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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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## Mansion International Holdings Limited 民信國際控股有限公司

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

**(Stock Code: 8456)**

### **(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

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

**ALTUS CAPITAL LIMITED**

**Placing Agent to the Company**



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

A letter from the Board is set out on pages 11 to 34 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 35 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 36 to 54 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from 20 December 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 6 January 2022 to Thursday, 13 January 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 6 January 2022 to Thursday, 13 January 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong at 11:00 a.m. on Thursday, 16 December 2021 is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Boardroom Share Registrars (HK) Limited, the branch share registrar of Mansion International Holdings Limited in Hong Kong, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 11:00 a.m. on Tuesday, 14 December 2021, Hong Kong time) or any adjournment thereof.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that: (a) if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed; and (b) the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

25 November 2021

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## CHARACTERISTICS OF GEM

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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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## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 5 November 2021 in relation to, among other things, the Increase in Authorised Share Capital and the Rights Issue
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Mansion International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8456)
“Company (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.26(2) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules

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## DEFINITIONS

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“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20 million divided into 100,000,000 Shares to HK\$100 million divided into 500,000,000 Shares

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## DEFINITIONS

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“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is(are) third party(ies) independent of the Company and connected persons of the Company
“Latest Placing Date”	4 February 2022 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares
“Latest Placing Time”	5:00 p.m. on the Latest Placing Date
“Latest Practicable Date”	23 November 2021, being the latest practicable date before the printing of this Circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 18 January 2022, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Last Trading Day”	5 November 2021, being the last trading day of the Shares on the Stock Exchange before the release of this circular
“Long Stop Date”	5 February 2022 or such later date as may be agreed between the Placing Agent and the Company in writing

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## DEFINITIONS

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“Net Gain”	Any premiums paid by the placees over the Subscription Price for the Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements
“No Action Shareholders”	Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement

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## DEFINITIONS

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“Placing Agent”	Sorrento Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.26(2) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 5 November 2021 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis
“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as described in the section headed “The Placing Agreement” in this circular
“Placing Period”	a period commencing from the second Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Wednesday, 26 January 2022, and ending at the Latest Placing Time
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and PAL
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	Monday, 3 January 2022 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue



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## DEFINITIONS

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“Registrar”	Boardroom Share Registrars (HK) Limited
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	Up to 158,643,540 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.2 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted on 28 December 2017
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.35 per Rights Share
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

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## PRECAUTIONARY MEASURES FOR THE EGM

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In light of the COVID-19 pandemic, and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree celsius, or who has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may 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;
5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on relevant resolutions at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

<b>Event</b>	<b>Date and time</b>
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Thursday, 9 December 2021
Closure of register of members of the Company for attending the EGM (both days inclusive) . . . . .	Friday, 10 December 2021 to Thursday, 16 December 2021
Latest time for lodging forms of proxy for the purpose of the EGM . . . . .	11:00 a.m. on Tuesday, 14 December 2021
Record date for determining attendance and voting at the EGM . . . . .	Thursday, 16 December 2021
<b>Expected date and time of the EGM . . . . .</b>	<b>11:00 a.m. on Thursday, 16 December 2021</b>
<b>Announcement of poll results of the EGM . . . . .</b>	<b>Thursday, 16 December 2021</b>
Last day of dealings in Shares on a cum-rights basis . . . . .	Friday, 17 December 2021
First day of dealings in Shares on an ex-rights basis . . . . .	Monday, 20 December 2021
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Tuesday, 21 December 2021
Closure of register of members of the Company for the Rights Issue (both dates inclusive) . . . . .	Wednesday, 22 December 2021 to Monday, 3 January 2022
Record Date for determining entitlements to the Rights Issue . . . . .	Monday, 3 January 2022

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## EXPECTED TIMETABLE

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Event	Date and time
Register of members of the Company re-opens . . . . .	Tuesday, 4 January 2022
Despatch of Prospectus Documents . . . . .	Tuesday, 4 January 2022
First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Thursday, 6 January 2022
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Monday, 10 January 2022
Latest time of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Thursday, 13 January 2022
<b>Latest time for acceptance of and payment for the Rights Shares . . . . .</b>	<b>4:00 p.m. on Tuesday, 18 January 2022</b>
Announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares subject to the Compensatory Arrangements . . . . .	Tuesday, 25 January 2022
Commencement of placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent . . . . .	Wednesday, 26 January 2022
Latest time of placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent . . . . .	Friday, 4 February 2022
Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional . . . . .	Friday, 4 February 2022
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per ES Unsold Rights Share under the Compensatory Arrangements) . . . . .	Monday, 7 February 2022

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## EXPECTED TIMETABLE

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Event	Date and time
Refund cheques, if any, to be despatched (if the Rights Issue does not proceed) . . . . .	Tuesday, 8 February 2022
Certificates for fully paid Rights Shares to be despatched.. . . . .	Tuesday, 8 February 2022
Commencement of dealings in fully-paid Rights Shares.. . . . .	9:00 a.m. on Wednesday, 9 February 2022
Payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any) . . . . .	Wednesday, 2 March 2022

All times and dates in this circular refer to Hong Kong local times and dates.

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

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

The latest time for acceptance of and payment for the Rights Shares will not take place if:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
  - (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
  - (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section above may be affected. Announcement will be made by the Company in such event.

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## LETTER FROM THE BOARD

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# Mansion International Holdings Limited 民信國際控股有限公司

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

**(Stock Code: 8456)**

*Executive Directors:*

Mr. Cheung Desmond Lap Wai  
Mr. Kwan Kar Man  
Ms. Wong Ka Man  
Mr. Yao Ruhe

*Registered office:*

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Independent non-executive Directors:*

Mr. Wu Chi King  
Mr. Wang Rongqian  
Ms. Wong Ying Yu

*Principal place of*

*business in Hong Kong:*  
Room C, 15/F, Roxy Industrial Centre  
58-66 Tai Lin Pai Road  
Kwai Chung, New Territories  
Hong Kong

25 November 2021

*To: the Qualifying Shareholders and, for information purpose only, the Excluded Shareholders*

Dear Sir or Madam,

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE**

### INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Increase in Authorised Share Capital and the Rights Issue. On 5 November 2021, the Company proposed that the authorised share capital of the Company be increased to HK\$100 million and divided into 500,000,000 Shares and proposed to raise up to approximately HK\$55.5 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 158,643,540 Rights Shares at the Subscription Price of HK\$0.35 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Subscription Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee of any

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## LETTER FROM THE BOARD

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provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The purpose of this circular is to provide you with, among others, further details on the Increase in Authorised Share Capital and the Rights Issue, certain financial information and other general information on the Group.

### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Company proposes that the authorised share capital of the Company be increased to HK\$100 million and divided into 500,000,000 Shares. The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future fundraising and expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders as a whole.

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

### PROPOSED RIGHTS ISSUE

The Board proposed to raise up to approximately HK\$55.5 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date.

Further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	52,881,180 Shares
Number of Rights Shares	:	Up to 158,643,540 Rights Shares with an aggregate nominal value of HK\$31.7 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date

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## LETTER FROM THE BOARD

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Number of issued shares of the Company upon completion of the Rights Issue	:	Up to 211,524,720 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Amount to be raised	:	Up to approximately HK\$55.5 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 300.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 75% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.



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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price for the Rights Shares is HK\$0.35 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 32.7% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 18.6% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 5.4% to the theoretical ex-rights price of approximately HK\$0.37 per Share based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 16.7% to the average of the closing prices of approximately HK\$0.42 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 18.6% to the average of the closing prices of HK\$0.43 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (f) a premium of approximately HK\$0.778 per Share over the audited net liabilities value per Share of approximately HK\$0.428 based on the published audited consolidated net liabilities of the Company of approximately HK\$22.619 million as at 31 March 2021 and 52,881,180 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Subscription Price was determined by the Company with reference to, among other things, the recent market price of the Shares, the prevailing market conditions, recent rights issue in the market, the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in this circular. All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group.

