
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Chinlink International Holdings Limited, you should at once hand this circular, the accompanying notice of special general meeting and the form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares or other securities in the Company.



CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

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

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Underwriter to the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

Independent financial adviser to the
Independent Board Committee and the Independent Shareholders



Optima Capital Limited

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

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 22 February 2021. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 5 March 2021 to Friday, 12 March 2021 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. (Hong Kong time) on Tuesday, 23 March 2021 (or such later time as the Company and the Underwriter may agree), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional and may not proceed.

A letter of advice from Optima Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 41 to 73 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 39 to 40 of this circular.

A notice convening a special general meeting of the Company to be held at 11:00 a.m. on Wednesday, 17 February 2021 at Suites 5-6, 40/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong together with the form of proxy are enclosed with this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Trior Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be) should you so wish.

25 January 2021

* For identification purposes only

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RESCISSION AND TERMINATION OF THE UNDERWRITING AGREEMENT

If prior to the Latest Time for Termination:

- (a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or

RESCISSION AND TERMINATION OF THE UNDERWRITING AGREEMENT

- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcements or the Prospectus Documents or other announcements in connection with the Rights Issue; or
- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter are material to the Group as a whole and are likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, inter alia, upon fulfillment of the conditions set out under the sub-section headed "Conditions of the Rights Issue" in the section headed "Proposed Rights Issue" in this circular. In particular, the Rights Issue is subject to the Underwriter not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (and the date of the Underwriter's right of termination or rescission of the Underwriting Agreement ceases) will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing novel coronavirus (Covid-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection.

VOTING BY PROXY IN ADVANCE OF THE SGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their right to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the Covid-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the SGM by appointing the chairman of the SGM as their proxy instead of attending the SGM in person. **Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the SGM or any adjournment thereof should they subsequently so wish.**

PREVENTIVE MEASURES AT THE SGM

The Company will implement the following preventive measures at the SGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) Compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.5 degrees Celsius may be denied entry into the SGM venue.
- (ii) All Shareholders, proxies and other attendees are required to complete and submit at the entrance of the SGM venue a health declaration form confirming, among other things, their names and contact details, and that they have not travelled to, or had close contact with any person who to their best of knowledge has recently travelled to, any countries or areas outside of Hong Kong at any time in the preceding 14 days. Any person who does not comply with this requirement may be denied entry into the SGM venue.
- (iii) Every attendee will be required to wear a surgical face mask throughout the SGM. Please note that no masks will be provided at the SGM venue and attendees should bring and wear their own masks.
- (iv) Seating at the SGM will be arranged to ensure adequate physical distancing between participants so as to reduce interaction between them.
- (v) No refreshments will be served and there will be no corporate gifts.

The Company will closely monitor the development of the Covid-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to the Covid-19 pandemic. Further announcement(s) will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

| | |
|--------------------------|--|
| “acting in concert” | has the same meaning ascribed thereto under the Takeovers Code |
| “Adjusted Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective |
| “Announcements” | the announcements of the Company dated 14 December 2020 and 8 January 2021 in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue |
| “associate(s)” | has the same meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day(s)” | any day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Bye-laws” | the bye-laws of the Company as amended from time to time |
| “Capital Reduction” | the proposed reduction of the issued share capital of the Company whereby: (i) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (ii) the nominal value of all the then issued Consolidated Shares shall be reduced from HK\$1.5625 each to HK\$0.01 each by canceling the paid-up share capital of the Company to the extent of HK\$1.5525 on each of the then Consolidated Shares in issue |
| “Capital Reorganisation” | the proposed capital reorganisation of the issued share capital of the Company involving the Share Consolidation, the Capital Reduction, the Diminution and Increase and transferring all the credits arising from the Capital Reduction to the Contributed Surplus Account |

DEFINITIONS

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| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Change in Board Lot Size” | the proposed change in board lot size of the Shares for trading on the Stock Exchange from 5,000 Existing Shares to 8,000 Adjusted Shares |
| “Company” | Chinlink International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange |
| “Companies Act” | the Companies Act 1981 of Bermuda (as amended) |
| “connected person(s)” | has the same meaning ascribed thereto under Listing Rules |
| “Consolidated Share(s)” | ordinary share(s) of HK\$1.5625 each in the issued share capital of the Company immediately upon the Share Consolidation becoming effective |
| “Contributed Surplus Account” | the account designated as the contributed surplus account of the Company within the meaning of the Companies Act |
| “controlling shareholder” | has the same meaning ascribed thereto under the Listing Rules |
| “Diminution and Increase” | subject to and upon the Capital Reduction becoming effective, the proposed cancellation of all the authorised but unissued share capital of the Company and the proposed increase in the authorised share capital of the Company to HK\$625,000,000 divided into 62,500,000,000 Adjusted Shares |
| “Director(s)” | the director(s) of the Company |
| “EAF(s)” | the excess application form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, in such usual form as may be agreed between the Company and the Underwriter |
| “Emperor Securities” or “Underwriter” | Emperor Securities Limited, a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO |

DEFINITIONS

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| “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(s) or the requirements of the relevant regulatory body or stock exchange in that place |
| “Existing Share(s)” | the existing ordinary share(s) of HK\$0.3125 each in the share capital of the Company prior to the Share Consolidation becoming effective |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Rights Issue |
| “Independent Shareholder(s)” | any Shareholder(s) other than Mr. Li, Wealth Keeper and their respective associates |
| “Last Trading Day” | 14 December 2020, being the last trading day of the Shares on the Stock Exchange before the release of the announcement of the Company dated 14 December 2020 in relation to, among other thing, the Right Issue |
| “Latest Lodging Date” | 4:30 p.m. on Tuesday, 23 February 2021, being the latest time for lodging transfer of Shares and/or exercise the Vested Share Options in order to be qualified for the Rights Issue |
| “Latest Practicable Date” | Friday, 22 January 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular |

DEFINITIONS

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| “Latest Time for Acceptance” | 4:00 p.m. on Wednesday, 17 March 2021 or such other time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for the Rights Shares and application for excess Rights Shares |
| “Latest Time for Termination” | 4:00 p.m. on Tuesday, 23 March 2021, or such other time or date as may be agreed between the Company and the Underwriter |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Mr. Li” | Mr. Li Weibin, the chairman and managing director of the Company, who is interested in an aggregate of: (i) 891,443,800 Shares (of which 824,763,200 Shares are beneficially owned by Wealth Keeper and 66,680,600 Shares are beneficially owned by Mr. Li personally) representing approximately 60.99% of the existing issued share capital of the Company in total as at the Latest Practicable Date; and (ii) 778,018 Share Options |
| “Mr. Li Vested Share Options” | the 778,018 Share Options granted to Mr. Li by the Company which are exercisable from the Latest Practicable Date and up to the Latest Lodging Date |
| “Optima Capital” or “Independent Financial Adviser” | Optima Capital Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue |
| “Overseas Shareholder(s)” | Shareholder(s) whose name(s) appear(s) on the register of members of the Company at 4:00 p.m. on the Record Date and whose registered address(es) as shown on such register at that time is (are) outside Hong Kong |
| “PAL(s)” | the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue |

