantine or self-quarantine in relation to COVID-19 pandemic; and/or (v) have close contact with any person under quarantine or with recent travel history should not attend and may be refused admission to the EGM venue at the Company’s absolute discretion as permitted by law.

In light of the continuing risks posed by the COVID-19 pandemic and for the health and safety of the Shareholders and other participants attending the EGM, Shareholders are strongly encouraged to appoint the chairman of the EGM as his/her proxy to vote on the resolutions, instead of attending the EGM in person.

Subject to the development of COVID-19, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the Company’s website for further announcements and updates on the EGM arrangements.

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## DEFINITIONS

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*This document has both English and Chinese versions. Should there be any inconsistency between the Chinese and English versions, the English version shall prevail.*

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

“Alteration”	(i) the proposed extension of the maturity date of the Convertible Bond for two years from the Original Maturity Date to the New Maturity Date, and accordingly, the extension of the conversion period and the early redemption period of the Convertible Bond to the New Maturity Date; and (ii) the proposed removal of the sixth adjustment event of the Convertible Bond
“Announcements”	announcements of the Company dated 3 July 2020 and 24 July 2020 in relation to the Extension Deed and the Supplemental Deed, respectively
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	board of Directors
“Bond Certificate”	the bond certificate dated 1 August 2017 issued by the Company to LIL in relation to the Convertible Bond
“Business Day”	any day (not being a Saturday, Sunday and public or statutory holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	EJE (Hong Kong) Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the GEM of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Conversion Price”	HK\$0.11 per Conversion Share, subject to adjustments, pursuant to the terms and conditions of the Convertible Bond
“Conversion Shares”	new Shares to be allotted and issued by the Company upon conversion of the Convertible Bond
“Convertible Bond”	the zero coupon convertible bond in the Principal Amount of HK\$212,000,000 issued by the Company to the Bondholder on 1 August 2017

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## DEFINITIONS

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“Directors”	the directors of the Company
“Early Redemption Date”	the 30th Business Day after the Company’s receipt of the relevant Early Redemption Notice
“Early Redemption Notice”	the written notice to be given by LIL to the Company stating the amount of the Principal Amount that the Company is obliged to redeem from LIL on the Early Redemption Date
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder which include the Specific Mandate
“Extension Deed”	the deed of extension entered into by the Company and the Bondholder on 3 July 2020 to extend the Original Maturity Date of the Convertible Bond
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely, Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Yiu Shung Kit, which has been established to make recommendations to the Independent Shareholders in respect of the terms of the resolutions in respect of the proposed Alteration
“Independent Financial Adviser” or “TD King Capital”	TD King Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Shareholders”	Shareholders other than the Bondholder and its associates
“Latest Practicable Date”	27 July 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“LIL” or “Bondholder”	Legendary Idea Limited, which is a company incorporated in the British Virgin Islands with limited liabilities
“Mr. Qin”	Mr. Qin Yuquan, an executive Director and chairman of the Board
“New Maturity Date”	1 August 2022, being the day of the 5th anniversary of the date of the issue of the Convertible Bond
“Original Maturity Date”	1 August 2020, being the day of the 3rd anniversary of the date of the issue of the Convertible Bond
“PRC” or “China”	The People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Principal Amount”	the outstanding principal amount of the unconverted, unredeemed and un-surrendered Convertible Bond
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Specific Mandate”	a specific mandate to be granted to the Directors in relation to the proposed allotment and issue of the Conversions Shares up to 1,927,272,727 Shares upon exercise of the conversion rights of the Convertible Bond in full, to be approved by the Independent Shareholders at the EGM

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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Supplemental Deed ”	the supplemental deed entered into by the Company and the Bondholder on 24 July 2020 to remove the sixth adjustment event of the Convertible Bond
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended from time to time
“URL”	Ultimate Rise Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“%”	per cent.



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**LETTER FROM THE BOARD**

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**EJE (HONG KONG) HOLDINGS LIMITED**  
**壹家壹品 (香港) 控股有限公司 \***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8101)**

*Executive Directors:*

Mr. Qin Yuquan (*Chairman*)  
Mr. Hung Cho Sing  
Mr. Chau Tsz Kong Alan

*Independent Non-executive Directors:*

Mr. Tang Kin Chor  
Mr. Chan Chun Wing  
Mr. Yiu Shung Kit

*Registered office:*

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

*Principal place of business in*

*Hong Kong:*  
Room 01, 23rd Floor.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
61-65 Gilman Street and  
73 Connaught Road Central,  
Hong Kong

31 July 2020

*To the Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO THE PROPOSED  
EXTENSION OF MATURITY DATE OF CONVERTIBLE BOND  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

References are made to the Announcements dated 3 July 2020 and 24 July 2020 in relation to the Company's entering into (i) the Extension Deed with the Bondholder for the extension of the Original Maturity Date of the outstanding Convertible Bond for two years to the New Maturity Date of 1 August 2022, and the conversion period and the early redemption period of the Convertible Bond will accordingly be extended for two years to 1 August 2022; and (ii) the Supplemental Deed with the Bondholder to remove the sixth adjustment event of the Convertible Bond. Save for the aforesaid proposed Alteration, all other terms and conditions of the outstanding Convertible Bond shall remain unchanged.

As at the Latest Practicable Date, the Convertible Bond in the Principal Amount of HK\$212,000,000 remained outstanding and will mature on 1 August 2020.

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Extension Deed and the Supplemental Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder; (iv) other information as required under the GEM Listing Rules; and (v) the notice of the EGM.

### BACKGROUND

References are made to (i) the Company's announcement dated 29 March 2017, (ii) the Company's circular dated 23 June 2017, and (iii) the Company's announcements dated 30 June 2017 and 1 August 2017 in relation to the major transaction concerning, among other things, the acquisition by URL (a direct wholly-owned subsidiary of the Company) from LIL of the entire issued share capital of Pioneer One Investments Limited and the related shareholder's loan at the consideration of HK\$212,000,000 (subject to adjustment) to be settled by the Company for and on behalf of URL by issuing to LIL the Convertible Bond of the same face value. The completion of such acquisition took place on 1 August 2017 and the Convertible Bond was issued to LIL on the same date.

As at the date of this circular, the Convertible Bond remains outstanding in full and will mature and be repayable in full on 1 August 2020 pursuant to the terms and conditions of the Bond Certificate.

### THE EXTENSION DEED AND THE SUPPLEMENTAL DEED

On 3 July 2020 (after trading hours of the Stock Exchange), the Company and the Bondholder entered into the Extension Deed to extend the Original Maturity Date of the outstanding Convertible Bond for two years to the New Maturity Date of 1 August 2022, and the conversion period and the early redemption period of the Convertible Bond will accordingly be further extended for two years to 1 August 2022. On 24 July 2020, the Company and the Bondholder entered into the Supplemental Deed to remove the sixth adjustment event of the Convertible Bond which was set out on page 18 of the Company's circular dated 23 June 2017. Save for the aforesaid proposed Alteration, all other terms and conditions of the outstanding Convertible Bond shall remain unchanged.

LIL, namely the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by Mr. Qin, an executive Director and chairman of the Board. Accordingly, the Bondholder is a connected person of the Company under the GEM Listing Rules and the Alteration constitutes a connected transaction of the Company which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The extension of the Original Maturity Date for another two years to the New Maturity Date is the best term that the Company could get after arm's length negotiation with the Bondholder. During the course of negotiation between the Company and the Bondholder, the Company strived for keeping the Convertible Bond interest-free as it is important for the Group to preserve its liquidity in view of the net current liabilities position of the Group and on this basis, extension of two years is the maximum period that can be accepted by the Bondholder while keeping the Convertible Bond interest-free.

### CONDITIONS PRECEDENT

The Extension Deed and the Supplemental Deed shall only become effective upon all the following conditions having been fulfilled:

- i. the approval of the Alteration as stipulated under the Extension Deed and the Supplemental Deed by the Stock Exchange;
- ii. the passing of an ordinary resolution to approve the Alteration as stipulated under the Extension Deed and the Supplemental Deed by the Independent Shareholders at the EGM to be held and convened to approve the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder; and
- iii. all necessary consents and approvals required to be obtained on the part of the Company and the Bondholder in respect of the Alteration as stipulated under the Extension Deed and the Supplemental Deed.

In the event that the above conditions are not fulfilled by 30 September 2020 (or such later date as may be agreed by the Company and the Bondholder), the provisions of the Extension Deed and the Supplemental Deed shall become null and void. For the avoidance of doubt, the Convertible Bond shall remain valid and effective in accordance with its terms. The Extension Deed and the Supplemental Deed and all rights and obligations thereunder shall cease and terminate and none of the parties thereto shall have any claim against the other.