The Directors consider that, although the Group recorded net current liabilities position and net liabilities position as at 31 March 2021, the Subscription Price, which has been set as a discount to the prevailing market prices of the Share since 1 August 2021 and up to the Last Trading Day of not less than HK\$0.39 per Share with an average closing price of approximately HK\$0.53 per Share, is fair and reasonable and attractive to existing and prospective investors.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 75.0%. The theoretical dilution effect of the Rights Issue is approximately 14.3% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the independent financial adviser) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.34, if fully subscribed.

### **Basis of provisional allotments**

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

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

### **Qualifying Shareholders**

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

In order to be registered as members of the Company at the close of business on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (together with the relevant share certificates) with the Registrar at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 December 2021.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 December 2021.

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## LETTER FROM THE BOARD

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

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

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

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

Based on the register of members of the Company as at the Latest Practicable Date, there is one Overseas Shareholder with registered address located in the PRC, which is interested in 480,738 Shares, representing approximately 0.91% of the Company's issued share capital as at the Latest Practicable Date. The Company is in the course of seeking legal advice in relation to the feasibility of extending the offer of the Rights Shares to such Overseas Shareholder. The result of the enquiries and the basis of the exclusion, if any, will be set out in the Prospectus.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form during the period from 9:00 a.m. on Thursday, 6 January 2022 to 4:00 p.m. on Thursday, 13 January 2022 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

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## LETTER FROM THE BOARD

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Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

**The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Status of Rights Shares**

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

### **Fractions of the Rights Shares**

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

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## LETTER FROM THE BOARD

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

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to independent places for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance to independent places on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on 4 February 2022, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares at a price not less than the Subscription Price.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and ES Unsold Rights Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

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## LETTER FROM THE BOARD

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### THE PLACING AGREEMENT

On 5 November 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date : 5 November 2021 (after trading hours)

Issuer : the Company

Placing Agent : Sorrento Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates.

Placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price.

The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares during the process of placement.

Commission : 2.5% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement

The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms.

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## LETTER FROM THE BOARD

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- Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case maybe) : The placing price of each of the Unsubscribed Rights Shares and/or the ES Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price.
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the ES Unsold Rights Share during the process of placement.
- Placees : The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies).
- Ranking of Unsubscribed Rights Shares and the ES Unsold Rights Shares : Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
  - (ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and



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## LETTER FROM THE BOARD

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(iii) the Placing Agreement not having been terminated in accordance with the provisions thereof. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.

Termination : The Placing Arrangement shall end on 4 February 2022 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within six Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

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## LETTER FROM THE BOARD

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The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company. The engagement between the Company and the Placing Agent for the Unsubscribed Rights Shares (including the commission payable) was determined after arm's length negotiation between the Company and the Placing Agent and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider that the terms of Placing Agreement for the Unsubscribed Rights Shares (including the commission payable) are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 4,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

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## LETTER FROM THE BOARD

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### **Rights Shares will be eligible for admission in CCASS**

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

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

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

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

### **Taxation**

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

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

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on or before Tuesday, 8 February 2022 by ordinary post to the allottees, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

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## LETTER FROM THE BOARD

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### Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the Increase in Authorised Share Capital of the Company having becoming effective;
- (c) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (d) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus and the PALs (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by the Prospectus Posting Date; and
- (f) the Placing Agreement not being terminated.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above.

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

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 52,881,180 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)
Ms. Wong Ka Man	400,000	0.76	1,600,000	0.76	400,000	0.76	400,000	0.19
Mr. Yao Ruhe	400,000	0.76	1,600,000	0.76	400,000	0.76	400,000	0.19
Public Shareholders	52,081,180	98.48	208,324,720	98.48	52,081,180	98.48	52,081,180	24.62
Independent places	-	-	-	-	-	-	158,643,540	75.00
<b>Total</b>	<b>52,881,180</b>	<b>100.00</b>	<b>211,524,720</b>	<b>100.00</b>	<b>52,881,180</b>	<b>100.00</b>	<b>211,524,720</b>	<b>100.00</b>

*Notes:* The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

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## LETTER FROM THE BOARD

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

The Group is principally engaged in the sale of baby and children garments by original brand manufacturing (“OBM”) and original equipment manufacturing (“OEM”).

As set out in the annual report of the Company for the year ended 31 March 2021, the cash and bank balances of Group was approximately HK\$3.4 million as at 31 March 2021. The Group recorded net liabilities of approximately HK\$22.6 million and net current liabilities of approximately HK\$28.8 million as at 31 March 2021. As at 31 March 2021, the Group’s liabilities mainly comprised of trade and bills payables of approximately HK\$8.9 million, contract liabilities of approximately HK\$13.0 million, accruals and other payables of approximately HK\$12.3 million, other borrowings of approximately HK\$11.9 million, provision of approximately HK\$16.1 million and lease liabilities of approximately HK\$7.4 million.

As set out in the annual report of the Company for the year ended 31 March 2021, the Group recorded net cash used in operating activities for the years ended 31 March 2021 amounting to approximately HK\$5.1 million. As part of its OEM business, the Group exports its OEM goods to overseas, mainly being the United Kingdom and the United States of America. OEM revenue declined for the year ended 31 March 2021 due to the threat of the COVID-19. On the other hand, as part of its OBM business, the Group sells its OBM goods through the self-operated retail stores and department store counters in Hong Kong and the PRC. Due to the threat of COVID-19, OBM revenue in Hong Kong and the PRC declined for the year ended 31 March 2021. The impact of the COVID-19 on the global economy is tremendous as concerns about the impact from the COVID-19 heighten and these weigh on the corporate earnings and the global economic outlook. The negative effect resulting from the COVID-19 is largely dependent on the situation and duration of the pandemic. The Group expects future adverse changes in economic conditions would negatively affect the Group’s financial position and performance. As such the Group will continue to monitor the development and the volatile market conditions. In the current abnormal business conditions, the Group is conscious about the importance of liquidity of the Group’s ongoing operations. Managing cash flow is very critical during a period of crisis. The Group is considering actions to increase liquidity and reduce inventories with a view to maintaining more cash and intend to continue the outsource of its production procedures to different sub-contractors in order to minimize the requirement of fixed assets and fixed costs incurred by its factory.

Having considered the impact of the outbreak of COVID-19 on the Group’s business and financial position, the cash level of the Group as well as the estimated working capital required for the Group’s daily operations, the Board considers that the Rights Issue represents an opportunity for the Company to strengthen its capital structure without incurring debt financing cost, improve its financial position and provide additional financial resources for capturing suitable business expansion and investment opportunities when they arise.

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## LETTER FROM THE BOARD

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It is estimated that the Company will raise up to approximately HK\$55.5 million from the Rights Issue and the relevant expenses would be approximately HK\$2.1 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be approximately HK\$53.4 million (equivalent to a net price of approximately HK\$0.34 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:-

- (i) approximately HK\$15.4 million for the payment of rental expenses and management fee for the next 12 months;
- (ii) approximately HK\$22.0 million for the payment of salaries of the Group's employees for the next 12 months;
- (iii) approximately HK\$4.9 million for the working capital for the existing OEM business; and
- (iv) approximately HK\$11.1 million for the repayment of part of the current debts of the Group.

### **Payment of rental expenses and management fee for the next 12 months**

As at the Latest Practicable Date, the Group rents an office and a warehouse in Hong Kong and operates 10 retail stores and 9 department store counters in Hong Kong. The monthly rental expenses and management fee for the office, warehouse, 10 self-operated retail stores and 9 department store counters are approximately HK\$1.3 million. As such, the Group intends to apply approximately HK\$15.4 million from the Rights Issue for the payment of rental expense and management fee for the next 12 months.

### **Payment of salaries of the Group's employees for the next 12 months**

As at the Latest Practicable Date, the Group has 65 staffs, a small increase from 63 staffs as at 31 March 2021. As the number of staff has remained stable, the staff costs of approximately HK\$22.0 million for the year ended 31 March 2021 was used as a reference. Accordingly, the Group intends to apply approximately HK\$22.0 million from the Rights Issue for the payment of salaries of the Group's employees for the next 12 months.