DEFINITIONS

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| “PRC” | the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “Prospectus” | the prospectus to be despatched to the Shareholders containing details of the Rights Issue |
| “Prospectus Documents” | the Prospectus, the PAL and the EAF |
| “Prospectus Posting Date” | Wednesday, 3 March 2021 or such other date as the Underwriter may agree in writing with the Company, being the date of despatch of: (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Prospectus for information only to the Excluded Shareholders, if any |
| “Qualifying Shareholder(s)” | Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date |
| “Record Date” | Tuesday, 2 March 2021, being the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined (or such other date as the Underwriter may agree in writing with the Company) |
| “Registrar” | Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong |
| “Remaining Share Options” | a maximum of 7,463,552 Share Options, being the Vested Share Options less Mr. Li Vested Share Options |
| “Rights Issue” | the proposed issue by way of rights of three (3) Rights Shares for every one (1) Adjusted Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions in the Underwriting Agreement and set out in the Prospectus Documents |
| “Rights Share(s)” | new Adjusted Share(s) to be allotted and issued to the Qualifying Shareholders pursuant to the Rights Issue |
| “SFO” | the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) |

DEFINITIONS

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| “SGM” | a special general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Capital Reorganisation and the Rights Issue |
| “Share(s)” | Existing Share(s) and/or Consolidated Share(s) and/or Adjusted Share(s), as the case may be |
| “Share Consolidation” | the proposed consolidation of every five (5) issued Existing Shares of HK\$0.3125 each into one (1) Consolidated Share of HK\$1.5625 |
| “Share Option(s)” | the share options granted by the Company pursuant to the Share Option Scheme which give holders thereof the rights to subscribe for Shares at the exercise price determined in accordance with the rules of the Share Option Scheme |
| “Share Option Scheme” | the share option scheme of the Company adopted pursuant to the ordinary resolution passed by the Shareholders on 21 September 2012 |
| “Shareholder(s)” | holder(s) of issued Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.38 per Rights Share |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Underwriting Agreement” | the underwriting agreement dated 14 December 2020 (as supplemental on 8 January 2021) entered into among the Company, Emperor Securities, Mr. Li and Wealth Keeper in relation to the underwriting arrangement in respect of the Rights Issue |
| “Underwritten Shares” | not less than 342,099,534 Rights Shares and not more than 346,577,664 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement |
| “Untaken Share(s)” | any of the Underwritten Shares which have not been taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares or applicants under excess applications by the Latest Time for Acceptance |

DEFINITIONS

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| “Vested Share Options” | a maximum of 8,241,570 Share Options granted by the Company which are exercisable from the Latest Practicable Date and up to the Latest Lodging Date |
| “Wealth Keeper” | Wealth Keeper International Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued shares capital of which is wholly and beneficially owned by Mr. Li |
| “%” | per cent. |

EXPECTED TIMETABLE

The expected timetable for the Capital Reorganisation, the Rights Issue and the associated trading arrangement is set out below.

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

| Event | Date (2021) Hong Kong Time |
|---|---|
| Latest time for lodging transfer of the Shares to qualify for attendance and voting at the SGM | 4:30p.m. on Monday, 8 February |
| Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the SGM (both dates inclusive). | From Tuesday, 9 February to Wednesday, 17 February |
| Latest time for lodging proxy forms for the SGM | 11:00 a.m. on Monday, 15 February |
| Record date for attendance and voting at the SGM | Wednesday, 17 February |
| Expected date and time of the SGM to approve the Capital Reorganisation and the Rights Issue | 11:00 a.m. on Wednesday, 17 February |
| Announcement of the poll result of the SGM | Wednesday, 17 February |
| Register of members re-opens | Thursday, 18 February |
| Effective date of the Capital Reorganisation | Friday, 19 February |
| Commencement of dealings in the Adjusted Shares | 9:00 a.m. on Friday, 19 February |
| Original counter for trading in the Existing Shares in board lots of 5,000 Existing Shares (in the form of existing share certificates) temporarily closes | 9:00 a.m. on Friday, 19 February |
| Temporary counter for trading in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) opens | 9:00 a.m. on Friday, 19 February |

EXPECTED TIMETABLE

| Event | Date (2021) |
|--|---|
| First day of free exchange of existing share certificates for new share certificates for the Adjusted Shares | 9:00 a.m. on Friday, 19 February |
| Last day of dealings in the Adjusted Shares on cum-rights basis relating to the Rights Issue | Friday, 19 February |
| First day of dealings in the Adjusted Shares on ex-rights basis relating to the Rights Issue | Monday, 22 February |
| Latest time for lodging transfer of the Shares and/or exercising the Vested Share Options in order to be qualified for the Rights Issue | 4:30 p.m. on Tuesday, 23 February |
| Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive) | Wednesday, 24 February To Tuesday, 2 March |
| Record Date for the Rights Issue | Tuesday, 2 March |
| Register of members of the Company re-opens | Wednesday, 3 March |
| Prospectus Documents expected to be despatched | Wednesday, 3 March |
| Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares | 9:00 a.m. on Friday, 5 March |
| Original counter for trading in the Adjusted Shares in board lots of 8,000 Adjusted Shares (in the form of new share certificates) re-opens | 9:00 a.m. on Friday, 5 March |
| Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lots of 1,000 Adjusted Shares and new share certificates in board lots of 8,000 Adjusted Shares) commences | 9:00 a.m. on Friday, 5 March |
| First day of dealings in nil-paid Rights Shares in board lots of 8,000 Rights Shares | 9:00 a.m. on Friday, 5 March |