The principal terms of the Convertible Bond after the Extension Deed and the Supplemental Deed become effective are as follows:

Outstanding Principal Amount:	HK\$212,000,000
Maturity date:	60 months after the issuance date of the Convertible Bond (i.e. 1 August 2022)
Interest:	The Convertible Bond will not bear any interest.
Conversion Price:	HK\$0.11 per Conversion Share (subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bond).

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## LETTER FROM THE BOARD

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Conversion Shares:

On the basis of the Conversion Price of HK\$0.11 (subject to adjustments) per Conversion Share and the Principal Amount of HK\$212,000,000, a maximum of 1,927,272,727 Conversion Shares will be allotted and issued upon full conversion of the Convertible Bond, which represent:

- (i) approximately 66.64% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 39.99% of the issued share capital of the Company as enlarged by the issuance and allotment of the Conversion Shares upon full conversion of the Convertible Bond.

The Conversion Shares shall be allotted and issued under the Specific Mandate proposed to be sought at an EGM.

Conversion:

No fraction of a Conversion Share shall be issued on conversion and no amount in lieu thereof shall be refunded. Any conversion shall be made in the amount of HK\$1,000,000 or the multiples thereof and if at any time, the Principal Amount shall be less than HK\$1,000,000, the whole (but not part only) of the Principal Amount shall be convertible.

The Company shall not allot and issue Conversion Shares to the holder(s) of the Convertible Bond or shall such holder(s) be permitted to exercise the Convertible Bond (or any part thereof) if upon such allotment and issue or exercise (as the case may be), such holder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 30% or more of the then issued share capital of the Company at the date of the relevant exercise, or be obliged to make a general offer under the Takeovers Code, or the public float of the Company be unable to meet the requirements under the GEM Listing Rules.

If the conversion of the Convertible Bond will result in the holder(s) of the Convertible Bond and parties acting in concert with it being interested in 30% or more of the issued share capital of the Company or be obliged to make a general offer under the Takeovers Code, or cause the public float of the Company be unable to meet the requirements under the GEM Listing Rules, the holder(s) may only exercise its right of conversion after disposing part of the Shares then held by it.

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## LETTER FROM THE BOARD

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Conversion period: Any time until the New Maturity Date.

Conversion Price: HK\$0.11 per Conversion Share (subject to adjustments as detailed below, provided that the Conversion Price shall not be less than the par value of the Shares).

The events which occurrence would result in adjustments for the Conversion Price include the following:

- (i) an alternation of the nominal value of the Share by reason of any consolidation or subdivision;
- (ii) an issue of Shares to all or substantially all Shareholders as a class by way of rights, or a grant of options or warrants to subscribe for or purchase any Shares (save for option schemes being an incentive scheme for the employees and/or the directors of URL and/or the Company), in each case at less than 85% of market price on the last dealing day preceding the date of announcement of the terms of the issue or grant;
- (iii) an issue of any securities (other than Shares or options, warrants or other rights to subscribe for or purchase Shares) to all Shareholders as a class by way of rights, or a grant of options or warrants to subscribe for or purchase any securities;
- (iv) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares and the total effective consideration per Share receivable for such securities is less than 80% of the market price on the date of announcement of the terms of the issue of such securities; and
- (v) a modification of the rights of conversion, exchange or subscription attaching to any securities so that the consideration per Share is less than 80% of the market price on the date of announcement of the proposals for such modification.

The terms of adjustments, including the thresholds in relation to items (ii), (iv) and (v) above, were determined after arm's length negotiation between the Company and the Bondholder based on the terms of other convertible bonds in the market, which were publicly disclosed, at the time of negotiation, and was a commercial decision between the parties.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, save for the proposed share consolidation of the Company as disclosed in the Company's announcement dated 21 July 2020, the Company has not identified the occurrence of any event which may result in the adjustment for the Conversion Price. Further announcement(s) will be made by the Company in accordance with the GEM Listing Rules if any event which will result in the adjustment for the Conversion Price occurs.

Early redemption at the request of the Bondholder or the transferee of the Convertible Bond:

From the 18th month after the date of issue of the Convertible Bond to the New Maturity Date, the holder(s) of the Convertible Bond shall have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and un-surrendered Convertible Bond of such Principal Amount as determined by the holder(s) of the Convertible Bond. To exercise such right, the holder(s) of the Convertible Bond must notify the Company in writing by giving the Early Redemption Notice, stating therein the amount of Principal Amount that shall be redeemed by the Company on the Early Redemption Date.

Ranking of the Conversion Shares:

The Conversion Shares shall rank *pari passu* in all respects with all other existing Shares at the date of allotment of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of allotment of the Conversion Shares.

Voting:

The holder(s) of the Convertible Bond shall not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it holding the Convertible Bond.

Transferability:

The Convertible Bond cannot be assigned or transferred to a connected person of the Company unless with the prior written consent of the Company.

Application for listing:

An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.

Save and except for the extension of the maturity date and the conversion period and the deletion of the sixth adjustment event, all terms and conditions of the Convertible Bond remain unchanged.

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## LETTER FROM THE BOARD

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### COMPARISON OF CONVERSION PRICE

The Conversion Price is HK\$0.11 per Convertible Share (subject to adjustments), which represents:

- (i) a premium of approximately 77.42% to the closing price of HK\$0.062 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 42.86% to the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on the date of the Extension Deed;
- (iii) a premium of approximately 42.49% to the average of the closing price per Share of approximately HK\$0.0772 for the last five consecutive trading days immediately prior to the date of the Extension Deed; and
- (iv) a premium of approximately 40.49% to the average of the closing price per Share of approximately HK\$0.0783 for the last ten consecutive trading days immediately prior to the date of the Extension Deed.

### REASONS FOR AND BENEFITS OF THE ALTERATION

The principal activity of the Company is investment holding. The principal activities of the Group are (i) manufacture of custom-made furniture in the PRC; (ii) securities investment in Hong Kong; (iii) property investment in Hong Kong; and (iv) money lending in Hong Kong.

The Convertible Bond will, unless further extended, mature on 1 August 2020. However, according to the annual report of the Group for the year ended 31 March 2020, the Group recorded net liabilities as at 31 March 2020. In addition, according to the annual report of the Group for year ended 31 March 2020, the cash and bank balances of the Group amounted to approximately HK\$5,198,000 only. This means the Group would not have sufficient cash to redeem the outstanding Convertible Bond in the Principal Amount of HK\$212,000,000 at its Original Maturity Date, unless the Group could secure a substantial cash inflow during the period between the Latest Practicable Date and the Original Maturity Date of the Convertible Bond. If the Company has to redeem the Convertible Bond at the Original Maturity Date, the Group would face severe liquidity and cash flow problems, which would pose a significant impact on the operations and future development of the Group. Also, the Company has not successfully conducted any fund-raising activity on any issue of equity securities in the 12 months immediately preceding the Announcements. After taking into account the required working capital of the Group for the coming twelve months (including but not limited to general and administrative costs, tax payable, funds required for the Group's principal activities as set out above), as at the Latest Practicable Date the Board is of the view that the Company will not have enough cash to redeem the Convertible Bond in the next few months or within the forthcoming financial year. As such, the Alteration will enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position.



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## LETTER FROM THE BOARD

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The Alteration will also allow the Company to have more financial flexibility. The Company considers that it is in the interests of the Company and its Independent Shareholders as a whole to utilise its resources for business development and other business opportunities (should such opportunities arise) in order to maximise returns to its Shareholders. As such, the Alteration will allow the Group to have additional time to develop its business instead of repaying the Convertible Bond within a relatively short period.

In the absence of the Extension Deed and the Supplemental Deed, the entire outstanding Principal Amount of the Convertible Bond will fall due on the Original Maturity Date. Accordingly, if the resolution approving the Extension Deed and the Supplemental Deed is voted down by the Independent Shareholders, the outstanding Principal Amount of the Convertible Bond will become repayable immediately upon the vote down of the resolution. The Company will try to negotiate with the Bondholder for other alternative including allowing repayment of the outstanding Convertible Bond by installments but there is no guarantee that the negotiation will be fruitful.