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## LETTER FROM THE BOARD

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### **Working capital for the existing OEM business**

The Group exports its OEM goods overseas, mainly to the United Kingdom and the United States of America. OEM revenue declined during the year ended 31 March 2021 due to the threat of COVID-19. As stated in the quarterly report of the Group for the three months ended 30 June 2021, the OEM revenue increased significantly for the three months ended 30 June 2021 as compared to the three months ended 30 June 2020 due to new orders placed by and delivered to new customers. Since 1 April 2021 and up to the Latest Practicable Date, the Group had commenced business relationship with three new customers and these new customers have placed orders regularly with stable amounts. As stated in the annual report of the Group for the year ended 31 March 2021, the Group had reduced the Group's fixed cost by restructuring the production process and beginning to work with other manufacturers across Asia Pacific. Considering the existing cash level of the Group, if there is any delay in payments from our OEM customers, the Group may not be able to satisfy the payment obligations to the manufacturers. As a result, the Group may not be able to retain the current manufacturers, which may cause possible disruption to our delivery schedule for customers, damaging relationship with these customers in the long run and resulting in the loss of new sales contracts. As such, by considering the quarterly orders from the new customers and the corresponding cost for these orders, the Group intends to apply approximately HK\$4.9 million from the Rights Issue for the working capital for the existing OEM business.

### **Repayment of part of the current debts of the Group**

As at 31 August 2021, the trade and bills payable and other borrowings of the Group were approximately HK\$19.4 million and HK\$3.6 million respectively. The current ratio was 0.5 as at 31 August 2021 and no gearing ratio was presented as at 31 August 2021 due to the net liabilities position of the Group as at 31 August 2021. In order to improve the liquidity of the Group and satisfy certain repayment of current debts of the Group as and when they fall due, the Group intends to apply approximately HK\$11.1 million from the Rights Issue for the repayment of part of the current debts of the Group.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.



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## LETTER FROM THE BOARD

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If the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue will be applied by the Company in the following order of priority:

- (i) for payment of rental expenses and management fee for the next 12 months;
- (ii) for payment of salaries of the Group's employees for the next 12 months;
- (iii) for the working capital for the existing OEM business; and
- (iv) for repayment of part of the current debts of the Group.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if the net proceeds from the Rights Issue cannot satisfy the upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support the business operations of the Group. The Company will make further announcement in this regard in accordance with the GEM Listing Rules as and when appropriate

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

The Directors have considered other financing alternatives including (i) other debt financing, and (ii) equity fund raising such as placement of new Shares and open offer. The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole, for the reasons as follows:

- (a) as for other debt financing, as at the Latest Practicable Date, the Group has attempted to obtain other loan financing from independent third parties, but the interest rate offered is generally over 30% per annum;
- (b) as for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company; and
- (c) as for open offer, similar to a rights issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

As such, the Directors consider that equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow the Group to react promptly to market conditions and business opportunities.

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## **LETTER FROM THE BOARD**

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

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

### **POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS**

As at the Latest Practicable Date, the Group had no outstanding derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares.

Pursuant to the terms of the Share Option Scheme, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

### **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As such, Ms. Wong Ka Man and Mr. Yao Ruhe and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Ms. Wong Ka Man and Mr. Yao Ruhe, who are the executive Directors of the Company, taken together, in aggregate, hold 800,000 Existing Shares, representing approximately 1.51% of the existing issued share capital of the Company.

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

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## LETTER FROM THE BOARD

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

The register of members of the Company will be closed from Friday, 10 December 2021 to Thursday, 16 December 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Wednesday, 22 December 2021 to Monday, 3 January 2022 (both dates inclusive) for determining the entitlements to the Rights Issue.

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

### **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated hereunder.

The Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29A of the GEM Listing Rules.

The notice convening the EGM to be held at Portion 2, 12th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong on Thursday, 16 December 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Boardroom Share Registrars (HK) Limited, the branch share registrar of the Company in Hong Kong, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Tuesday, 14 December 2021, Hong Kong time) 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 or any adjournment thereof if you so wish.

Subject to the approval of the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, a Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 4 January 2022.

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## LETTER FROM THE BOARD

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

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

### RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Wu Chi King, Mr. Wang Rongqian and Ms. Wong Ying Yu, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Altus Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Adviser set out on pages 36 to 34 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

For and on behalf of the Board  
**Mansion International Holdings Limited**  
**Cheung Desmond Lap Wai**  
*Chairman, Executive Director and  
Acting Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.*



### **Mansion International Holdings Limited** **民 信 國 際 控 股 有 限 公 司**

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

**(Stock Code: 8456)**

25 November 2021

*To the Independent Shareholders*

Dear Sir or Madam,

#### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 25 November 2021 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Altus Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue, and the advice from Altus Capital, we are of the opinion that the terms of the Rights Issue are fair and reasonable and that the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

**Mr. Wu Chi King**

**Mr. Wang Rongqian**

**Ms. Wong Ying Yu**

*Independent non-executive Directors*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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

# ALTUS

Altus Capital Limited  
21 Wing Wo Street  
Central  
Hong Kong

25 November 2021

*To the Independent Board Committee and  
the Independent Shareholders*

Mansion International Holdings Limited  
Room C, 15/F, Roxy Industrial Centre  
58-66 Tai Lin Pai Road  
Kwai Chung, New Territories  
Hong Kong

Dear Sir/Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 25 November 2021 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 5 November 2021, the Company proposed that the authorised share capital of the Company be increased to HK\$100 million and divided into 500,000,000 Shares and proposed to raise up to approximately HK\$55.5 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 158,643,540 Rights Shares at the Subscription Price of HK\$0.35 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

On 5 November 2021 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

### **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As such, Ms. Wong Ka Man and Mr. Yao Ruhe and their respective associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, Ms. Wong Ka Man and Mr. Yao Ruhe, who are the executive Directors, taken together, in aggregate, hold 800,000 Shares, representing approximately 1.51% of the existing issued share capital of the Company.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wu Chi King, Mr. Wang Rongqian and Ms. Wong Ying Yu, has been established to consider the Rights Issue and to give advice and recommendation to the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the resolution to be proposed at the EGM in relation to the Rights Issue and the transactions contemplated thereunder, after taking into account the recommendation of the Independent Financial Adviser.

### **THE INDEPENDENT FINANCIAL ADVISER**

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



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We have not acted as an independent financial adviser or financial adviser for other transactions of the Group in the last two years prior to the date of the Circular. Pursuant to Rule 17.96 of the GEM Listing Rules, and given that remuneration for our engagement to opine on the Rights Issue is at market level and not conditional upon successful passing of the relevant resolution at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

### **BASIS OF OUR ADVICE**

In formulating our opinion, we have reviewed, amongst others, (i) the annual report of the Company for the year ended 31 March 2021 (the “**2021 Annual Report**”); (ii) the interim report of the Company for the six months ended 30 September 2021 (the “**2022 Interim Report**”); (iii) the Announcement; (iv) the Placing Agreement; and (v) other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Independent Shareholders will be informed as soon as practicable when we are aware of any material change in all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background information of the Group

The Group is principally engaged in the sale of baby and children garments by original brand manufacturing (“OBM”) and original equipment manufacturing (“OEM”).

##### 1.1 Financial information of the Group

Set out below is a summary of financial information of the Group extracted from the 2022 Interim Report and the 2021 Annual Report.

*Extract of consolidated statement of profit or loss*

	For the year ended		For the six months ended	
	31 March		30 September	
	2020	2021	2020	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(unaudited)	(unaudited)
	(Restated)			
Revenue	183,363	87,278	44,347	38,992
– OEM	117,904	44,237	26,101	24,563
– OBM	65,459	43,041	18,246	14,429
Gross profit	66,761	39,256	7,184	16,566
Gross profit margin	36.4%	45.0%	16.2%	42.5%
Administrative and other expenses	(54,391)	(32,214)	(18,015)	(17,656)
Loss for the year/period	(33,620)	(10,395)	(19,233)	(13,256)

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Extract of consolidated statement of financial position*

	As at 31 March		As at
	2020	2021	30 September
	HK\$'000	HK\$'000	2021
	<i>(audited)</i>	<i>(audited)</i>	<i>(unaudited)</i>
Current assets	123,819	41,420	25,580
– Cash and bank balances	4,494	3,417	2,337
– Inventories	56,626	20,779	17,472
Current liabilities	106,298	70,243	67,904
– Trade and bills payable	12,432	8,901	20,069
– Contract liabilities	97	12,975	10,978
– Accruals and other payables	13,007	12,321	17,898
– Bank borrowings	59,851	–	–
– Other borrowings	4,783	11,903	11,600
– Lease liabilities	15,928	7,399	6,317
– Provisions	–	16,113	1,042
Net current assets/(liabilities)	17,521	(28,823)	(42,324)
Net assets/(liabilities)	9,781	(22,619)	(32,803)

*Note:* According to the 2021 Annual Report, during the year ended 31 March 2021, the Group has entered into a sale and purchase agreement with an independent third party to dispose a land parcel situated in Zhongshan, the PRC (the “Disposal”). As a result of the completion of the Disposal, the manufacturing operation located above the disposed land parcel ceased to operate during the year. In the opinion of the Directors, the date of cessation of the manufacturing operation was deemed to be on 31 March 2021.