EXPECTED TIMETABLE

| Event | Date (2021) |
|--|----------------------------------|
| Latest time for splitting the PALs | 4:30 p.m. on Tuesday, 9 March |
| Last day of dealing in nil-paid Rights Shares in board lots of 8,000 Rights Shares | Friday, 12 March |
| Latest time for acceptance of and payment for the Rights Shares and application of excess Rights Shares | 4:00 p.m. on Wednesday, 17 March |
| Latest time for terminating the Underwriting Agreement and for the Rights Issue to become unconditional | 4:00 p.m. on Tuesday, 23 March |
| Announcement of results of the Rights Issue | Wednesday, 24 March |
| Temporary counter for trading in board lots of 1,000 Adjusted Shares (in the form of existing share certificates) closes | 4:10 p.m. on Thursday, 25 March |
| Parallel trading in Adjusted Shares (represented by both existing share certificates in board lots of 1,000 Adjusted Shares and new share certificates in board lots of 8,000 Adjusted Shares) ends | 4:10 p.m. on Thursday, 25 March |
| Despatch of share certificates for fully-paid Rights Shares and refund cheques in relation to wholly or partially unsuccessful applications for excess Rights Shares | Thursday, 25 March |
| Designated broker ceases to provide matching services for odd lots of the Adjusted Shares | 4:10 p.m. on Thursday, 25 March |
| Commencement of dealings in fully-paid Rights Shares | 9:00 a.m. on Friday, 26 March |
| Latest time for free exchange of existing share certificates for new share certificates for the Adjusted Shares | 4:30 p.m. on Monday, 29 March |

EXPECTED TIMETABLE

Effect of bad weather on the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess 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
 - (i) 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
 - (ii) 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 mentioned in the “Expected timetable” above may be affected. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD



CHINLINK

普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

Executive Directors:

Mr. Li Weibin (*Chairman and Managing Director*)

Mr. Siu Wai Yip

Mr. Lau Chi Kit

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Dr. Ho Chung Tai, Raymond

Ms. Lai Ka Fung, May

Ms. Chan Sim Ling, Irene

*Head Office and Principal Place of
Business in Hong Kong:*

Suites 5-6, 40/F,

One Exchange Square

8 Connaught Place

Central, Hong Kong

25 January 2021

To the Shareholders,

Dear Sirs,

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

INTRODUCTION

Reference is made to the Announcements. The Board proposes to put forward to the Shareholders:

- a. the Capital Reorganisation which comprises: (i) the Share Consolidation; (ii) the Capital Reduction; (iii) the Diminution and Increase; and (iv) the credit arising from the Capital Reduction be transferred to the Contributed Surplus Account; and

* For identification purposes only

LETTER FROM THE BOARD

- b. subject to the Capital Reorganisation becoming effective, to implement the Rights Issue on the basis three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price to raise gross proceeds of approximately HK\$333.2 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and up to a maximum of approximately HK\$334.9 million (assuming full exercise of the Remaining Share Options on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date) by issuing not less than 876,965,814 Rights Shares (assuming no exercise of the Vested Share Options on or before the Latest Lodging Date) and not more than 881,443,944 Rights Shares (assuming full exercise of the Remaining Share Options on or before the Latest Lodging Date).

The purpose of this circular is to provide you with, among other things, (i) details of Capital Reorganisation; (ii) details of the Rights Issue (including the Underwriting Agreement); (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; and (v) a notice convening the SGM and other information required under the Listing Rules.

PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which comprises:

- (i) the Share Consolidation whereby every five (5) issued and unissued Existing Shares will be consolidated into one (1) Consolidated Share;
- (ii) the Capital Reduction whereby: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) reducing the issued share capital of the Company by cancelling the paid up share capital of the Company to the extent of HK\$1.5525 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$1.5625 to HK\$0.01;
- (iii) the Diminution and Increase whereby subject to and forthwith upon the Capital Reduction taking effect, all the authorised but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the Capital Reduction) be cancelled and forthwith upon such cancellation, the authorised share capital of the Company be increased to HK\$625,000,000 by the creation of such number of additional Adjusted Shares as shall be sufficient to increase the authorised share capital of the Company to HK\$625,000,000 divided into 62,500,000,000 Adjusted Shares; and

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- (iv) the credit arising from the Capital Reduction, which amounted to approximately HK\$453,829,809 based on the number of the Existing Shares in issue on the Latest Practicable Date, be transferred to the Contributed Surplus Account for use by the Board in any manner permitted by Bermuda law and the Bye-laws.

Effects of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$625,000,000 comprising 2,000,000,000 Existing Shares of a par value of HK\$0.3125 each, of which 1,461,609,692 Existing Shares have been issued and fully paid or credited as fully paid. Immediately following the Capital Reorganisation, the authorised share capital of the Company will be HK\$625,000,000 divided into 62,500,000,000 Adjusted Shares of a par value of HK\$0.01 each, and the aggregate nominal value of the issued share capital of the Company will be approximately HK\$2,923,219.4 (assuming that no further Existing Shares are issued or repurchased from the Latest Practicable Date until the effective date of the Capital Reorganisation). Based on the number of the Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$453,829,809 will arise as a result of the Capital Reduction. Such credit will be transferred to the Contributed Surplus Account which will then be applied by the Board in any manner permitted by Bermuda law and the Bye-laws of the Company. Under the laws of Bermuda, the amount standing to the credit of the contributed surplus account is distributable subject to the satisfaction of certain solvency test requirements and the Company may apply the contributed surplus in any manner not prohibited by the Companies Act and the Bye-laws.

Assuming no Existing Shares are issued or repurchased from the Latest Practicable Date, the share capital structure of the Company will be as follows:

| | As at the Latest Practicable Date | Immediately after the Capital Reorganisation |
|----------------------------------|--|---|
| Authorised share capital | HK\$625,000,000 | HK\$625,000,000 |
| Par value per share | HK\$0.3125 | HK\$0.01 |
| Number of authorised shares | 2,000,000,000 | 62,500,000,000 |
| Amount of issued share capital | HK\$456,753,028.75 | HK\$2,923,219.38 |
| Number of issued shares | 1,461,609,692 | 292,321,938 |
| Amount of unissued share capital | HK\$168,246,971.25 | HK\$622,076,780.62 |
| Number of unissued shares | 538,390,308 | 62,207,678,062 |

Note: The above share capital structure of the Company is for illustration purpose only.

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The Adjusted Shares in issue immediately following the Capital Reorganisation becoming effective will rank *pari passu* in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders, save for any fractional Adjusted Shares which may arise. No fractional Adjusted Shares will be issued by the Company. Any fractional entitlements of Adjusted Shares will be aggregated and sold for the benefit of the Company. Fractional Adjusted Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Capital Reorganisation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group.

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon:

- (i) the passing of the necessary resolution(s) by the Shareholders approving the Capital Reorganisation at the SGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation becoming effective and any Adjusted Shares which may fall to be allotted and issued upon exercise of the Share Options;
- (iii) the compliance with the relevant procedures and requirements under the Bermuda law and the Listing Rules to effect the Capital Reorganisation; and
- (iv) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Capital Reorganisation.

The Capital Reorganisation will become effective on the second Business Day immediately following the fulfillment of the above conditions.