In the event that the Extension Deed and the Supplemental Deed are approved by the Independent Shareholders, the Group will have an additional two years to develop its business to improve its financial position so that the Group can repay the outstanding Convertible Bond by its operating cashflow. Although there is no guarantee that the Group will be able to generate sufficient resources to repay the outstanding Convertible Bond when it falls due two years later, the Board will continue to explore and evaluate new businesses and investment opportunities which could be of good potential and/or long-term benefit to the Group and the Shareholders. The Board will take a cautious and conservative approach in the evaluation and timing of potential projects or investments, and will constantly review the Group's strategies and operations with a view to improve its business performance and Shareholders' returns.

The Group has been looking for opportunities to broaden and diversify its income stream so as to improve the overall operational performance of the Group and enhance the long-term benefits of the Shareholders. As set out in the Company's announcement dated 4 March 2020, the Company had acquired the exclusive right to sell and distribute Saniswiss products in Guangdong province to combat the Coronavirus, which would enrich the strategic blueprint and achieve new revenue stream for the Company and is believed to be palpable during the time of the pandemic. Save as the foregoing, as at the Latest Practicable Date, the Company had not yet identified any investment or acquisition target nor did the Group enter into any definitive agreement for such investment or acquisition.

The Company has also considered other financing alternatives to raise funds to repay the Convertible Bond over the Alteration, including but not limited to, bank borrowing and equity financing. However, due to the unsatisfactory financial performance of the Group, it is difficult for the Group to obtain bank borrowings. Also, unlike the interest-free Convertible Bond, in respect of the debt financing, bank borrowing would incur further interest burden to the Group. In addition, in view of the recent low liquidity of the Shares of the Group as well as the volatile market condition, the Board considers that the Company will likely to have difficulties in any equity financing such as placement of Shares or rights issue. Since the Convertible Bond is non-interest bearing, they will not incur any interest burden for the Group for the next two years. As such, the Company considers that the



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## LETTER FROM THE BOARD

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Alteration is the most appropriate and cost-effective means to refinance the Convertible Bond at the moment.

Regarding the possible financial effects of the Alteration, since the Alteration will defer the repayment of the Convertible Bond to the New Maturity Date of 1 August 2022 and that the Convertible Bond is interest-free, the Alteration will have positive impact on the cash flow and liquidity of the Group.

The Alteration may have effect on the fair value of the Convertible Bond and thus the earnings and assets/liabilities of the Group. Fair value of the Convertible Bond will depend on a number of factors including, among others, market price of the Shares and other market data as at the completion date of the Extension Deed and the Supplemental Deed and therefore cannot be ascertained with certainty for the time being.

The Board (including the independent non-executive Directors whose views were given after taking into account the advice from the Independent Financial Adviser) considers that it is in the interest of the Company to extend its redemption obligations for two years and avoid triggering an event of default under the Convertible Bond due to the Company's failure to redeem the Convertible Bond upon maturity. The terms of the Extension Deed and the Supplemental Deed are arrived at after arm's length negotiations between the Company and the Bondholder and the Board (including the independent non-executive Directors whose views were given after taking into account the advice from the Independent Financial Adviser) considers the terms and conditions of the Extension Deed and the Supplemental Deed are fair and reasonable and the Alteration is in the interests of the Company and the Shareholders as a whole.

### **FUND RAISING ACTIVITIES OF THE COMPANY WITHIN 12 MONTHS TO THE DATE OF THE ANNOUNCEMENTS**

The Company has not successfully conducted any fund raising activities in the last 12 months immediately before the dates of the Announcements.

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## LETTER FROM THE BOARD

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### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The existing shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) upon full conversion of the Convertible Bond in the Principal Amount of HK\$212,000,000 respectively, assuming there is no other change in the shareholding structure of the Company since the Latest Practicable Date:

	As at the Latest Practicable Date		Upon full conversion of the Convertible Bond	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Sau San Tong Holdings Limited	221,728,000	7.7	221,728,000	4.6
H N Group Limited	207,720,000	7.2	207,720,000	4.3
LIL	Nil	Nil	1,927,272,727	40.0
Other public Shareholders	<u>2,462,552,000</u>	<u>85.2</u>	<u>2,462,552,000</u>	<u>51.1</u>
Total	<u><u>2,892,000,000</u></u>	<u><u>100.0</u></u>	<u><u>4,819,272,727</u></u>	<u><u>100.0</u></u>

### GEM LISTING RULES IMPLICATIONS

LIL, i.e. the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by Mr. Qin, an executive Director and chairman of the Board. Accordingly, the Bondholder is a connected person of the Company under the GEM Listing Rules and the Alteration constitutes a connected transaction of the Company which is subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will make an application to the Stock Exchange for the approval of the proposed Alteration pursuant to Rule 34.05 of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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### GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Yiu Shung Kit, has been established to give recommendations to the Independent Shareholders as to whether (i) the terms of the Extension Deed and the Supplemental Deed are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Extension Deed and the Supplemental Deed is in the interests of the Company and the Shareholders as a whole and the letter from the Independent Board Committee is set out on page 18 of this circular. TD King Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard and the letter from the Independent Financial Adviser is set out on pages 19 to 39 of this circular.

The Board (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) considers that the terms of the Extension Deed and the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Extension Deed and the Supplemental Deed, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder.

### EGM AND VOTING

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Alteration.

As at the Latest Practicable Date, LIL, i.e. the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by Mr. Qin, an executive Director and chairman of the Board. Accordingly, the Bondholder, Tian Cheng Ventures Limited, Mr. Qin and their respective associates shall abstain from voting on the ordinary resolution in relation to the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder to be proposed at the EGM.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no other Shareholders or Directors are required to abstain from voting at the EGM in respect of the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder. Mr. Qin has not attended the Board meeting in relation to the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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A notice convening the EGM to be held at Room 01B, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, 61-65 Gilman Street and 73 Connaught Road Central, Hong Kong on Friday, 28 August 2020 at 11:00 a.m., is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you propose to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish.

In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020 (both days inclusive) during which period no transfer of Share will be registered. In order to qualify for attending the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 August 2020 for such purpose.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of  
**EJE (Hong Kong) Holdings Limited**  
**Mr. Chau Tsz Kong Alan**  
*Executive Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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**EJE (HONG KONG) HOLDINGS LIMITED**

**壹家壹品 (香港) 控股有限公司 \***

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

**(Stock Code: 8101)**

31 July 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO THE PROPOSED  
EXTENSION OF MATURITY DATE OF CONVERTIBLE BOND**

We refer to the circular of the Company dated 31 July 2020 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein shall have the same meanings as defined in the Circular.

We have been appointed by the Board as the members of the Independent Board Committee to advise the Independent Shareholders in connection with the Alteration. TD King Capital has been appointed as the Independent Financial Adviser to advise us in this respect. We wish to draw your attention to the letter from the Board and the letter from TD King Capital as set out in the Circular.

Having considered the principal factors and reasons considered by, and the advice of, TD King Capital as set out in its letter of advice, we consider that the Extension Deed and the Supplemental Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Extension Deed and the Supplemental Deed, while not in the ordinary and usual course of business of the Group is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Tang Kin Chor**  
*Independent non-executive  
Director*

**Mr. Chan Chun Wing**  
*Independent non-executive  
Director*

**Mr. Yiu Shung Kit**  
*Independent non-executive  
Director*

*\* For identification purpose only*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the full text of the letter of advice from TD King Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Alteration of the Convertible Bond thereunder for the purpose of inclusion in this circular.*



*To the Independent Board Committee and  
the Independent Shareholders,*

Dear Sirs and Madams,

### **CONNECTED TRANSACTION IN RELATION TO THE PROPOSED EXTENSION OF MATURITY DATE OF CONVERTIBLE BOND**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders with respect to the proposed Alteration, details of which are contained in the circular issued by the Company dated 31 July 2020 (the “**Circular**”), of which this letter forms a part. TD King Capital has been appointed as the independent financial adviser to advise the Independent Board Committee as to whether the transactions contemplated under the Extension Deed 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 Independent Shareholders as a whole; and how the Independent Shareholders should vote on the resolutions to approve the Extension Deed at the EGM.

The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise required.

On 3 July 2020 (after trading hours of the Stock Exchange), the Company and LIL entered into the Extension Deed to extend the Original Maturity Date of the outstanding Convertible Bond for two years from 1 August 2020 to the New Maturity Date of 1 August 2022 (i.e. the Alteration). Save for the aforesaid proposed Alteration, all other terms and conditions of the outstanding Convertible Bond shall remain unchanged.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, LIL, i.e. the Bondholder, is beneficially owned as to 50% by Tian Cheng Ventures Limited, which is wholly owned by an executive Director and chairman of the Board, Mr. Qin. The Bondholder is therefore a connected person of the Company under the GEM Listing Rules and hence the Extension Deed entered by the Company and the Bondholder constitutes a connected transaction of the Company which is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. The Bondholder, Tian Cheng Ventures Limited, Mr. Qin and their respective associates shall abstain from voting on the ordinary resolution in relation to the Extension Deed and the transactions contemplated thereunder to be proposed at the EGM.