As a result of the above, the consolidated statement of profit or loss for the year ended 31 March 2020 had been restated in order to disclose the discontinued operations separately from continuing operations. The consolidated statement of profit or loss for the years ended 31 March 2020 and 2021 as extracted above represents the Group’s continuing operations.

For further details of the Disposal, please refer to the Company’s announcements dated 29 May 2020 and 11 June 2020 and the 2021 Annual Report.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Year ended 31 March 2021 compared with year ended 31 March 2020*

For the year ended 31 March 2021 (“FY2021”), the Group’s revenue decreased significantly by approximately 52.4% to approximately HK\$87.3 million as compared to approximately HK\$183.4 million for the year ended 31 March 2020 (“FY2020”). Such decrease was resulted from the decline in revenue from both OEM and OBM businesses. For OEM business, the Group exports its goods to overseas, mainly being the United Kingdom and the United States of America. Due to the impact of COVID-19, revenue derived from the OEM business decreased significantly by approximately 62.5% from approximately HK\$117.9 million in FY2020 to approximately HK\$44.2 million in FY2021. For OBM business, the Group sells its goods through the self-operated retail stores and department store counters in Hong Kong and the PRC. As resulted from the impact of COVID-19, the Group’s revenue derived from the OBM business decreased by approximately 34.2% from approximately HK\$65.5 million in FY2020 to approximately HK\$43.0 million in FY2021.

The Group’s gross profit decreased by a slightly lesser extent of approximately 41.2% from approximately HK\$66.8 million in FY2020 to approximately HK\$39.3 million in FY2021 due to improved gross profit margin. The Group recorded gross profit margin of approximately 45.0% in FY2021 as compared to approximately 36.4% in FY2020. Such improvement was mainly due to the increased weighting of revenue derived from the OBM business, which has a higher gross profit margin as compared to the OEM business.

The Group recorded loss for the year in both FY2020 and FY2021. Despite the significant decrease in revenue, the Group’s loss position has improved from approximately HK\$33.6 million in FY2020 to approximately HK\$10.4 million in FY2021. This is mainly due to, among others, (i) the improved gross profit margin as abovementioned; and (ii) a significant decrease in administrative expenses of approximately HK\$22.2 million or 40.8% from FY2020 to FY2021 as part of the Group’s continued efforts in cost controls in view of the challenging environment.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The Group incurred net current liabilities and net liabilities positions amounted to approximately HK\$28.8 million and HK\$22.6 million as at 31 March 2021 respectively, as compared to net current assets and net assets positions of approximately HK\$17.5 million and HK\$9.8 million as at 31 March 2020 respectively. Such net current liabilities and net liabilities positions were mainly due to the significant decrease in current assets by approximately 66.5% from approximately HK\$123.8 million as at 31 March 2020 to approximately HK\$41.4 million as at 31 March 2021, while the current liabilities decreased by a lesser extent of approximately 33.9% from approximately HK\$106.3 million as at 31 March 2020 to approximately HK\$70.2 million as at 31 March 2021. From a liquidity and financial resources perspective, it is noted that the Group only maintained nominal cash and bank balances of approximately HK\$3.4 million as at 31 March 2021, while incurring liabilities such as trade and bills payables of approximately HK\$8.9 million, contract liabilities of approximately HK\$13.0 million, accruals and other payables of approximately HK\$12.3 million, other borrowings of approximately HK\$11.9 million, lease liabilities of approximately HK\$7.4 million and provisions of approximately HK\$16.1 million.

*Six months ended 30 September 2021 compared with six months ended 30 September 2020*

For the six months ended 30 September 2021 (“**FY20221H**”), the Group’s revenue decreased by approximately 12.1% to approximately HK\$39.0 million as compared to approximately HK\$44.3 million for the six months ended 30 September 2020 (“**FY20211H**”). Such decrease was resulted from the decrease in revenue generated from both OEM and OBM businesses. For OEM business, the revenue decreased by approximately 5.9% from approximately HK\$26.1 million in FY20211H to approximately HK\$24.6 million in FY20221H. Such decrease was mainly due to the continued threat of COVID-19. For OBM business, the revenue decreased by approximately 20.9% from approximately HK\$18.2 million in FY20211H to approximately HK\$14.4 million in FY20221H. Such decrease was mainly due to the continued adverse impact of COVID-19 on consumers’ willingness of spending.

In FY20221H, the Group’s gross profit margin increased significantly from approximately 16.2% in FY20211H to approximately 42.5% in FY20221H. Such increase in gross profit margin was mainly due to the significant decrease in cost of sales by approximately 39.7% from approximately HK\$37.2 million in FY20211H to approximately HK\$22.4 million in FY20221H as a result of the Group’s efforts in restructuring the production by working with other manufacturers in Hong Kong for the OEM business instead of manufacturing by its own factory in the PRC.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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The Group recorded loss for the period in both FY2021H and FY2022H. The Group's loss position has improved from approximately HK\$19.2 million in FY2021H to approximately HK\$13.3 million in FY2022H. This is mainly due to, among others, the significant improvement in gross profit margin as abovementioned.

The Group continued to incur net current liabilities and net liabilities positions as at 30 September 2021, which amounted to approximately HK\$42.3 million and HK\$32.8 million respectively. It is noted that the Group's cash and bank balances continued to maintain at a nominal level of approximately HK\$2.3 million as at 30 September 2021, while incurring liabilities such as trade and bills payables of approximately HK\$20.1 million, contract liabilities of approximately HK\$11.0 million, accruals and other payables of approximately HK\$17.9 million, other borrowings of approximately HK\$11.6 million, lease liabilities of approximately HK\$6.3 million and provisions of approximately HK\$1.0 million.

### ***1.2 Outlook of the Group***

The Group has been recording net losses in the past two financial years and the six months ended 30 September 2021, which was primarily due to the uncertainties and challenges caused by the COVID-19.

According to the 2022 Interim Report and the 2021 Annual Report, the potential impact of the COVID-19 on the global economy is tremendous but still uncertain. The Management expects both OEM and OBM businesses will continue to remain under pressure and the business environment will continue to be difficult in the near term. The negative effect resulting from the COVID-19 will be largely dependent on the situation and the duration of the pandemic development, while any further adverse changes in economic conditions would negatively affect the Group's financial position and performance. In view of such economic uncertainty, the Group will strictly adhere to its cost control policy and adjust business strategies of its business in response to ever-changing market dynamics.

Looking ahead, the Management expects the continued COVID-19 vaccination as well as the disbursement of HK\$5,000 electronic consumption vouchers from government may have positive impact on the economy, and remains cautiously optimistic on the prospects of Group's business.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### 2. Reasons for the Rights Issue

#### *2.1 Imminent funding needs*

According to the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the “Letter from the Board” of the Circular and the paragraph headed “1.1 Financial information of the Group” above, as at 30 September 2021, the Group recorded current assets of approximately HK\$25.6 million, comprising mainly inventories with nominal cash and bank balances of approximately HK\$2.3 million. Meanwhile, as at 30 September 2021, the Group’s current liabilities amounted to approximately HK\$67.9 million, consisting of trade and bills payables of approximately HK\$20.1 million, contract liabilities of approximately HK\$11.0 million, accruals and other payables of approximately HK\$17.9 million, other borrowings of approximately HK\$11.6 million, provisions of approximately HK\$1.0 million and lease liabilities of approximately HK\$6.3 million.