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Adjusted Shares arising from the Capital Reorganisation, the Company has appointed Emperor Securities Limited as agent to provide matching service, on a best efforts basis, to those Shareholders who wish to top up or sell their holding of odd lots of the Adjusted Shares. Shareholders who wish to take advantage of this facility should contact Mr. Leung Shiu Keung of Emperor Securities Limited at 23rd to 24th Floor, Emperor Group Centre, 288 Hennessy Road, Wanchai, Hong Kong or at telephone number (852) 2919 2919 from 9:00 a.m. on Friday, 5 March 2021 to 4:10 p.m. on Thursday, 25 March 2021.

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

Exchange of share certificates

Subject to the Capital Reorganisation having become effective, Shareholders may, during the specified period, submit the existing share certificates for the Existing Shares to the Registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre 183 Queen's Road East Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Adjusted Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Adjusted Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Adjusted Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Adjusted Shares will be issued in yellow colour in order to distinguish them from the existing light green colour.

Listing and Dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation and any Adjusted Shares which may fall to be allotted and issued upon exercise of the Share Options and all necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 5,000 Existing Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 5,000 Existing Shares to 8,000 Adjusted Shares conditional on the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the SGM of relevant resolutions to approve the Capital Reorganisation, the Rights Issue and the Underwriting Agreement and the transactions respectively contemplated thereunder.

The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

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REASONS FOR THE CAPITAL REORGANISATION AND THE CHANGE IN BOARD LOT SIZE

Under Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited on 28 November 2008 and last updated on 1 October 2020, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade.

In light of the above, the Board proposed to implement the Share Consolidation. However, based on the benchmark price of HK\$0.0906 per Existing Share on the Last Trading Day and the existing board lot size of 5,000 Shares, assuming that the Capital Reorganisation and the Rights Issue having become effective and the dealings in the Adjusted Shares on an ex-rights basis having commenced, the theoretical ex-rights price would be HK\$0.3983 per Adjusted Share and the value of each board lot of Adjusted Shares would be below HK\$2,000.

The Board also noted that a board lot holding of 5,000 Existing Shares would become 1,000 Adjusted Shares after Capital Consolidation having become effective. Assuming full acceptance of the Rights Shares for one board lot on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on Record Date, the Qualifying Shareholders would hold 4,000 Adjusted Shares if they have one board lot of Existing Shares.

Thus the Board has resolved to propose to change in board lot size of the Shares for trading on the Stock Exchange. The Board has considered different possible sizes of new board lot and concluded that the Change in Board Lot Size would minimise the odd lot of Adjusted Shares for those Qualifying Shareholders taking up the Rights Shares when they have two board lots or above (before Capital Reorganisation having become effective). The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

The Board are of the view that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot. Furthermore, the Share Consolidation and the Change in Board Lot Size will reduce the overall transaction and handling costs of dealing in the Adjusted Shares, including those fees, which are charged with reference to the number of board lots.

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Pursuant to the Bye-laws, the Company shall not issue shares at a price below par value. The Board is of the opinion that the Capital Reorganisation will provide the Company with greater flexibility in possible fund raisings in the future. Moreover, as set out under the paragraph headed “Proposed Rights Issue — Subscription Price” below, the Directors are of the view that the Subscription Price of HK\$0.38 would be attractive for the Qualifying Shareholders to participate in the Rights Issue. After the Share Consolidation becoming effective, the each Consolidated Share will be of par value of HK\$1.5625 each. In order to facilitate the Rights Issue, it is necessary to implement the Capital Reduction. Please refer to the paragraph headed “Reasons for the Rights Issue and use of proceeds” below for the reasons for and benefits of the Rights Issue.

In view of the above, the Board considers that the Capital Reorganisation and the Change in Board Lot Size are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place after and is conditional upon, among other matters, the Capital Reorganisation becoming effective.

Issue statistics

| | | |
|---|---|---|
| Basis of the Rights Issue | : | three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date |
| Subscription Price | : | HK\$0.38 per Rights Share |
| Number of Shares in issue as at the Latest Practicable Date | : | 1,461,609,692 Shares |
| Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective | : | 292,321,938 Adjusted Shares (assuming no further Shares are issued or repurchased up to the effective date of the Capital Reorganisation) |

LETTER FROM THE BOARD

| | |
|---|---|
| Number of Rights Shares to be issued pursuant to the Rights Issue | : Not less than 876,965,814 Rights Shares, representing 300% of the Company's issued number of shares as at the Latest Practicable Date (assuming the Capital Reorganisation has become effective) and 75% of the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) and not more than 881,443,944 Rights Shares, representing approximately 302% of the Company's issued number of shares as at the Latest Practicable Date (assuming the Capital Reorganisation has become effective) and 75% of the enlarged issued share capital of the Company upon completion of the Rights Issue (assuming full exercise of the Remaining Share Options on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date) |
| Aggregate nominal value of the Rights Shares to be issued | : Not less than approximately HK\$8,769,658.14 and not more than approximately HK\$8,814,439.44 |
| Right of excess applications | : Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment |

As at the Latest Practicable Date, there are 8,241,570 outstanding Share Options, which are exercisable during the period from 24 August 2014 to 16 December 2023 entitling the holders thereof to subscribe for a total of 8,241,570 new Existing Shares at the prevailing exercise price.

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

Assuming no exercise of Share Options on or before the Latest Lodging Date and no Shares are issued or repurchased on or before the Record Date, the 876,965,814 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 300% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and 75% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares. The Company has not conducted any rights issue, open offer and/or specific mandate placing 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 such rights issue, open offers 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 on its own.

LETTER FROM THE BOARD

Qualifying Shareholder

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 as at 4:00 p.m. on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to 4:00 p.m. on the Record Date, all transfers of the Adjusted Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre 183, Queen's Road East Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 23 February 2021.

It is expected that the last day of dealings in the Adjusted Shares on a cum-rights basis is Friday, 19 February 2021, and the Adjusted Shares will be dealt with on an ex-rights basis from Monday, 22 February 2021.

Subject to the Capital Reorganisation becoming effective, the passing of the resolution approving the Rights Issue by the Shareholders at the SGM and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders (if any) for their information only.

Rights of Overseas Shareholders

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

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders. If based on legal opinions 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 relevant place of registered address or the requirements of the relevant overseas regulatory body or stock exchange in that place, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

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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 as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day of dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Excluded Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders. For the avoidance of doubt, the Excluded Shareholders (if any), so long as he/she/it is an Independent Shareholder, will be entitled to vote at the SGM in respect of the Rights Issue.

According to the register of members of the Company as at the Latest Practicable Date, there was no Shareholder whose address as shown on the Company's share register is outside of Hong Kong. The Company will continue to ascertain whether there is any Overseas Shareholder on the Record Date and will, if necessary, make necessary enquiry(ies) with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such Overseas Shareholder(s), if any, on the Record Date and make relevant disclosures in the Prospectus.