The Board has established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Yiu Shung Kit, for the purpose of advising the Independent Shareholders on the transactions contemplated under the Extension Deed.

As at the Latest Practicable Date, we did not have any interests or relationships with the Company that could be reasonably regarded as relevant to the independence of us, and hence are independent from the Company pursuant to Rule 17.96 of the GEM Listing Rules. There was no engagement between the Group and us in the last two years and we are not aware of change in any circumstances that would affect our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we have received or will receive any fees or benefits from the Company or any of its subsidiaries. Accordingly, we consider ourselves eligible to give independent advice in respect of the Extension Deed and the Alteration.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company and have assumed that any information and representations made to us are true, accurate and complete in all respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations, statements and opinions contained or referred to in the Circular are complete in all respects, fair and reasonable and have relied on them.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors nor do we have any reason to suspect any material facts or information have been omitted or withheld. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable inquiries, that, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due enquiry and careful consideration, true and accurate and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have researched and considered market data and trends which we regard as relevant to form a reasonable basis for our

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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advice. We believe that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company or the Group. We have not carried out any independent verification of the information provided, opinion expressed or representations made by the Directors of the Company.

This letter is issued as our opinion and recommendation to the Independent Board Committee and the Independent Shareholders solely for their consideration of whether the Extension Deed 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 Independent Shareholders as a whole. Save for its inclusion in the Circular, this letter 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

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

#### 1. Background information

##### (a) Information of the Group

The Group principally engages in four business segments, which are (i) custom-made furniture; (ii) property investment; (iii) securities investment; and (iv) money lending.

The following table summarises the audited financial results of the Group for the two years ended 31 March 2019 and 2020 (“FY2019” and “FY2020”) as extracted from the annual report of the Company for the year ended 31 March 2020 (the “Annual Report”).

	For the year ended 31 March	
	2019	2020
	HK\$ '000	HK\$ '000
<b>Continuing operations</b>		
Revenue	130,308	140,464
Gross profit	41,471	55,200
Profit/(loss) for the year from continuing operations	(613)	61,879
Profit/(loss) for the year from discontinued operation	(11,039)	21,505
Profit/(loss) for the year*	(11,652)	83,384

\* Profit/(loss) for the year representing the profit/loss from continuing operations and discontinued operations.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	As at 31 March	
	2019	2020
	HK\$'000	HK\$'000
Non-current assets	493,331	712,923
Current assets	135,546	202,293
— <i>Cash and bank balances</i>	28,127	5,198
Current liabilities	293,553	330,620
Non-current liabilities	22,234	191,222
Net current liabilities	(158,007)	(128,327)
Net assets	313,090	393,374

### **FY2020 vs FY2019**

#### *Continuing operations:*

The revenue of the Group increased by approximately 7.8% from approximately HK\$130.3 million for FY2019 to approximately HK\$140.5 million for FY2020. As disclosed in the Annual Report and according to the Directors of the Company, the increases of revenue and gross profit were mainly attributed to the newly acquired Green Step Investments Limited (“**Green Step**”) for the custom-made furniture business which was to some extent offset by the decrease in revenue of Pioneer One Investments Limited (“**Pioneer One**”) under the same business segment.

In spite of the increase in revenue, according to the Annual Report and the Directors of the Company, the poor economic environment in China and the COVID-19 pandemic has adversely impacted on the custom-made furniture business, which recorded a segment loss of approximately HK\$66.9 million for FY2020, representing a decrease of approximately HK\$70.7 million from approximately HK\$3.8 million net profit for FY2019. The other three business segments remained relatively stable from FY2019 to FY2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Annual Report and the Director of the Company, the adverse market situation has also cast significant impact on the Group's profit. The Group (i) recorded an income from the fair value change of promissory note as the vendor of the Green Step acquisition had to surrender approximately HK\$82.4 million principal of the promissory note to the Company to compensate for the shortfall on Green Step's financial results as against its original target performance as prescribed in the profit guarantee provided by the vendor; while (ii) the goodwill resulted from the acquisition of Green Step would have to be written down by approximately HK\$72.8 million due to poorer outlook for Green Step's expansion. Due to the unlikelihood for Green Step being able to meet its performance target for 2021, (iii) the fair value of the profit guarantee provided by Vendor increased significantly by HK\$93.4 million. As a result, the net profit/(loss) for the Group improved from a net loss of approximately HK\$11.7 million for FY2019 to a net profit of approximately HK\$83.4 million for FY2020.

As shown in the above table, the Group improved its net current liabilities position slightly to approximately HK\$128.3 million as at 31 March 2020 from approximately HK\$158.0 million as at 31 March 2019. The Group has net assets of approximately HK\$313.1 million as at 31 March 2019 and approximately HK\$393.4 million as at 31 March 2020.

**(b) *Information on the Bondholder (LIL)***

The Bondholder, LIL, is a company incorporated in the British Virgin Islands with limited liabilities. LIL is beneficially owned as to 50% by Tian Cheng Ventures Limited and 50% by Corsello Investments Limited. Tian Cheng Ventures Limited is wholly owned by Mr. Qin, an executive Director and chairman of the board while Corsello Investments Limited is wholly owned by Mr. Chang Tin Duk, Victor. Therefore, Mr. Qin is regarded as connected persons of the Company under Chapter 20 of the GEM Listing Rules.

**(c) *Background of the Convertible Bond***

On 29 March 2017, LIL and URL entered into the Agreement. LIL conditionally agreed to sell the Sale Share, including entire issued share capital of Pioneer One and Shareholder's Loan for consideration of HK\$212,000,000, while URL agreed to purchase by issuing a redeemable Convertible Bond with the same amount to the Vendor.

According to the Directors of the Company, using the Convertible Bond for the settlement of the purchase consideration was mainly due to inadequate cash flow. The Company would benefit from the issuance of Convertible Bond for flexibility in terms of cash liquidity.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(d) Background of entering into the Extension Deed and rationale*

References are made to (i) the Company's announcement dated 29 March 2017, (ii) the Company's circular dated 23 June 2017, and (iii) the Company's announcements dated 30 June 2017 and (iv) 1 August 2017 in relation to the major transaction concerning, among other things, the acquisition by URL (a direct wholly-owned subsidiary of the Company) from LIL of the entire issued share capital of Pioneer One and the related shareholder's loan at the consideration of HK\$212,000,000 (subject to adjustment) to be settled by the Company for and on behalf of URL by issuing to LIL the Convertible Bond of the same face value. The completion of such acquisition took place on 1 August 2017 and the Convertible Bond was issued to LIL on the same date.

As at the date of this Circular, the Convertible Bond remains outstanding in full and would mature and be repayable in full on 1 August 2020 pursuant to the terms and conditions of the Convertible Bond Certificate.

Pursuant to the terms of the Convertible Bond, the Company is required to redeem all outstanding Convertible Bond on the Original Maturity Date (i.e. 1 August 2020), which amounted to HK\$212,000,000 as at the Latest Practicable Date. By entering into of the Extension Deed, the Directors of the Company believes that the Alteration can relieve the imminent need of the Company to repay the Convertible Bond over a limited period of time, enabling the Company to retain working capital for its business development and to have more financial flexibility with no interest burden as the Convertible Bond bears nil interest.

*Financial position of the Group*

According to the Annual Report, the Group was in a net current liabilities position of approximately HK\$128.3 million as at 31 March 2020. The Group has cash and cash equivalents of approximately HK\$5.2 million, which is far from sufficient for the redemption of the Convertible Bond with the Principal Amount of HK\$212,000,000. Given that the Group is in a net liabilities position and there is a significant cash shortfall of the Principal Amount of the Convertible Bond over the Group's cash and cash equivalent, and that there is further capital requirements expected for the business operations of the Company in the near future, we concur with the view of the Directors of the Company that the Group would not have enough cash to redeem the Convertible Bond in the next few months or within the forthcoming financial year. We also concur with the view of the Directors of the Company that the Alteration would enable the Group to postpone a substantial cash outflow and allow the Group to have reasonable time to improve its business performance and financial position.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Conversion restriction*

As at the Latest Practicable Date, LIL did not hold any share of the Company. If the Convertible Bond's Principal Amount of HK\$212,000,000 are converted, 1,927,272,727 Conversion Shares will be issued and allotted, representing approximately 66.7% of the issued share capital of the Company as at the date of this Circular and approximately 40.0% of the issued share capital of the Company after enlargement. Under Rule 26 of the Takeovers Code, LIL will be obliged to make a mandatory general offer, which is prohibited under the terms of the Convertible Bond. As such, exercising the conversion rights of the Convertible Bonds in full is unlikely and the Company is likely to be required to fully repay the Convertible Bond upon maturity.