As such, taking in consideration of the Group’s current ratio and quick ratio of approximately 0.38 times and 0.12 times respectively as at 30 September 2021 and the economic uncertainty as mentioned in the paragraph “1.2 Outlook of the Group” above, we concur with the Management that the Group can enhance its financial position through the Rights Issue by applying the net proceeds of up to approximately HK\$53.4 million in the manner as stated in the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the “Letter from the Board” of the Circular.

#### *2.2 Suitable fund raising method*

We understand that the Management has considered other financing alternatives including (i) debt financing; and (ii) other equity fund raising such as placement of new Shares and open offer.

In respect of debt financing, the Group encountered difficulties in securing loans at commercially reasonable interest rates. We understand that, as at the Latest Practicable Date, the Group has attempted to obtain other loan financing from independent third parties, where the interest rate offered is generally over 30% per annum.

In respect of equity financing, as opposed to the Rights Issue, the Management considered that (i) placement of new Shares would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company; and (ii) open offer, although similar to a rights issue which offers qualifying shareholders to participate, it does not allow the trading of rights entitlements in the open market.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Having considered (i) the feasibility of the various fund raising methods; (ii) the potential financing costs; and (iii) the opportunity for the existing Shareholders to maintain shareholding in the Company and additional flexibility afforded by the Rights Issue to the existing Shareholders, the Management is of the view, and we concur, that the Rights Issue is the most suitable fund raising method to the Group under the current circumstances.

### 3. Principal terms of the Rights Issue

#### 3.1 Summary of the key terms

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	52,881,180 Shares
Number of Rights Shares	:	Up to 158,643,540 Rights Shares with an aggregate nominal value of HK\$31.7 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue	:	Up to 211,524,720 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Amount to be raised	:	Up to approximately HK\$55.5 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date

For further information of the Rights Issue, please refer to the paragraph headed “Proposed Rights Issue” in the “Letter from the Board” of the Circular.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **3.2 The Subscription Price**

As stated in the paragraph headed “Subscription Price” in the “Letter from the Board” of the Circular, the Subscription Price was determined by the Company with reference to, among others, the recent market price of the Shares, the prevailing market conditions, recent rights issue in the market, the amount of funds and capital needs and the reasons for the Rights Issue as discussed in the paragraph headed “Reasons for the Rights Issue and use of proceeds” in the “Letter from the Board” of the Circular.

The Subscription Price of HK\$0.35 per Rights Share represents:

- (i) a discount of approximately 32.7% to the closing price of HK\$0.52 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 18.6% to the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 5.4% to the theoretical ex-rights price of approximately HK\$0.37 per Share based on the closing price of HK\$0.43 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 16.7% to the average of the closing prices of approximately HK\$0.42 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 18.6% to the average of the closing prices of HK\$0.43 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (vi) a premium of approximately HK\$0.778 per Share over the audited net liabilities value per Share of approximately HK\$0.428 based on the published audited consolidated net liabilities of the Company of approximately HK\$22.62 million as at 31 March 2021 and 52,881,180 Shares in issue as at the Latest Practicable Date.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### *Comparison with other rights issues*

To assess the fairness and reasonableness of the Subscription Price, we have identified 16 sample rights issues (the “**Comparables**”) based on the following criteria: (i) rights issues conducted by companies listed on the Stock Exchange; (ii) rights issues that have issued prospectus for rights issue since 5 November 2020 up to the Last Trading Day (being a 12-month period immediately prior to the Last Trading Day) (the “**Review Period**”); and (iii) rights issues that have a placing arrangement for the unsubscribed rights shares.

While the subject companies among the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. We believe the list of Comparables are exhaustive based on the criteria. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole.

The major terms of the Comparables are summarised below:

Prospectus date	Company name	Stock code	Percentage of rights shares to the enlarged share capital	Discount / (premium) of the subscription price over the theoretical ex-right price			Theoretical dilution effect	Excess application	Placing commission
				the closing price on the last trading day	based on the closing price on the last trading day				
11 Dec 2020	Amber Hill Financial Holdings Limited	33	75.00%	23.66%	8.97%	20.41%	No	2.00%	
19 Jan 2021	Asia-Pac Financial Investment Company Limited	8193	75.00%	10.70%	2.90%	10.30%	No	2.50%	
25 Jan 2021	Top Form International Limited	333	28.57%	21.88%	16.67%	6.25%	No	1.00% (Note 1)	
9 Feb 2021	Capital Finance Holdings Limited (Note 3)	8239	66.67%	(4.65)%	(1.50)%	N/A	No	3.00%	
30 Mar 2021	Beaver Group (Holding) Company Limited	8275	60.00%	34.38%	17.32%	20.63%	No	3.50%	
12 May 2021	Noble Engineering Group Holdings Limited	8445	33.33%	33.80%	25.30%	11.90%	No	5.00%	
17 Jun 2021	China Best Group Holding Limited	370	33.33%	45.21%	37.89%	15.93%	No	1.50%	
24 Jun 2021	Sandmartin International Holdings Limited	482	33.33%	16.00%	11.21%	5.33%	No	2.00%	

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Prospectus date	Company name	Stock code	Percentage of rights shares to the enlarged share capital	Discount / (premium) of the subscription price over the theoretical ex-right price based on the closing price			Theoretical dilution effect	Excess application	Placing commission
				the closing price on the last trading day	on the last trading day				
6 Jul 2021	China Demeter Financial Investments Limited	8120	75.00%	17.36%	4.99%	15.29%	No	2.00%	
7 Jul 2021	Vision Fame International Holding Limited	1315	20.00%	60.78%	55.36%	11.81%	No	2.00% (Note 2)	
2 Aug 2021	State Energy Group International Assets Holdings Limited	918	75.00%	22.20%	7.40%	19.00%	No	1.00%	
6 Aug 2021	CBK Holdings Limited	8428	60.00%	22.73%	10.53%	13.64%	No	3.00%	
18 Aug 2021	China Environment Energy Investment Limited	986	50.00%	5.66%	2.91%	2.83%	No	2.50%	
24 Sep 2021	Luen Wong Group Holdings Limited	8217	66.67%	18.80%	7.10%	12.50%	No	2.50%	
8 Oct 2021	Worldgate Global Logistics LTD	8292	75.00%	17.90%	5.20%	13.40%	No	1.00%	
22 Oct 2021	China Properties Investment Holdings Limited	736	50.00%	4.10%	2.10%	2.00%	No	2.50%	
		<b>Maximum</b> (Note 3)	60.78%	55.36%	20.63%			5.00%	
		<b>Minimum</b> (Note 3)	4.10%	2.10%	2.00%			1.00%	
		<b>Mean</b> (Note 3)	23.68%	14.39%	12.08%			2.27%	
		<b>Median</b> (Note 3)	21.88%	8.97%	12.50%			2.00%	
	<b>The Company</b>	8456	18.60%	5.40%	14.30%		No	2.50%	

*Source: The Stock Exchange's website*

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The placing commission amounted to the higher of HK\$100,000 or 1% of the gross proceeds.
2. The placing commission amounted to the higher of HK\$250,000 or 2% of the gross proceeds.
3. The subscription price of Capital Finance Holdings Limited represents a premium over its closing price on the last trading day, and is considered an outlier, and therefore not included in the calculation.

According to our research, we observed that 15 of the 16 Comparables had set the subscription price of their rights issue at a discount to (i) the prevailing market closing price (the “**LTD Price**”) of the relevant shares on the last trading day in relation to the respective rights issue; and (ii) the theoretical ex-rights prices (the “**Ex-right Price**”) based on the LTD Price. It is therefore common for listed companies to set the subscription price of rights issue at a discount to the LTD Price and the Ex-right Price, with the view to encourage participation.

The discount of the subscription prices to the LTD Price of the Comparables ranged from approximately 4.10% to approximately 60.78% with mean and median of approximately 23.68% and 21.88% respectively. The discount of approximately 18.6% of the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables.

For the discount of the subscription prices to the Ex-right Price, it ranged from approximately 2.10% to approximately 55.36% with mean and median of approximately 14.39% and 8.97% respectively. The discount of approximately 5.40% of the Subscription price to theoretical ex-rights price based on the closing price of the Shares on the Last Trading Day falls within the range of those of the Comparables.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from 2.00% to 20.63% with mean and median of approximately 12.08% and 12.50% respectively. The theoretical dilution effect of the Rights Issue of approximately 14.3% falls within the range of the Comparables.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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Taking into account that (i) it is common that the subscription price of a rights issue be set at a discount to the LTD Price and the Ex-right Price with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (ii) the discounts of the Subscription Price to the LTD Price and to the Ex-right Price fall within discount ranges of the Comparables; and (iii) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables, we consider the Subscription Price is fair and reasonable.