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

Closure of register of members

The register of members of the Company will be closed from Wednesday, 24 February 2021 to Tuesday, 2 March 2021 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares and/or the Vested Share Options will be registered during this period.

Subscription Price

The Subscription Price of HK\$0.38 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application for excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

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The Subscription Price represents:

- (i) a discount of approximately 13.64% to the theoretical closing price of HK\$0.44 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.088 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 15.74% to the theoretical closing price of HK\$0.451 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.0902 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 16.21% to the average theoretical closing price of approximately HK\$0.4535 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.0907 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.58% to the theoretical ex-rights price of approximately HK\$0.3983 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the benchmark price of HK\$0.0906 per Existing Share;
- (v) a discount of approximately 93.79% to the net asset value of the Company of approximately HK\$6.11 per Adjusted Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$1,787.5 million as at 30 September 2020 and 292,321,938 Adjusted Shares assuming the Capital Reorganisation has become effective;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 12.09% of the theoretical ex-rights price of HK\$0.3983 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of HK\$0.0906 per Existing Share; and
- (vii) a premium of approximately 4.11% over the closing price of HK\$0.365 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.073 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

Given the pre-emptive nature of the Rights Issue, even though the Subscription Price would represent a deep discount to the Company's net asset value per Adjusted Share, it may offer a good opportunity for all Shareholders to participate in the Rights Issue given the attractive Subscription Price, which is fair and reasonable to all Shareholders.

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In determining the Subscription Price, it was arrived after arm's length negotiations between the Company and the Underwriter which reflects the best commercial terms that the Company could negotiate with the Underwriter by reference to the prevalent market share prices and the financial position of the Company. The terms of the Underwriting Agreement are mutually acceptable to both of the Company and the Underwriter. The determination of the Subscription Price has been driven by the below factors:

- (1) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic;
- (2) the low liquidity of the Shares over the 12-month period up to and including the Last Trading Day;
- (3) the Company has been recording net losses for the financial years ended 31 March 2020 and for the six months ended 30 September 2020;
- (4) it is in line with the general market practice for the listed companies on the Stock Exchange to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the Rights Issue; and
- (5) the financial needs of the Group, including the potential capital requirement for repayment of the Group's outstanding debts and borrowings (please see the section headed "Reasons for the Rights Issue and use of proceeds").

As 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, the Board considers that the Subscription Price would be attractive to encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group. The Directors (excluding the independent non-executive Directors who will form their views based on the recommendations from the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the Rights Issue will be not less than approximately HK\$333.2 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) but not more than approximately HK\$334.9 million (assuming full exercise of the Remaining Share Options on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date). The net proceeds from the Rights Issue will be not less than approximately HK\$327.6 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) but not more than approximately HK\$329.3 million (assuming full exercise of the Remaining Share Options on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date). The net price per Rights Share will be approximately HK\$0.374 (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date).

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Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at 4:00 p.m. on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted for with the Registrar by the Latest Time for Acceptance.

Status of the Rights Shares

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

Application for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for (i) the Rights Shares representing the entitlement of the Excluded Shareholders and which cannot be sold at a net premium; and (ii) any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders. Application may be made by completing the EAF for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Company will allocate the Rights Shares in excess of the entitlement at its discretion on a fair and equitable basis to the Qualifying Shareholders who have applied for excess Rights Shares. Shareholders who have been offered odd lots of the Rights Shares should note that there is no guarantee that such odd lots of the Rights Shares will be topped up to create whole board lots pursuant to applications for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their sole discretion on a fair and equitable basis on the following principles:

- (i) no preference will be given to applications for topping-up odd-lot holdings to whole-lot holdings as the giving of such preference may potentially be abused by certain investors by splitting their Shares and thereby receiving more Rights Shares than they would receive if such preference is not given, which is an unintended and undesirable result; and

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- (ii) subject to availability of excess Rights Shares, the excess Rights Shares will be allocated to the Qualifying Shareholders who have applied for excess application on a pro rata basis based on the excess Rights Shares applied for by them. No reference will be made to Rights Shares subscribed through applications by PAL or the existing number of Shares held by the Qualifying Shareholders.

Any Rights Shares not accepted for by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not taken by excess application will be taken up by the Underwriter pursuant to the terms and conditions of the Underwriting Agreement.

Beneficial owners of Shares whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the beneficial owners of Shares whose Shares are registered in name of nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually and are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

For those beneficial owners of Shares whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre 183, Queen's Road East Hong Kong, for completion of the relevant registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 23 February 2021.

Certificate of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Thursday, 25 March 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Rights Shares. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques will be despatched on or before Thursday, 25 March 2021 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Thursday, 25 March 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

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

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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.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges. Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 8,000 Rights Shares.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The Rights Shares will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement as described below.

Conditions of the Rights Issue

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

- (i) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the SGM of ordinary resolutions to approve the Capital Reorganisation, the Rights Issue and the Underwriting Agreement and the transactions respectively contemplated thereunder;
- (ii) the Capital Reorganisation having become effective;

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- (iii) the delivery to the Stock Exchange and registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) not later than the Prospectus Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong);
- (iv) the posting of the Prospectus Documents to Qualifying Shareholders on the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form 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 within two Business Days after the Prospectus Posting Date;
- (v) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in all the Rights Shares (in their nil-paid and fully-paid forms);
- (vi) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (vii) compliance with and performance of all the undertakings and obligations of Mr. Li and Wealth Keeper under the terms of the Underwriting Agreement; and
- (viii) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with its terms prior to the Latest Time for Termination.

THE UNDERWRITING AGREEMENT

On 14 December 2020 (after trading hours of the Stock Exchange), the Company, the Underwriter, Mr. Li and Wealth Keeper entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are as follows:

Date : 14 December 2020 (as supplemented on 8 January 2021)

Issuer : the Company

LETTER FROM THE BOARD

Underwriter : Emperor Securities

The Underwriter is a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities

As at the Latest Practicable Date, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons

The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules that it is licensed under the SFO for Type 1 regulated activity and its ordinary course of business includes underwriting of securities, and it is not connected person of the Company

Number of Rights Shares : Not less than 342,099,534 Rights Shares and not more than
underwritten by the 346,577,664 Rights Shares
Underwriter

Underwriting Commission : 2.5% of the aggregate Subscription Price in respect of the
Underwritten Shares

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors (other than the members of the Independent Board Committee whose view is set out in the Letter from the Independent Board Committee) considers the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter has agreed to subscribe or procure the subscription for all Underwritten Shares that are not otherwise taken up.