### *Other financing alternatives*

As discussed with the Directors of the Company, we understand that the Company has considered other financing alternatives for the Group to raise funds to repay the Convertible Bond, including but not limited to, bank borrowings and equity financing. Bank borrowings may incur interest burden and finance cost on the Group which in turn incur cash outflow and liability of the Group, resulting in adverse impact on the Group's financial position. The Group was in a net current liabilities position as at 31 March 2018, 2019 and 2020, it may not be a favourable option for the Group to obtain new debt financing with favorable terms.

Due to relatively low liquidity of the Shares of the Company as stated in the section headed "The Principal Terms of the Convertible Bond and the Extension Deed" below, and given the current volatile market condition under the impact of the COVID-19 pandemic, the procurement of any equity financing is likely to be difficult. In the event the Company manages to procure any equity financing, with its relatively small market capitalisation, the dilution effect on the shareholding of existing shareholders is likely to be significant. In addition, substantial cost and time may be incurred in equity financing. As such, we concur with the view of the Directors of the Company that the Alteration is the most appropriate means.

Having considered that (i) it is unlikely for the Company to redeem the Convertible Bond by internal resources with the significant gap between the Principal Amount of the Convertible Bond over the Group's cash and cash equivalent; (ii) the net liabilities position of the Company as at 31 March 2020; (iii) the Alteration allows the Company to retain working capital to support its business operations and development; (iv) the Alteration enables the Group to postpone a substantial cash outflow and allows reasonable time for the Group to improve its business performance and financial position; (v) the unlikelihood for LIL to convert the Convertible Bond in full due to the conversion restriction for the Convertible Bond; (vi) the Convertible Bond is interest free and hence will not incur any finance cost for the Group in the next two years time; (vii) it is unlikely for the Group to obtain new debt or bank borrowings with better

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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terms than the Convertible Bond, and (viii) the procurement of any equity financing is likely to be difficult given the current volatile market condition under the impact of the COVID-19 pandemic, we concur with the view of the Directors of the Company that it is in the interests of the Company and its Independent Shareholders as a whole to utilise its resources for business development and other business opportunities in order to maximise returns for its Shareholders and that the Alteration contributes to achieving the Company's objective of maximising shareholders' returns.

### 2. Principal terms of the Convertible Bond and the Extension Deed

On 3 July 2020, the Company and the Bondholder entered into the Extension Deed, pursuant to which the Original Maturity Date of the Convertible Bond will be extended for 24 months to 1 August 2022. The Extension Deed shall only become effective upon the fulfillment of the following conditions:

- I. the approval of the Alteration as stipulated under the Extension Deed by the Stock Exchange;
- II. the passing of an ordinary resolution to approve the Alteration as stipulated under the Extension Deed by the Independent Shareholders at the EGM to be held and convened to approve the Extension Deed and the transactions contemplated thereunder; and
- III. all necessary consents and approvals required to be obtained on the part of the Company and the Bondholder in respect of the Alteration as stipulated under the Extension Deed.

The principal terms of the Convertible Bond previously issued were set out in the circular of the Company dated 29 March 2017. Save for the changes of (i) the proposed extension of Original Maturity Date to the New Maturity Date; and accordingly (ii) the conversion period and (iii) the early redemption period of the Convertible Bond to the New Maturity Date, all other terms and conditions of the Convertible Bond remain unchanged. The principal terms of the Convertible Bond after the Extension Deed become effective are summarised as below:

Principal Amount:	HK\$212,000,000.
Maturity Date:	60 months after the issuance date of the Convertible Bond (i.e. 1 August 2022).
Interest:	The Convertible Bond will not bear any interest.
Conversion Price:	HK\$0.11 per Conversion Share (subject to adjustments as set out and in accordance with the terms and conditions of the Convertible Bond). As at the Latest Practicable Date, the Company has not identified the occurrence of any event which may result in the adjustment for the Conversion Price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Conversion Share: On the basis of the Conversion Price of HK\$0.11 (subject to adjustments) per Conversion Share and a Principal Amount of HK\$212,000,000, a maximum of 1,927,272,727 Conversion Shares will be issued and allotted upon full conversion of the Convertible Bond, which represent:

approximately 66.64% of the issued share capital of the Company as at the Latest Practicable Date; and

approximately 39.99% of the issued share capital of the Company as enlarged by the issuance and allotment of the Conversion Shares upon full conversion of the Convertible Bond.

The Conversion Shares shall be allotted and issued under the Specific Mandate proposed to be sought at an EGM.

Conversion: No fraction of a Conversion Share shall be issued on conversion and no amount in lieu thereof shall be refunded. Any conversion shall be made in the amount of HK\$1,000,000 or the multiples thereof and if at any time, the Principal Amount shall be less than HK\$1,000,000, the whole (but not part only) of the Principal Amount shall be convertible.

The Company shall not allot and issue Conversion Shares to the holder(s) of the Convertible Bond or shall such holder(s) be permitted to exercise the Convertible Bond (or any part thereof) if upon such allotment and issue or exercise (as the case may be), such holder(s) and parties acting in concert with it shall be interested (whether directly or indirectly) in 30% or more of the then issued share capital of the Company at the date of the relevant exercise, or be obliged to make a general offer under the Takeovers Code, or the public float of the Company be unable to meet the requirements under the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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If the conversion of the Convertible Bond will result in the holder(s) of the Convertible Bond and parties acting in concert with it being interested in 30% or more of the issued share capital of the Company or be obliged to make a general offer under the Takeovers Code, or cause the public float of the Company be unable to meet the requirements under the GEM Listing Rules, the holder(s) may only exercise its right of conversion after disposing part of the Shares then held by it.

Conversion Period:	Any Time until the New Maturity Date
Early redemption at the request of the Vendor or the transferee of the Convertible Bond:	From the 18th month after the date of issue of the Convertible Bond to the New Maturity Date, the holder(s) of the Convertible Bond shall have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and un-surrendered Convertible Bond of such Principal Amount as determined by the holder(s) of the Convertible Bond. To exercise such right, the holder(s) of the Convertible Bond must notify the Company in writing by giving the Early Redemption Notice, starting therein the amount of Principal Amount that shall be redeemed by the Company on the Early Redemption Date.
Ranking of the Conversion Shares:	The Conversion Shares shall rank <i>pari passu</i> in all respects with all other existing Shares at the date of allotment of the Conversion Shares and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of allotment of the Conversion Shares.
Voting:	The holder (s) of the Convertible Bond shall not be entitled to receive notice of, attend or vote at any general meetings of the Company by reason only of it holding the Convertible Bond.
Transferability:	The Convertible Bond cannot be assigned or transferred to a connected person of the Company unless with the prior written consent.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Application for listing: An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Conversion Shares.

For further details of the principal terms of the Convertible Bond, please refer to “Letter from the Board” in the Circular for further details.

**(a) Comparison of Conversion Price with historical Share prices**

The Conversion Price of HK\$0.11 per Convertible Share represents:

- (i) a premium of approximately 77.4% to the closing price of the Shares of HK\$0.062 as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 42.9% to the closing price of the Shares HK\$0.077 as quoted on the Stock Exchange on the date of Extension Deed;
- (iii) a premium of approximately 42.5% to the average closing price of approximately HK\$0.0772 per Shares for the last five consecutive trading days immediately prior to the date of the Extension Deed;
- (iv) a premium of approximately 40.5% to the average closing price of approximately HK\$0.0783 for the last ten consecutive trading days immediately prior to the date of the Extension Deed.

As shown in the comparison above, the Conversion Price at premium for approximately 40.5% to 77.4% when compared with historical closing price of the Shares.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**(b) Comparison of Conversion Price with average closing prices and analysis on trading volume**

We have reviewed the average daily closing Share price and trading volume of the Shares from 1 July 2019 to July 2020, up to the Latest Practicable Date (the “**Review Period**”) and compared the historical Share prices with the Conversion Price to assess the Conversion Price.