### **3.3 No excess application**

Among the Comparables, we noted that all of the Comparables do not have excess application arrangements in relation to the rights issue. As such, we consider that it is acceptable for rights issue to not have excess application arrangements.

### **3.4 The Placing Agreement**

As stated in the “Letter from the Board” of the Circular, the Rights Shares will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. The Company and the Placing Agent has entered into the Placing Agreement on 5 November 2021 (after trading hours), pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. For terms of the Placing Agreement, please refer to the paragraph headed “The Placing Agreement” in the “Letter from the Board” of the Circular.

According to the Placing Agreement, the Company will pay to the Placing Agent a placing commission (the “**Placing Commission**”) of 2.5% of the amount which is equal to the Placing Price (as defined below) multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent.

To assess the fairness and reasonableness of the Placing Commission, we have identified the placing commission for those rights issue of the Comparables (the “**Comparables Commissions**”). We believe that the identified 16 Comparables are exhaustive based on the criteria and are sufficient for us to form a view on the fairness and reasonableness of the Placing Commission.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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We noted that the Comparables Commissions ranged from 1.00% to 5.00% with a mean and median of approximately 2.27% and 2.00% respectively. The Placing Commission of 2.5% falls within range and is close to the mean and median of the Comparables Commissions. Hence, we consider that the Placing Commission pursuant to the Placing Agreement is fair and reasonable.

### **3.5 The placing price**

The placing price (“**Placing Price**”) of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price. As such, by setting the Placing Price not less than the Subscription Price, it is fair to the Qualifying Shareholders as the arrangement is not prejudicial to the Qualifying Shareholders. Given that we consider the Subscription Price is fair and reasonable as discussed above, we also consider the Placing Price is fair and reasonable.

### **3.6 Section summary**

Taking into consideration (i) the Subscription Price is fair and reasonable; (ii) the Placing offers an additional means to facilitate the subscription of the untaken portions of the Rights Issue to the maximum extent considering the funding needs of the Company and the difficulties in conducting alternative fund raising methods as mentioned in the paragraph headed “2. Reasons for the Rights Issue” above; and (iii) the Placing Commission and Placing Price are fair and reasonable, we concur with the Management that the terms of the Rights Issue are fair and reasonable.

## **4. Financial impacts of the Rights Issue**

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

### **4.1 Liquidity**

According to the 2022 Interim Report, the cash and bank balances of the Group amounted to approximately HK\$2.3 million as at 30 September 2021. Since part of the net proceeds from the Rights Issue will be applied as working capital for the existing OEM business of the Group, the Group’s liquidity position would be improved upon completion of Rights Issue.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### **4.2 Current ratio**

According to the 2022 Interim Report, the current ratio of the Group (being a ratio calculated as the current assets divided by the current liabilities) was approximately 0.38 as at 30 September 2021. Since part of the net proceeds are intended to be utilised for the repayment of part of the current debts of the Group, the current ratio of the Group will be improved as a result of the Rights Issue.

### **4.3 Net tangible liabilities**

According to the “Unaudited pro forma financial information of the Group” as set out in Appendix II to the Circular, assuming that the Rights Issue had been completed on 30 September 2021, the Group’s net tangible liabilities per Share would be enhanced from approximately HK\$0.62 per Share to a net tangible assets per Share of approximately HK\$0.10 per Share, representing an improvement.

Given the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

## **5. Possible dilution effect**

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

For those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 75.0%.

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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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For illustrative purposes only, set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of the Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of the Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)
Ms. Wong Ka Man	400,000	0.76	1,600,000	0.76	400,000	0.76	400,000	0.19
Mr. Yao Ruhe	400,000	0.76	1,600,000	0.76	400,000	0.76	400,000	0.19
Public Shareholders	52,081,180	98.48	208,324,720	98.48	52,081,180	98.48	52,081,180	24.62
Independent placees	-	-	-	-	-	-	158,643,540	75.00
Total	<u>52,881,180</u>	<u>100.00</u>	<u>211,524,720</u>	<u>100.00</u>	<u>52,881,180</u>	<u>100.00</u>	<u>211,524,720</u>	<u>100.00</u>

*Note:* The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; and (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable and justifiable.



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## LETTER FROM INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

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

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

<b>Jeanny Leung</b>	<b>Leo Tam</b>
<i>Executive Director</i>	<i>Executive Director</i>

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial advisor or independent financial advisor in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the audited financial information of the Group for each of the years ended 31 March 2019, 2020 and 2021 are disclosed in the following annual reports of the Company for the years ended 31 March 2019, 2020 and 2021 respectively which have been published and are available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company (<http://www.mansionintl.com>):

- (a) the annual report of the Company for the year ended 31 March 2019 published on 21 June 2019 (pages 48 to 131) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0628/gln20190628123.pdf>);
- (b) the annual report of the Company for the year ended 31 March 2020 published on 26 June 2020 (pages 49 to 134) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063000359.pdf>); and
- (c) the annual report of the Company for the year ended 31 March 2021 published on 30 June 2021 (pages 37 to 115) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0630/2021063003519.pdf>).

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 September 2021, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

**Other borrowings**

	<b>Approximate</b> <i>HK\$'000</i>
Other borrowing – a former director ( <i>note 1</i> )	8,202
Other borrowing – a former director ( <i>note 2</i> )	<u>3,398</u>
	<u><u>11,600</u></u>

*Notes:*

1. On 17 May 2019, the Group entered into an agreement with a director to borrow a loan of HK\$20,000,000. The loan which matures on 30 June 2021, is unsecured and the effective interest rate is 4% per annum. On 24 April 2020, the same director has resigned and the balance was reclassified to other borrowing. As at 30 September 2021, the outstanding balance of the loan was approximately HK\$8,202,000 and repayment on demand up to latest practicable date.
2. On 3 August 2021, the Group entered into an agreement with a former director to borrow a loan of HK\$3,398,000. The loan which matured on 2 August 2022, was unsecured and the effective interest rate was 5% per annum.

**Lease liabilities**

The Group measures the lease liabilities at the present value of the remaining lease payments for certain office, warehouses and retail stores, discounted by the Group's incremental borrowing rates under HKFRS 16. As at 30 September 2021, the Group had lease liabilities amounting to HK\$6,317,000 and HK\$2,400,000 which classified under current liabilities and non-current liabilities in respectively.

**Disclaimers**

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and bills payable, contract liabilities and accruals and other payables as at 30 September 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any other borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 30 September 2021; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.”

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 March 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular. The Company has obtained the relevant confirmation as required under paragraph 30 of Appendix 1, Part B of the GEM Listing Rules.

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

The Group is principally engaged in the sale of baby and children garments by original brand manufacturing (“OBM”) and original equipment manufacturing (“OEM”).

Under the economic impacts of COVID-19, there is a decrease in OEM business of the Group which is caused by the threat of the COVID-19. Looking forward, the Board believes that the performance of OEM business of the Group will be dependent on the pandemic of COVID-19. Besides, persistently tense economic, trade and political relations between the PRC and the US, geopolitical tensions, and global financial market volatility also continue to warrant attention. OEM performance is thus expected to remain under pressure in the coming periods.

OBM sales continued to drop during the Period, as the COVID-19 pandemic and resulting anti-pandemic measures brought inbound tourism to a standstill and seriously disrupted consumption-related activities. The business environment for OBM will remain very difficult in the near term amid the deep economic recession.

The potential impact of the COVID-19 on the global economy is tremendous but still uncertain. Concerns about the impact from the COVID-19 are heightened, and these weigh on the corporate earnings and the global economic outlook. The negative effect resulting from the COVID-19 is largely dependent on the situation and the duration of the pandemic. Future adverse changes in economic conditions would negatively affect the Group’s financial position and performance. The Group will continue to monitor the development of the pandemic and the volatile market conditions.