LETTER FROM THE BOARD

Irrevocable Undertakings from Mr. Li and Wealth Keeper

As at the Latest Practicable Date, Mr. Li (the controlling shareholder of the Company) and through his wholly owned company, Wealth Keeper, is interested in an aggregate of 891,443,800 Shares (representing 60.99% of the issued share capital of the Company as at the Latest Practicable Date). Mr. Li and Wealth Keeper have irrevocably and unconditionally undertaken in the Underwriting Agreement in favour of the Company and the Underwriter to (1) subscribe for or procure the subscription for the 40,008,360 Rights Shares to which Mr. Li is entitled, and 494,857,920 Rights Shares to which Wealth Keeper is entitled pursuant to the Rights Issue respectively; and (2) not to subscribe for any excess Right Shares under excess applications. Mr. Li has further undertaken to the Company and the Underwriter that he will not exercise any of the Mr. Li Vested Share Options on or before the Latest Lodging Date.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (a) in the sole and absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (i) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (ii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the sole and absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or

LETTER FROM THE BOARD

- (b) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the sole and absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (c) there is any change in the circumstances of the Company or any member of the Group which in the sole and absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (d) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcements or the Prospectus Documents or other announcements in connection with the Rights Issue; or
- (e) the Prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter are material to the Group as a whole and are likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

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

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

Sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon the Capital Reorganisation becoming effective; and (iii) immediately upon completion of the Rights Issue:

| | As at the Latest Practicable Date | | Scenario I (assuming no further issue of Adjusted Shares Or repurchase of Shares on or before the Record Date) | | | | Scenario II (Assuming Shares are issued due to the exercise of the Remaining Share Options on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date) Immediately upon completion of the Rights Issue | | | | | |
|--|--------------------------------------|-----------------------|--|-----------------------|--|-----------------------|---|-----------------------|---|-----------------------|--|-----------------------|
| | | | Immediately upon the Capital Reorganisation becoming effective | | Immediately upon completion of the Rights Issue Assuming all Shareholders have taken up the Rights Shares | | Assuming only Mr. Li and Wealth Keeper have taken up the Rights Shares | | Assuming all Shareholders have taken up the Rights Shares | | Assuming only Mr. Li and Wealth Keeper have taken up the Rights Shares | |
| | No. of Existing Shares | Approx. % (Note 4) | No. of Adjusted Shares | Approx. % (Note 4) | No. of Adjusted Shares | Approx. % (Note 4) | No. of Adjusted Shares | Approx. % (Note 4) | No. of Adjusted Shares | Approx. % (Note 4) | No. of Adjusted Shares | Approx. % (Note 4) |
| Mr. Li (Note 5) | 66,680,600 | 4.56 | 13,336,120 | 4.56 | 53,344,480 | 4.56 | 53,344,480 | 4.56 | 53,344,480 | 4.54 | 53,344,480 | 4.54 |
| Wealth Keeper (Note 6) | 824,763,200 | 56.43 | 164,952,640 | 56.43 | 659,810,560 | 56.43 | 659,810,560 | 56.43 | 659,810,560 | 56.14 | 659,810,560 | 56.14 |
| Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them (Note 1, 2 & 3) | 0 | 0 | 0 | 0 | 0 | 0 | 342,099,534 | 29.26 | 0 | 0 | 346,577,664 | 29.49 |
| Other public Shareholders | 570,165,892 | 39.01 | 114,033,178 | 39.01 | 456,132,712 | 39.01 | 114,033,178 | 9.75 | 462,103,552 | 39.32 | 115,525,888 | 9.83 |
| Total | 1,461,609,692 | 100 | 292,321,938 | 100 | 1,169,287,752 | 100 | 1,169,287,752 | 100 | 1,175,258,592 | 100 | 1,175,258,592 | 100 |

Notes:

- Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that in the event of it being called upon to subscribe for or procure subscribers for the Untaken Shares:
 - it shall use all reasonable endeavours to procure that each of the ultimate subscribers or the purchasers of the Untaken Shares procured by it (including any direct and indirect sub-underwriters) shall be third party independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company (within the meaning of the Listing Rules) or any of its subsidiaries and their respective associates; and
 - it will not, and will procure each of the subscribers of the Untaken Shares procured by it (including any direct and indirect sub-underwriters) will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10% or more of the voting rights of the Company immediately upon completion of the Rights Issue.
- The Underwriter further undertakes that it shall procure, and shall cause any direct and indirect sub-underwriters to procure, each of the subscribers to take up such number of Untaken Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with by the Company.
- The Underwriter confirmed to the Company that it has entered into 3 sub-underwriting agreements with Get Nice Securities Limited, sub-underwriter A and sub-underwriter B (the “**Sub-underwriters**”), who are third parties independent of, not acting in concert with and not connected with any of the Directors, chief executive of the Company or substantial shareholder(s) of the Company or their respective associates, in respect of its underwriting obligation as to 116,000,000, 58,000,000 and 58,000,000 Rights Shares (representing approximately 9.92%, 4.96% and 4.96% of the enlarged issued share capital of the Company upon completion of the Rights Issue under Scenario I; or approximately 9.87%, 4.94% and 4.94% of the

LETTER FROM THE BOARD

enlarged issued share capital of the Company upon completion of the Rights Issue under Scenario II) respectively and that each sub-underwriter's underwriting commitment would account for less than 10% of the issued share capital of the Company immediately upon completion of the Rights Issue.

For illustration purpose only, the net underwriting commitment of the Underwriter, after considering 232,000,000 Rights Shares sub-underwritten by the Sub-underwriters in aggregate, would be 110,009,534 Rights Shares and 114,577,664 Rights under Scenario I and Scenario II (representing approximately 9.41% and 9.75% of the enlarged issued share capital of the Company upon completion of the Rights Issue under Scenario I and Scenario II) respectively.

4. The percentage figures have been subjected to rounding adjustments. Any discrepancies between totals and sums of amount listed herein are due to rounding adjustments.
5. Mr. Li is an executive Director.
6. As at the Latest Practicable Date, Wealth Keeper is 100% beneficially owned by Mr. Li.
7. The shareholding structure is presented without taking into account the adjustment (if any) to the exercise prices of the Share Options, as a result of the Rights Issue.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in property investment, trading, provision of financial guarantee services, financial advisory services and logistics services in the PRC and Hong Kong.

The proposed Rights Issue is considered as one of the measures to align the foreseeable financial shortfall when the outstanding debts and borrowings of the Group mature before the unexpected delay of scalable operating cash generated from existing businesses of the Group taking place. The Rights Issue will allow the Group to raise capital with high certainty, strengthen its capital structure without incurring additional debt financing cost, and improve the financial position in long run.