	Average closing price per Share (HK\$)	Average daily trading volume (Shares)	Premium/(discount) of the Conversion Price over/to the average closing price per Share (%)
<b>2019</b>			
July	0.129	8,404,091	(14.7)%
August	0.111	1,582,182	(0.9)%
September	0.119	6,149,905	(7.6)%
October	0.118	4,750,476	(6.8)%
November	0.113	2,655,048	(2.7)%
December	0.130	19,002,600	(15.4)%
<b>2020</b>			
January	0.111	2,508,000	(0.9)%
February	0.115	8,667,800	(4.3)%
March	0.107	18,431,273	2.8%
April	0.093	13,282,105	18.3%
May	0.085	5,092,200	29.4%
June	0.076	5,671,619	44.7%
July (up to and including the Latest Practicable Date)	0.076	5,006,667	44.7%
<b>Average</b>	0.106	7,784,920	6.7%

*Source: the website of the Stock Exchange*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown in the table above, the average closing price per Share ranged from approximately HK\$0.076 to HK\$0.130 during the Review Period. The average closing price per Share displayed a downward trend during the Review Period. The average closing price per Share was generally higher than the Conversion Price in the first eight months (i.e. from July 2019 to February 2020) of the Review Period, with the Conversion Price representing a discount ranging from approximately (0.9%) to (15.4%) to the average closing price per Share. Since March 2020, the average Closing Share price dropped significantly and has become generally lower than the Conversion Price up to the Latest Practicable Date. In the last five months, the premium of the Conversion Price over the closing price per Share has increased from approximately 2.8% for March 2020 to approximately 44.7% for July 2020 (up to and including the Latest Practicable Date).

Although the Conversion Price was relatively lower than the average closing Share price for the first eight months during the Review Period, we noted that the Conversion Price (i) is within the range of average closing price per Share of approximately HK\$0.076 to HK\$0.130; (ii) represents premiums ranging from approximately 2.8% to approximately 44.7% over recent closing price per Share since March 2020 and (iii) represents a premium of approximately 6.7% over the overall average closing price per Share during the Review Period.

We have also reviewed the average daily trading volume of the Shares per month and noted that it ranged from approximately 1,582,182 Shares to 19,002,600 Shares during the Review Period, representing approximately 0.05% to 0.66% of the total of 2,892,000,000 Shares in issued as at the Latest Practicable Date. The low liquidity of the Shares would make it unlikely for the Bondholder to realise his shareholdings in the market after the conversion of the Convertible Bond. In addition, with the low trading volume of the Shares, any disposal of large number of Shares within a short period in the market would lead to substantial downward pressure on the market price of the Shares. This would adversely affect the Group's funding ability and credibility.

*(c) Comparison with convertible bonds with extension of maturity date*

We have reviewed convertible bonds with announcements on extension of their respective maturity for the last twelve months prior and including 3 July 2020, being the date of the Extension Deed, by companies listed on the Stock Exchange. Excluding extension of certain types of bonds, including but not limited to guaranteed convertible bonds of subsidiaries which are considered to be not directly comparable to the Convertible Bond, on a best effort basis, we identified a list of 16 comparable extensions (the “**Comparable Extensions**”). Summary of the Comparable Extensions are set out as below:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company Name	Stock Code	Date of relevant announcement	Year(s) of extension for the term of maturity	% changes in interest rate	% changes in conversion price
1	Suncity Group Holdings Limited	1383	3-Jul-2020	2.0	No	No
2	Dreameast Group Limited	593	22-Jun-2020	1.0	No	No
3	Dingyi Group Investment Limited	508	15-Jun-2020	1.0	No	No
4	Beautiful China Holdings Company Limited	706	11-Jun-2020	1.0	No	(93.8)
5	Dingyi Group Investment Limited	508	27-May-2020	1.0	No	No
6	Dingyi Group Investment Limited	508	27-May-2020	1.0	No	No
7	China LotSynergy Holdings Limited	1371	23-Apr-2020	1.0	No	No
8	China Metal Resources Utilization Limited	1636	22-Apr-2020	1.0	No	No
9	Dingyi Group Investment Limited	508	23-Mar-2020	0.5	No	No
10	Dingyi Group Investment Limited	508	23-Mar-2020	0.5	No	No
11	Sino Energy International Holdings Group Limited	1096	2-Mar-2020	0.5	No	(37.5)
12	China Aluminium Cans Holdings Limited	6898	20-Feb-2020	5.0	No	19.6
13	Merdeka Financial Group Limited	8163	12-Jan-2020	3.0	No	(88.4)
14	China LotSynergy Holdings Limited	1371	1-Nov-2019	1.0	No	No
15	Dreameast Group Limited	593	27-Aug-2019	3.0	11.8%	(39.6)
16	China Ruifeng Renewable Energy Holdings Limited	527	22-Aug-2019	0.5	25.0%	No
			Min	0.5	11.8%	(93.8)
			Max	5.0	25.0%	19.6
			Mean	1.4	18.4%	(47.9)
			Median	1.0	18.4%	(39.6)
			The Company <sup>1</sup>	2.0	No	No

Source: the announcement of relevant companies published on the Stock Exchange's website

Note:

- 1: The date of agreement for the Company figures is refer to the date of the Extension Deed.
- 2: Save for stated otherwise, the year(s) of extension for the term to maturity of the convertible bonds is rounded to the nearest full year.

*(i) Year of extension*

For the Comparable Extensions, there were involve extension of maturity ranging from 0.5 year up to 5 years. The proposed extension of the maturity of the Convertible Bond of 2 years is within the range of Comparable Extensions.

*(ii) Conversion Price*

As shown in the above table, approximately two-thirds of the Comparable Extensions did not have any changes in the conversion price.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*(iii) Interest rate*

As shown in the above table, approximately 87.5% of the Comparable Extensions did not have any changes in the interest rate.

*(d) Comparison with convertible bonds newly issued*

We have reviewed issues of new convertible bonds announced for the last three months prior to and including 3 July 2020 (the “**Review Period**”), being the date of the Extension Deed, by companies listed on the Stock Exchange. Excluding certain issues of convertible bonds, including but not limited to issuance of perpetual subordinated convertible securities, issuance of guaranteed convertible bonds of subsidiaries and issuance of A share convertible bonds which are considered not directly comparable to the transaction, on a best effort basis, we identified a list of 25 comparables (the “**Comparables**”). We consider that the abovementioned period adopted is appropriate to illustrate the current market practice and are fair and representative samples because (i) the Comparables are considered for the purpose of taking a general reference for the current market practice in relation to the issue of convertible bonds under the current market condition and sentiment and (ii) the similarity of the nature of the convertible bonds. However, Independent Shareholders should note that the businesses, operations and prospects of the Group differs from the Comparables, and accordingly the Comparables are only used to provide a general reference for the common market practice in current issuance of convertible bonds by listed companies on the Stock Exchange. Summary of the Comparables are set out as below:

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

No.	Company Name	Stock Code	Date of relevant announcement	Conversion Price premium over/(discount to) the closing price on the last trading day prior to the date of agreement (Approx. %)	Conversion Price premium over/(discount to) the closing price on the last five trading day prior to the date of agreement (Approx. %)	Interest rate (% p.a.)	Term to maturity <sup>2</sup> (Number of years)
1	China Logistics Property Holdings Co., Ltd	158	30-Jun-2020	(3.9)	(4.2)	7.0	5.0
2	Vobile Group Limited	3738	29-Jun-2020	—	15.6	5.0	2.0
3	Vobile Group Limited	3738	29-Jun-2020	8.5	25.5	5.0	2.0
4	Link Holdings Limited	8237	21-Jun-2020	2.9	1.7	—	5.0
5	China Automotive Interior Decoration Holdings Limited	48	18-Jun-2020	31.6	30.7	0.5	2.0
6	3SBio Inc.	1530	18-Jun-2020	25.0	31.7	—	5.0
7	Echo International Holdings Group Limited	8218	11-Jun-2020	0.9	—	7.0	5.0
8	Gome Retail Holdings Limited	493	28-May-2020	37.9	37.9	5.0	3.0
9	Wai Chun Group Holdings	1013	21-May-2020	5.9	4.7	4.0	3.0
10	Zhongsheng Group Holdings Limited	881	13-May-2020	31.1	36.6	—	5.0
11	Quali-Smart Holdings Limited	1348	28-Apr-2020	0.3	—	6.0	3.0
12	China Dili Group	1387	27-Apr-2020	(8.4)	(9.0)	—	10.0
13	China Biotech Services Holdings Limited	8037	26-Apr-2020	56.3	49.1	8.5	2.0
14	Kingsoft Corporation Limited	3888	24-Apr-2020	27.5	30.2	0.6	5.0
15	Gome Retail Holdings Limited	493	19-Apr-2020	66.4	68.8	5.0	3.0
16	South China Financial Holdings Limited	619	7-Apr-2020	—	0.9	—	3.0
17	Hong Kong Finance Investment Holding Group Limited	7	6-Apr-2020	31.6	30.2	—	3.0
18	TL Natural Gas Holdings Limited	8536	3-Apr-2020	6.7	3.2	—	3.0
19	Sunshine Oilsands Ltd.	2012	1-Apr-2020	26.4	—	8.0	2.0
20	Asia Eneergy Logistics Group Limited	351	27-Mar-2020	(3.0)	(7.0)	—	3.0
<b>Outliers</b>							
21	Huajun International Group Limited	377	30-Jun-2020	245.5	242.0	—	5.0
22	Oriental Payment Group Holdings Limited	8613	11-Jun-2020	100.0	101.6	7.0	2.0
23	Huajun International Group Limited	377	5-Jun-2020	222.6	225.3	—	5.0
24	China Water Affairs Group Limited	855	1-Apr-2020	42.5	39.6	—	Perpetual
25	China Environmental Technology Holdings Limited	646	29-Apr-2020	1,111.8	1,171.6	12.0	3.0
			Min	(8.4)	(9.0)	—	2.0
			Max	66.4	68.8	8.5	10.0
			Mean	17.2	17.3	3.1	3.7
			Median	7.6	10.1	2.3	3.0
			The Company <sup>1</sup>	42.9	42.5	—	5.0