Looking ahead to 2021/2022, in view of present economic uncertainty and difficulties, the Group is reviewing its existing assets structure and business strategies and may make adjustment to our existing assets structure, with the aim to consolidate our resources, so as to be flexibly prepared for uncertainties in the future. At the same time, the Group will strictly adhere to its cost control policy and swiftly adjust business strategies of our business in response to ever-changing market dynamics.

Finally, the Group foresees that economy will improve both locally and globally in year 2021/2022 as a result of the disbursement of HK\$5,000 electronic consumption vouchers from the Hong Kong government and the continued COVID-19 vaccination efforts worldwide. We will actively explore all suitable investment opportunities to diversify the Group's business horizons and will work hard to strengthen overall business development in order to generate better financial returns for shareholders.

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

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**A.    UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE LIABILITIES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY**

The following unaudited pro forma statement of adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 September 2021 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circular” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effects of the Rights Issue, on the unaudited consolidated net tangible liabilities of the Group as at 30 September 2021 attributable to the owners of the Company, as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 September 2021 or any future date following the Rights Issue.

The following Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible liabilities of the Group which is extracted from the interim report of the Company for the six months ended 30 September 2021, and adjusted as described below.

Unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 September 2021	Unaudited estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company immediately after completion of the Rights Issue	Unaudited consolidated net tangible liabilities attributable to the owners of the Company per Share before the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible liabilities attributable to the owners of the Company per Share immediately after completion of the Rights Issue
<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on 158,643,540 Rights Shares at Subscription Price of HK\$0.35 per Rights Share				
(32,808)	53,425	20,618	(0.62)	0.10

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

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*Notes:*

- (1) The unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 September 2021 is extracted from the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2021 of approximately HK\$32,808,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2021 has been extracted from the published interim report of the Company for the six months ended 30 September 2021.
- (2) The estimated net proceeds from the Rights Issue are based on a total of 158,643,540 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) to be issued on the basis of three Rights Shares for each existing Share at the Subscription Price of HK\$0.35 per Rights Share and after deduction of estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue of approximately HK\$2,100,000.
- (3) The unaudited consolidated net tangible liabilities per share attributable to the owners of the Company was HK\$0.62, which is based on the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 September 2021 of approximately HK\$32,808,000 and 52,881,180 Shares in issue as at 30 September 2021.
- (4) The unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company per Share immediately after completion of the Rights Issue of approximately HK\$0.10 is determined based on the unaudited pro forma adjusted consolidated net tangible liabilities of the Group attributable to the owners of the Company immediately after completion of the Rights Issue, which is arrived at after aggregating the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company of approximately HK\$32,808,000 and the estimated net proceed of approximately HK\$53,425,000 from the Rights Issue (note 2 above) divided by 211,524,720 Shares which comprise 52,881,180 Shares in issue before completion of the Rights Issue and 158,643,540 Rights Shares (assuming no new Shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after completion of the Rights Issue, as if the Rights Issue had been completed on 30 September 2021.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2021.

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

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



24th Floor  
Siu On Centre  
188 Lockhart Road  
Wan Chai  
Hong Kong

25 November 2021

The Board of Directors

**Mansion International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mansion International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible liabilities as at 30 September 2021 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 25 November 2021 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed right issue on the basis of three rights shares for each existing share at the subscription price of HK\$0.35 per rights share (the “**Rights Issue**”) as if the Rights Issue had taken place on 30 September 2021. As part of this process, information about the Group’s net tangible liabilities as at 30 September 2021 has been extracted by the directors from the Group’s condensed interim financial information for the six months ended 30 September 2021 included in the interim report of the Group for the six months ended 30 September 2021, on which no audit or review report has been published.



**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

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

**Our Independence and Quality Control**

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

Our firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

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

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 September 2021 would have been as presented.

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

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

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

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

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

**Opinion**

In our opinion:

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

Yours faithfully,

**McMillan Woods (Hong Kong) CPA Limited**

*Certified Public Accountants*

Hong Kong

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 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 AND OPTIONS****(a) Share capital**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company, on or before the Record Date) are as follows:

**(I) As at the Latest Practicable Date**

<i>Authorised:</i>	<i>HK\$</i>
<u>100,000,000</u> Shares of HK\$0.2 each	<u>20,000,000</u>

<i>Issued and fully-paid:</i>	
<u>52,881,180</u> Shares of HK\$0.2 each	<u>10,576,236</u>

**(II) Immediately following the completion of the Increased in Authorised Share Capital**

<i>Authorised:</i>	<i>HK\$</i>
<u>500,000,000</u> Shares of HK\$0.2 each	<u>100,000,000</u>

<i>Issued and fully-paid:</i>	
<u>52,881,180</u> Shares of HK\$0.2 each	<u>10,576,236</u>

**(III) Immediately following the completion of the Rights Issue**

<i>Authorised:</i>		<i>HK\$</i>
<u>500,000,000</u>	Shares of HK\$0.2 each	<u>100,000,000</u>
 <i>Issued and fully-paid:</i>		
52,881,180	Shares of HK\$0.2 each	10,576,236
	Rights Shares to be issued pursuant to the	
<u>158,643,540</u>	Rights Issue	<u>31,728,708</u>
	Shares in issue immediately after	
<u>211,524,720</u>	completion of the Rights Issue	<u>42,304,944</u>

All of the Rights Shares to be issued will rank *pari passu* in all respects with each other. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

As at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants and convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

**(b) Share Options**

As at the Latest Practicable Date, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

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

### 3. INTEREST IN SECURITIES

#### (a) Directors' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Name of Director	Capacity	Interest in underlying of Share Options	Approximate percentage of total issued shares
Ms. Wong Ka Man	Beneficial owner	400,000	0.76%
Mr. Yao Ruhe	Beneficial owner	400,000	0.76%

#### (b) Interests of substantial shareholders

As at Latest Practicable Date, so far as are known to any Directors of the Company, no person (other than the Directors or chief executive of the Company) had interests in the shares or underlying shares of the Company accounting to a substantial shareholder as recorded in the register required to be kept pursuant to section 336 of the SFO

### 4. DIRECTORS' SERVICE CONTRACTS

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

### 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules.

**6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP**

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct and indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited financial statements of the Company were made up.

**7. MATERIAL LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

**8. MATERIAL CONTRACTS**

Save as disclosed below, there has been no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the Placing Agreement

**9. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission, printing, registration, translation, legal and accountancy fees are estimated to be approximately HK\$2.1 million, which are payable by the Company.

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

: Mr. Cheung Desmond Lap Wai  
No.3, Mei Wo Circuit,  
Shatin, New Territories,  
Hong Kong

Mr. Kwan Kar Man  
Flat 8, 14/F, Luen Tak Mansion,  
45 Smithfield Road, Kennedy Town,  
Hong Kong

Ms. Wong Ka Man  
Flat H, 8/F, Block 5, Sheung Shui Centre,  
Sheung Shui, New Territories,  
Hong Kong

Mr. Yao Ruhe  
Room 2104, Block D, Jinshuiwan Yuyuan,  
No.89 Yantian Road, Yantian District,  
Shenzhen, Guangdong, China

Mr. Wu Chi King  
Flat 2106, 21/F., Block Q,  
6-8 Hong On Street, Kornhill, Quarry Bay,  
Hong Kong

Mr. Wang Rongqian  
Flat C, 13/F, Block T2, University Heights,  
23 Pokfield Road, Pok Fu Lam,  
Hong Kong

Ms. Wong Ying Yu  
Room 315, Kwong Sun House,  
Kwong Ming Court, Tseung Kwan O, Kowloon,  
Hong Kong



<b>Registered office</b>	:	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	:	Room C, 15/F, Roxy Industrial Centre 58-66 Tai Lin Pai Road Kwai Chung, New Territories Hong Kong
<b>Placing Agent</b>	:	<b>Sorrento Securities Limited</b> 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong
<b>Independent financial adviser to the Independent Board Committee and the Independent Shareholders</b>	:	<b>Altus Capital Limited</b> 21 Wing Wo Street, Central, Hong Kong
<b>Legal adviser to the Company as to Hong Kong law in relation to the Rights Issue</b>	:	<b>Khoo &amp; Co.</b> 15/F & 16/F, Tern Centre Two, 251 Queen's Road Central, Hong Kong
<b>Reporting accountants</b>	:	<b>McMillan Woods (Hong Kong) CPA Limited</b> 24/F., Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong
<b>Principal bankers in Hong Kong</b>	:	<b>The Hongkong and Shanghai Banking Corporation Limited</b> <b>DBS Bank (Hong Kong) Limited</b>
<b>Principal share registrar</b>	:	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands

<b>Hong Kong branch share registrar and transfer office</b>	:	Boardroom Share Registrars (HK) Limited Room 2103B, 21/F 148 Electric Road North Point, Hong Kong
<b>Authorised representatives</b>	:	Mr. Kwan Kar Man Room C, 15/F, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong  Ms. Wong Ka Man Room C, 15/F, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong
<b>Company secretary</b>	:	Mr. Kwan Kar Man Room C, 15/F, Roxy Industrial Centre, 58-66 Tai Lin Pai Road, Kwai Chung, New Territories, Hong Kong

## 11. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Wu Chi King (the Chairman of the Audit Committee), Mr. Wang Rongqian and Ms. Wong Ying Yu. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “13. Particulars of the Directors and Company Secretary” in this appendix.