For illustration purpose, as at 30 November 2020, the total outstanding debts and borrowings of the Group included (1) outstanding debts and borrowings from banks of approximately HK\$666.7 million with interest rate of ranging from 2.5% over Hong Kong Interbank Offered Rate (“**HIBOR**”) to 8.5% per annum; and (2) outstanding debts and borrowings other than banks, which consisted of (i) amounts due to former subsidiaries; (ii) amounts due to related companies; (iii) loans from staff of the Group; (iv) amounts due to directors; (v) bonds; and (vi) other borrowings due to non-banking financial institutions, of approximately HK\$1,898.8 million with interest rate ranging from 0% to 20% per annum. Among the total outstanding debts and borrowings of the Group of approximately HK\$2,565.5 million, approximately HK\$968.6 million (including overdue amount of approximately HK\$189.2 million) and approximately HK\$749.5 million is due within 6 months and due over 6 months but within 12 months from 30 November 2020 respectively.

LETTER FROM THE BOARD

As at 30 November 2020, the Group has defaulted in repayment of the total outstanding debts and borrowings of the Group amounting to approximately HK\$189.2 million, of which approximately HK\$3.9 million has been subsequently settled on or before the Latest Practicable Date. The outstanding debts and borrowings of approximately HK\$ 1,841.7 million, including the overdue debts and borrowings, were under negotiation/preparing to negotiate for extension, refinancing, deferring payment and/or partial repayment with the creditors. As at the Latest Practical Date, out of approximately HK\$189.2 million overdue amount, the Group has obtained consent from financial institutions to extend the repayment date of the principal of approximately HK\$178.3 million in aggregate.

For details of the indebtedness and the consent, please refer to the section headed “Appendix I Financial and other information of the Group – B. Indebtedness” below.

In respect of the funding needs of the Group, the Directors did consider alternative financing including debt financing and other equity fund raising exercise.

In particular, as announced by the Company dated 23 July 2020, 4 August 2020, 25 September 2020 and 24 November 2020, the Company has been undergoing the placing of bonds to raise not more than HK\$100 million for the purpose to refinancing the existing debts and borrowings. However, the scale of such debt financing can hardly be further substantially enlarged under the unfavorable market sentiment and the uncertainties due to the COVID-19 pandemic.

Out of those equity fund raising methods available to the Company, placing of new Shares under general mandate could possibly raise funds up to the 20% of the existing market capitalisation, yet, net amount raised is still considerably small with uncertain market response; and such amount could be even smaller if the Company offers a great discount to attract subscriber(s). Besides, placing of new Shares, whether under general mandate or specific mandate, would normally be conducted on a best effort basis without any funding commitment on the placing agent and it would inevitably bring along with further dilution impact to the existing Shareholders who are not offered with an opportunity to maintain their proportionate interests in the Company. In this regard, such arrangement would not be in the interest of the Shareholders.

Alternatively, the Rights Issue is pre-emptive in nature and it is fully underwritten. All Qualifying Shareholders are offered with the same opportunity to maintain their proportionate interests in the Company and to participate in the development of the Company. The Rights Issue also allows Qualifying Shareholders (a) who are optimistic about the future growth of the Group to increase their respective shareholding interests in the Company through application of excess Rights Shares or by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). The certainty of completing the Rights Issue and raising the required funding is higher than placing and other fund raising on best effort basis. Besides, for the Rights Issue in proposed ratio, Independent Shareholders can exercise their voting rights to vote for or against the Rights Issue in the SGM.

LETTER FROM THE BOARD

The Directors believe that a large scale Rights Issue would be the best alternative at the moment to raise the capital for the Company to repay the outstanding debts and borrowings. The executive Directors consider that the Rights Issue, which is on a fully underwritten basis and with irrevocable undertaking from Mr. Li and Wealth Keeper, will allow the Group to strengthen its capital structure without incurring additional debt financing cost, and improve the financial position in long run.

The Directors (excluding the members of the Independent Board Committee who will form their views after receiving and considering the advice from Optima Capital) consider that the Rights Issue is in the interests of the Company and the Shareholders as a whole and that the Underwriting Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Underwriter and the terms of the Underwriting Agreement (including the Subscription Price and the underwriting commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Company intends to utilize the entire net proceeds of HK\$327.6 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date) or HK\$329.3 million (assuming full exercise of the Remaining Share Options on or before the Latest Lodging Date and no other issue or repurchase of Shares on or before the Record Date) from the Rights Issue for repayment of outstanding debts and borrowings of the Group.

The Company is in the course of active negotiation(s) with the creditor(s) for the extension of the maturity and/or partial repayment of the Group's outstanding debts and borrowings, and will repay the same subject to the result of such negotiation. The payment of debts and borrowings will be responsive after assessing the imminence of the outstanding debts and borrowings taken into account:

1. the ability to negotiate for an extension of the maturity date(s) of the outstanding debts and borrowings;
2. whether or not the terms for extension of the outstanding debts and borrowings are favorable to the Company; and
3. the level of the bearing interest (or as revised) of the outstanding debts and borrowings.

The Directors are of the view that based on the abovementioned criteria, it preserves the greatest flexibility for the Group to optimize the precise application of the proceeds, in the best interest of the Company and the Shareholders.

LETTER FROM THE BOARD

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

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

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional, *inter alia*, upon fulfillment of the conditions set out under the sub-section headed “Conditions of the Rights Issue” in the section headed “Proposed Rights Issue” above. In particular, the Rights Issue is subject to the Underwriter not terminating or rescinding the Underwriting Agreement in accordance with the terms set out therein. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled (and the date of the Underwriter’s right of termination or rescission of the Underwriting Agreement ceases) will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the 12 months immediately preceding the Latest Practicable Date.

LISTING RULES IMPLICATIONS

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of poll at the SGM. None of the Shareholders or their associates would have any interest in the Capital Reorganisation, which is different from that of other Shareholders. Accordingly, no Shareholder would be required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the SGM.

LETTER FROM THE BOARD

In accordance with Rule 7.19A of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders by way of poll at the SGM by a resolution on which any controlling shareholders of the Company 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. Mr. Li, being a controlling shareholder of the Company, is interested in 891,443,800 Shares (equivalent to approximately 60.99% of the existing issued share capital of the Company) as at the Latest Practicable Date. Mr. Li and his associates (including Wealth Keeper) will abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM in compliance with Rule 7.19A of the Listing Rules.

THE SGM

The SGM will be convened and held for the Shareholders/Independent Shareholders (as the case may be) to consider and, if thought fit, approve, among other things, the Capital Reorganisation and the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder. A notice convening the SGM to be held at 11:00 a.m. 17 February 2021 at Suites 5-6, 40/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong is enclosed with this circular.

A form of proxy for use at the SGM is enclosed. Whether or not you are able to attend the meeting in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

Subject to the approval of the Rights Issue by the Independent Shareholders at the SGM and the Capital Reorganisation becoming effective, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Wednesday, 3 March 2021 whereas the Prospectus will be despatched to the Excluded Shareholders, if any, for information only.