Source: the announcement of relevant companies published on Stock Exchange's website

Note:

- 1: The date of agreement for the Company figures is refer to Extension Deed.
- 2: The term to maturity of the convertible bonds is rounded nearest full year.
- 3: The calculation of minimum, maximum and mean do not consider the outl

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Conversion price*

During the Review Period, the conversion prices of the Comparables represent a range of a discount of approximately 8.4% to a premium of approximately 66.4%, with an average and median of premiums of approximately 17.2% and 7.6% over the respective closing price per share on the last trading day prior to the date of the corresponding announcement in relation to the respective issue of Comparables. The Conversion Price of HK\$0.11 (subject to adjustments) per Conversion Share, which represents a premium of approximately 42.9% over the closing price of HK\$0.077 per share as quoted on the Stock Exchange on the date of Extension Deed, is within the conversion price premium range of the Comparables.

In addition, during the Review Period, the conversion price of the Comparables represent a range of a discount of approximately 9.0% to a premium of approximately 68.8%, with an average and median of premiums of approximately 17.3% and 10.1% over the respective closing price per share on the last five consecutive trading days prior to the date of the corresponding announcement in relation to the respective issue of convertible bonds. The Conversion Price of HK\$0.11 (subject to adjustments) per Conversion Share, which represents a premium of approximately 42.5% over the average closing price of HK\$0.0772 per share as quoted on the Stock Exchange on the last five consecutive trading days immediately prior to the date of the Extension Deed, is within the conversion price premium range of the Comparables.

Given the Conversion Price is within the range of the conversion price of the Comparables over the last trading day and the last five consecutive trading days, we are of the view that the Conversion Price is in line with the prevailing market sentiment. And it should be noted that, the above analysis may not be useful as a direct reference to the fairness and reasonableness of the terms of the Convertible and we have considered the results of the above analysis together with all other factors stated in this letter as a whole in forming our opinion.

(ii) *Interest rate*

As illustrated the Table above, the interest rates of the Comparables range from nil to approximately 8.5%, with respective average and median of approximately 3.1% and 2.3%. The Convertible Bond is non-interest bearing.

(iii) *Term to maturity*

The terms to maturity of the Comparables range from 2 years to 10 years, with respective average and median of approximately 3.7 years and 3.0 years. According to the Extension Deed, the Maturity Date is proposed to be extended for 2 years, which is at the bottom of the range of maturity of the Comparables.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 3. Financial effects of the Alteration

We have reviewed and considered the following aspects in assessing the financial effects of the Alteration:

*(a) Effect on liquidity*

According to the Annual Report, the Group is in net current liabilities position of approximately HK\$128.3 million with cash and cash equivalent of approximately HK\$5.2 million as at 31 March 2020. If the Extension Deed is voted down, the Company may not have sufficient internal resource to redeem the Convertible Bond of HK\$212,000,000 in the short term and the significant cash outflow to be incurred would inevitably affect the Group's liquidity while the Alteration could alleviate the pressure on liquidity for the Company.

*(b) Effect on earnings*

When the Extension Deed becomes effective, the Convertible Bond will bear zero interest and the Company will not be required to pay any interest to the Bondholder.

*(c) Effect on net assets/(liabilities) value*

According to the Annual Report, the net assets of the Group amounted to approximately HK\$393.4 million as at 31 March 2020. There may be changes in the fair value of the Convertible Bond upon the completion of the Extension Deed, which will be subject to the valuation from an independent valuer to be appointed by the Company and the review of the independent auditors of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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#### 4. Effects on shareholding structure

The table below sets out the existing shareholding structure of the Company (i) as at the date of this letter and (ii) upon full conversion of the Convertible Bond in the Principal Amount of HK\$212,000,000, assuming there is no other change in the shareholding structure of the Company since the date of this letter:

	As at the date of this letter		Upon the full conversion of the Convertible Bond	
	No. of Shares	% of Shareholdings (Approximately)	No. of Shares	% of Shareholdings (Approximately)
Sau San Tong China Development Limited	221,728,000	7.7	221,728,000	4.6
H N Group Limited	207,720,000	7.2	207,720,000	4.3
LIL	Nil	Nil	1,927,272,727	40.0
Other Public Shareholders	2,462,552,000	85.2	2,462,552,000	51.1
<b>Total</b>	<b>2,892,000,000</b>	<b>100.0</b>	<b>4,819,272,727</b>	<b>100.0</b>

*Note:* The full conversion of the Convertible Bond is purely hypothetical and do not implies or indicates that LIL could or will exercise such rights of the Convertible Bond.

As shown in the above table, the aggregate shareholding of LIL will increase to approximately 40.0%. Pursuant to the terms of the Convertible Bond, the exercise of the conversion rights are subject to the provision that the Company shall not allot and issue Convertible Shares to the Bondholder or shall the Bondholder be permitted to exercise the Convertible Bond (or any part of thereof) if upon such allotment and issue or exercise (as the case may be), Bondholder and parties acting in concert with it shall be interested (whether directly or indirectly) in 30% or more of the then issued share capital of the Company at the date of the relevant exercise, or be obliged to make a general offer under the Takeovers Code, or the public float of the Company be unable to meet the requirements under GEM Listing Rules.

In accordance to the aforesaid, the Bondholder may not be able to fully exercise the conversion rights as such conversion would result in LIL being interested in 30% or more of the issued share capital of the Company which is not allowed under the terms of the Convertible Bond. The Bondholder may alternatively dispose part of the Shares before exercising the conversion rights in order to comply with the provisions of the Convertible Bond. This would potentially generate downward pressure on the price of the Shares in view of its low liquidity, and may have negative impact on the funding ability and credibility of the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### SUMMARY

Having considered the above principal factors and reasons, we draw your attention to the following key factors in arriving at our recommendation:

- (a) the Group is in a net current liabilities position and does not have sufficient internal resources to redeem the Convertible Bond;
- (b) the Alteration enables the Group to postpone a substantial cash outflow, allowing the Company to have more time to improve its business and financial position while retaining working capital to support its operations and development;
- (c) the Convertible Bond is bounded by the conversion restriction;
- (d) the Convertible Bond bears no interests;
- (e) it is unlikely for the Group to obtain new debt or bank borrowings with better terms than the Convertible Bond,
- (f) the procurement of any equity financing is likely to be difficult given the current volatile market condition under the impact of the COVID-19 pandemic;
- (g) the Conversion Price (i) is at premium of approximately 40.5% to 77.4% over historical closing price of the Shares; (ii) is within the range of average closing price per Share; (iii) represents premiums ranging from approximately 2.8% to approximately 44.7% over recent closing price per Share since March 2020 and (iv) represents a premium of approximately 6.7% over the overall average closing price per Share during the Review Period as well as the low liquidity of the Shares in general;
- (h) the terms of the Extension Deed of the Convertible Bond are in line with the market comparables for last twelve months.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the terms of the Extension Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Extension Deed, while not in the ordinary and usual course of business of the Group, is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM and to approve the Extension Deed and the transactions contemplated thereunder, as detailed in the notice of the EGM set out at the Circular.