The primary role and function of the Audit Committee is to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

**12. EXPERTS AND CONSENTS**

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital	A corporation licensed by the SFC to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinions or advice and references to its name, in the form and context in which they appear;
- (b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**13. PARTICULARS OF THE DIRECTORS AND COMPANY SECRETARY****Executive Directors**

Mr. Cheung Desmond Lap Wai, aged 38, is the chairman of the Board and the acting chief executive officer of the Company. He joined the Group in October 2008. He has over ten years of experience in business development and sales and marketing.

Mr. Kwan Kar Man, aged 39, has been the executive director of the Group since 8 May 2020. He has also been appointed as the company secretary of the Company and the authorised representative of the Company since 24 July 2020. He has over 15 years of experience in the accounting and auditing industry. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Ms. Wong Ka Man, aged 33, has been the executive director of the Group since 17 March 2021. She has also been appointed as the authorized representative of the Company on 7 April 2021.

Mr. Yao Ruhe, aged 35, has been the executive director of the Group since 12 May 2021. He has over 6 years of experience in business development and sales and marketing.

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

Mr. Wang Rongqian, aged 40, has been the independent non-executive director of the Group since 25 January 2021. He holds a bachelor's degree in laws from the Central South University and a master's degree in corporate and financial laws from the University of Hong Kong. Mr. Wang has extensive experience in the areas of project management, corporate finance, commercial trade, and legal practice in the PRC. He is currently the independent non-executive director of CL Group (Holdings) Limited, a company listed on GEM of the Stock Exchange (Stock Code: 8098) since 2 October 2018. Mr. Wang was the independent non-executive director of Kirin Group Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8109) from 3 April 2019 to 1 September 2020, and the executive director of Farnova Group Holdings Limited (formerly known as Code Agriculture (Holdings) Limited), a company listed on GEM of the Stock Exchange (Stock Code: 8153) from 8 June 2016 to 19 June 2020.

Ms. Wong Ying Yu, aged 58, has been the independent non-executive director of the Group since 28 June 2021. She has over 20 years experience on sales and marketing of beauty products with management experience in the beauty industry, and was responsible for all day-to-day aspects of the operations in Hong Kong including sales and marketing, business development, merchandising and design. With extensive professional knowledge and experience in retailing, she possesses unique experience in the operational concept of open-shelf display of retail products.

Mr. Wu Chi King, aged 39, has been the independent non-executive director of the Group since 28 June 2021. He received a Bachelor of Computer Science from Monash University and is a Certified Practising Accountant (CPA) of Certified Practising Accountant Australia. He has accumulated extensive experience in finance and accounting by working in various listed and sizable companies in Hong Kong. He is also an independent non-executive director of Wan Cheng Metal Packaging Company Limited, a company whose shares are listed on GEM of the Stock Exchange (Stock Code: 8291) since June 2020.

**Company Secretary**

Mr. Kwan Kar Man, aged 39, has been appointed as the company secretary of the Company from 24 July 2020. He is a practising certified public accountant of the Hong Kong Institute of Certified Public Accountants.

**14. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**15. DOCUMENTS ON DISPLAY**

The following documents will be available on (i) the website of the Company ([www.mansionintl.com](http://www.mansionintl.com)) and (ii) the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) during a period of 14 days from the date of this circular (both days inclusive):

- (a) the annual report of the Company for the year ended 31 March 2019;
- (b) the annual report of the Company for the year ended 31 March 2020;
- (c) the annual report of the Company for the year ended 31 March 2021;
- (d) the Placing Agreement;
- (e) the letter from Independent Financial Adviser, the text of which is set out on pages 36 to 54 of this circular;
- (f) the accountant's report on the unaudited pro forma financial information of the Group issued by McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix II to this circular; and
- (g) the written consent referred to in the section headed "12. Experts and consents" in this appendix.

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## NOTICE OF EGM

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# Mansion International Holdings Limited 民 信 國 際 控 股 有 限 公 司

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

**(Stock Code: 8456)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Mansion International Holdings Limited (the “**Company**”) will be held at Portion 2, 12th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong on Thursday, 16 December 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed with or without amendment as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$20,000,000 divided into 100,000,000 Shares to HK\$100,000,000 divided into 500,000,000 Shares by the creation of an additional 400,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum of association and bye-laws of the Company (the “**Increase in Authorised Share Capital**”); and
- (b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Increase in Authorised Share Capital.”

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## NOTICE OF EGM

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2. “**THAT** conditional upon: the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below):
- (a) the issue by way of rights issue (the “**Rights Issue**”) of 158,643,540 ordinary shares (the “**Rights Shares**”) at the subscription price of HK\$0.35 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Excluded Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of three (3) Rights Shares for every one (1) Shares of the Company held on the Record Date at the subscription price of HK\$0.35 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;
  - (b) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

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## NOTICE OF EGM

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- (c) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares and the implementation of the Rights Issue, necessary desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder.”

Yours faithfully,

For and on behalf of the Board of  
**Mansion International Holdings Limited**  
**Cheung Desmond Lap Wai**  
*Chairman, Executive Director and*  
*Acting Chief Executive Officer*

Hong Kong, 25 November 2021

*Registered office:*

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

*Principal place of business in Hong Kong:*

Room C, 15/F, Roxy Industrial Centre  
58-66 Tai Lin Pai Road  
Kwai Chung, New Territories  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.
3. The register of members of the Company will be closed from Friday, 10 December 2021 to Thursday, 16 December 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F., 148 Electric Road, North Point, Hong Kong no later than 4:30 p.m. on Thursday, 9 December 2021.



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## NOTICE OF EGM

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4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The Meeting is expected to last for less than half a day. Members (in person or by proxy) attending the Meeting are responsible for their own transportation and accommodation expenses. Members or their proxies attending the Meeting shall present their identity certifications.
6. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the websites of the Company at [www.mansionintl.hk](http://www.mansionintl.hk) and the GEM at [www.hkgem.com](http://www.hkgem.com) to notify Shareholders of the date, time and place of the rescheduled meeting.
7. Any voting at the meeting shall be taken by poll.
8. In view of the recent development of the COVID-19 pandemic, and in order to better protect the safety and health of the Shareholders, the Company will not serve refreshments at the EGM to avoid the coming into close contact amongst participants at the EGM. The Company wishes to remind the Shareholders and other participants who will attend the EGM in person to take personal precautions and abide by the requirements of pandemic precaution and control at the venue of the EGM. The Company also advises the Shareholders to attend and vote at the EGM by way of non-physical presence. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the EGM as a proxy to vote on relevant resolutions as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM. The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

*As at the date of this notice, the executive Directors are Mr. Cheung Desmond Lap Wai (chairman and acting chief executive officer), Mr. Kwan Kar Man, Ms. Wong Ka Man and Mr. Yao Ruhe; and the independent non-executive Directors are Mr. Wu Chi King, Mr. Wang Rongqian and Ms. Wong Ying Yu.*

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

*This notice will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for seven days from the date of its publication and on the website of the Company at [www.mansionintl.hk](http://www.mansionintl.hk).*