Yours faithfully,  
For and on behalf of  
**TD King Capital Limited**  
**Wong Shin Yee, Freda**  
*Managing Partner*

*Ms. Wong Shin Yee, Freda is a licensed person under the SFO to engage in, among others, Type 6 (advising on corporate finance) regulated activity and has over 17 years of experience in investment banking and corporate finance.*

**1. RESPONSIBILITY STATEMENT**

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

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>250,000,000.00</u>

*Issued and fully paid:*

<u>2,892,000,000</u>	Shares	<u>72,300,000.00</u>
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Immediately following the full conversion of the Convertible Bond

<i>Authorised:</i>		<i>HK\$</i>
<u>10,000,000,000</u>	Shares	<u>250,000,000.00</u>

*Issued and fully paid:*

<u>2,892,000,000</u>	Shares as at the Latest Practicable Date	<u>72,300,000.00</u>
<u>1,927,272,727</u>	Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds	<u>48,181,818.18</u>
<u>4,819,272,727</u>		<u>120,481,818.18</u>

### 3. DISCLOSURE OF INTEREST

#### (I) Directors' and chief executive's interests in Shares, underlying Shares or debentures

As at the Latest Practicable Date, the interests or short positions of the Directors or the chief executives of the Company and their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as set out in Rule 5.46 to 5.67 of the GEM Listing Rules were as follows:

#### *Long position in Shares and underlying Shares of the Company*

Name of shareholders	Capacity	Number of shares interested	Approximate percentage of shareholding
Mr. Hung Cho Sing (Note 1)	Beneficial owner	23,136,000	0.80
Mr. Qin Yuquan (Note 2)	Interest of a controlled corporation	1,927,272,727	66.64

Notes:

- The shares represent interests in share options granted to the Director.
- Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Qin Yuquan is deemed to be interested in the 1,927,272,727 shares of the Company held by Tian Cheng Ventures Limited under the SFO. These shares may be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bond.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executives of the Company and their respective associates had any interests and short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as set out in Rule 5.46 to 5.67 of the GEM Listing Rules.

**(II) Substantial interests in the share capital of the Company**

As at the Latest Practicable Date, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company under section 336 of the SFO:

***Long position in Shares and underlying Shares of the Company***

<b>Name of shareholders</b>	<b>Capacity</b>	<b>Number of shares interested</b>	<b>Approximate percentage of shareholding</b>
Legendary Idea Limited	Beneficial owner (Note 1)	1,927,272,727	66.64
Corsello Investments Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64
Tian Cheng Ventures Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64
Mr. Chang Tin Duk, Victor	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64
Ms. Lai Yongmei	Interest of spouse (Note 2)	1,927,272,727	66.64
Ms. Tong Shing Ann, Sharon	Interest of spouse (Note 3)	1,927,272,727	66.64

*Notes:*

1. Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Corsello Investments Limited is wholly owned by Mr. Chang Tin Duk, Victor. Accordingly, Mr. Chang Tin Duk, Victor is deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO. These shares may be allotted and issued upon exercise of the conversion rights attached to the outstanding Convertible Bond.
2. Ms. Lai Yongmei, the spouse of Mr. Qin Yuquan, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Qin Yuquan is interested for the purpose of the SFO.
3. Ms. Tong Shing Ann, Sharon, the spouse of Mr. Chang Tin Duk, Victor, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Chang Tin Duk, Victor is interested for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other person, other than the Directors who had, or was deemed to have, interest or short position in the shares or underlying shares that has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

**4. INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited accounts of the Company were made up.

**5. INTERESTS IN CONTRACT OR ARRANGEMENT**

As at the Latest Practicable Date, save for the Extension Deed and the Supplemental Deed in which Mr. Qin has material interest, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

**6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

**7. 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 Group since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**8. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined in the GEM Listing Rules) was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**9. EXPERT'S QUALIFICATION AND CONSENT**

Set out below is the qualification of the expert who has given its letter of advice in this circular:

<b>Name</b>	<b>Qualification</b>
TD King Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), and Type 6 (advising on corporate finance) regulated activity under the SFO

TD King Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or reference to its name in the form and context in which it appears.

As at the Latest Practicable Date, TD King Capital did not have any shareholding 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.

As at the Latest Practicable Date, TD King Capital did not have any direct or indirect interests in any assets which had been, since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

**10. MISCELLANEOUS**

In the event of inconsistency, the English text of this circular and the accompanying form of proxy shall prevail over the Chinese text

**11. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the principal place of business in Hong Kong of the Company at Room 2301, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the EGM:

- (I) the Extension Deed;
- (II) the Supplemental Deed;
- (III) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 18 of this circular;
- (IV) the letter from the Independent Financial Adviser, the text of which is set out on pages 19 to 39 of this circular;
- (V) the written consent as referred to under the section headed “Expert’s qualification and consent” in this appendix;
- (VI) the annual reports of the Company for the years ended 31 March 2019 and 2020; and
- (VII) this circular.



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## NOTICE OF EGM

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### **EJE (HONG KONG) HOLDINGS LIMITED**

**壹家壹品 (香港) 控股有限公司 \***

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

**(Stock Code: 8101)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of the shareholders (the “**Shareholders**”) of EJE (Hong Kong) Holdings Limited (the “**Company**”) will be held at Room 01B, 23rd Floor, China Insurance Group Building, 141 Des Voeux Road Central, 61-65 Gilman Street and 73 Connaught Road Central, Hong Kong, at 11:00 a.m. on Friday, 28 August 2020 for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTION**

“**THAT:**

- (A) the entering into of the deed of extension (the “**Extension Deed**”) dated 3 July 2020 and the supplemental deed (the “**Supplemental Deed**”) dated 24 July 2020 between the Company and Legendary Idea Limited (“**Bondholder**”) as holder of the convertible bonds in the outstanding principal amount of HK\$212,000,000 issued by the Company (the “**Convertible Bond**”) in relation to, among other things, the alteration (the “**Alteration**”) of the maturity date of the Convertible Bond (a copy of the Extension Deed and the Supplemental Deed having been produced to the EGM and marked “A” and “B” and initialed by the chairman of the EGM for the purpose of identification), and the transactions contemplated thereunder (including but not limited to the Alteration) be and are hereby approved, confirmed and ratified;
- (B) the board of directors of the Company (the “**Directors**”) be and is hereby granted a specific mandate to allot and issue of the conversion shares upon exercise of the conversion rights attached to the Convertible Bond in accordance with the terms and conditions of the Convertible Bond as altered by the Extension Deed and the Supplemental Deed; and
- (C) any one or more Directors be and are hereby authorised to sign, execute, perfect, deliver and do all such documents, deeds, acts, matters and things, as the case may be, as they may in their discretion consider necessary, desirable or expedient to carry out and implement the Extension Deed and the Supplemental Deed and the transactions contemplated thereunder into full effect and to agree to such variation, amendment or waiver as are in the reasonable opinion of the Directors in the interests of the Company and its Shareholders as a whole provided that such variation, amendment or waiver shall not be fundamentally different from the terms as provided in the Extension Deed and the Supplemental Deed.”

By order of the Board  
**EJE (Hong Kong) Holdings Limited**  
**Mr. Chau Tsz Kong Alan**  
*Executive Director*

Hong Kong, 31 July 2020

*\* For identification purpose only*

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## NOTICE OF EGM

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

*Principal place of business in  
Hong Kong:*  
Room 01, 23rd Floor.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
61-65 Gilman Street and  
73 Connaught Road Central,  
Hong Kong

*Notes:*

1. A shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead at the EGM in accordance with the Articles of Association of the Company. A proxy need not be a shareholder of the Company but must be present in person to represent the shareholder.
2. To be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed or a certified copy thereof must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at least 48 hours before the time appointed for holding the EGM or any adjournment thereof as the case may be and in default thereof the form of proxy and such power or authority shall not be treated as valid.
3. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.
4. In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 25 August 2020 to Friday, 28 August 2020 (both days inclusive) during which period no transfer of Share will be registered. In order to qualify for attending the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 August 2020 for such purpose.

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

*Executive Directors:*  
*Mr. Qin Yuquan (Chairman)*  
*Mr. Hung Cho Sing*  
*Mr. Chau Tsz Kong Alan*

*Independent Non-executive Directors:*  
*Mr. Tang Kin Chor*  
*Mr. Chan Chun Wing*  
*Mr. Yiu Shung Kit*

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

*This notice will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company's website at <http://www.ejeliving.com>.*