RECOMMENDATION

The Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Rights Issue. Optima Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

You are advised to read carefully the letter of recommendation from the Independent Board Committee and the letter of advice from Optima Capital set out on pages 39 to 40 and pages 41 to 73 respectively of this circular. The Independent Board Committee, having taken into account the advice of Optima Capital, considers that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the proposed resolution approving the Rights Issue at the SGM.

Further, the Directors consider that the Capital Reorganisation and the Rights Issue are in the interests of the Company and the Shareholders as a whole, therefore, the Directors recommend the Shareholders to vote in favour of the resolution to approve the Capital Reorganisation and the Rights Issue at the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue.



CHINLINK
普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

25 January 2021

To the Independent Shareholders

Dear Sir or Madam,

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

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

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned and whether the Rights Issue is in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote. Optima Capital has been appointed as the independent financial advisor to advise you and us in this respect.

* *For identification purposes only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice and recommendation of Optima Capital as set out in its letter of advice to the Independent Shareholders and us on pages 41 of the Circular, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Furthermore, the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May, Ms. Chan Sim Ling, Irene

Independent Non-executive Directors

LETTER FROM OPTIMA CAPITAL

The following is the letter of advice from Optima Capital to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.



Suite 1501, 15th Floor
Jardine House
1 Connaught Place
Central, Hong Kong

25 January 2021

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue. Details of the Rights Issue are set out in the letter from the Board contained in the circular to the Shareholders dated 25 January 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 14 December 2020, the Company announced that, among other things, it proposed to raise not less than approximately HK\$333.2 million and not more than approximately HK\$334.9 million before expenses, by way of rights issue of not less than 876,965,814 Rights Shares and not more than 881,443,944 Rights Shares on the basis of three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date at the Subscription Price of HK\$0.38 per Rights Share payable in full on acceptance, subject to the Capital Reorganisation becoming effective.

Mr. Li and Wealth Keeper have irrevocably and unconditionally undertaken in favour of the Company and the Underwriter (i) to subscribe for or procure the subscription of 40,008,360 Rights Shares and 494,857,920 Rights Shares to which they are respectively entitled under the Rights Issue; and (ii) not to apply for any excess Rights Shares. Mr. Li has further undertaken to the Company and the Underwriter that he will not exercise any of the Mr. Li Vested Share Options on or before the Latest Lodging Date (collectively, the “**Irrevocable Undertakings**”). The Rights Shares (other than those Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriter, on the terms and subject to the conditions of the Underwriting Agreement.

LETTER FROM OPTIMA CAPITAL

In compliance with Rule 7.19A of the Listing Rules, the Rights Issue must be made conditional on approval of the Independent Shareholders by way of poll at the SGM. Mr. Li, being the controlling Shareholder, was beneficially interested in 891,443,800 Existing Shares (of which 824,763,200 Existing Shares were held by Wealth Keeper and 66,680,600 Existing Shares were held by Mr. Li personally), representing approximately 60.99% of the existing issued share capital of the Company as at the Latest Practicable Date. Mr. Li, Wealth Keeper and their respective associates are required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the SGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Dr. Ho Chung Tai, Raymond, Ms. Lai Ka Fung, May and Ms. Chan Sim Ling, Irene, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to give a recommendation as to how to vote on the resolution to be proposed at the SGM to approve the Rights Issue. We, Optima Capital, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent of the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion and recommendation, we have reviewed, among other things, the annual reports of the Company for the two years ended 31 March 2019 and 2020, the interim report of the Company for the six months ended 30 September 2020 (the “**20/21 Interim Report**”) and the information as set out in the Circular. In addition, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Company (together, the “**Management**”) and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of the SGM. We have assumed that all the opinions or representations of the Management have been reasonably made after due and careful enquiry. We have also sought and received confirmation from the Management that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth, accuracy or completeness of the information provided. We have not, however, conducted any independent investigation into the business, affairs, financial position and taxation implications of the Group, nor have we carried out any independent

LETTER FROM OPTIMA CAPITAL

verification of the information supplied. Independent Shareholders who are in any doubt as to their tax position, or who are subject to overseas tax or Hong Kong taxation on securities dealing, should consult their own professional adviser without delay.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Businesses of the Group

The Group is principally engaged in international trading (the “**Trading Business**”), provision of financial guarantee services (the “**Financial Guarantee Business**”), property investment (the “**Property Investment Business**”), financial advisory services (the “**Financial Advisory Business**”) and logistics services (the “**Logistics Business**”) in the PRC and Hong Kong. Set out below is the breakdown of the Group’s revenue by its major business segments for the three years ended 31 March 2018 (“**FY17/18**”), 2019 (“**FY18/19**”) and 2020 (“**FY19/20**”) and the six months ended 30 September 2019 (“**HY19/20**”) and 2020 (“**HY20/21**”) as extracted from the relevant annual reports and interim reports of the Company:

| | FY17/18 | FY18/19 | FY19/20 | HY19/20 | HY20/21 |
|------------------------------|------------------|------------------|----------------|----------------|----------------|
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | (Note) | | | | |
| Trading Business | | | | | |
| – Grain and oil products | 24,396 | 182 | 34 | 35 | – |
| – Electronic products | 1,091,491 | 1,550,844 | 267,479 | 247,036 | – |
| Financial Guarantee Business | 17,001 | 18,919 | 19,961 | 10,249 | 9,737 |
| Property Investment Business | | | | | |
| – Property management | 65,621 | 75,819 | 65,171 | 37,492 | 32,590 |
| – Rental income | 27,172 | 28,145 | 34,209 | 19,675 | 17,181 |
| Financial Advisory Business | | | | | |
| – Financial advisory | 5,690 | 22,240 | 13,133 | 9,386 | 45,012 |
| – Asset management | – | 2,218 | 6,147 | 3,575 | 2,409 |
| Logistics Business | 874 | 349 | 12 | 5 | – |
| Interest income | <u>16,538</u> | <u>19,002</u> | <u>19,352</u> | <u>10,426</u> | <u>9,056</u> |
| Total | <u>1,248,783</u> | <u>1,717,718</u> | <u>425,498</u> | <u>337,879</u> | <u>115,985</u> |

Note: For the purpose of illustration, the total revenue for FY17/18 has excluded the revenue generated from discontinued operations.

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1.1 Trading Business

The Trading Business mainly focuses on trading of critical electronic components which are widely used by Chinese manufacturers in making digital electronic products like smartphones, data storage and other novel electronic gadgets. It used to be the major revenue contributor of the Group. However, these products became highly vulnerable under the ongoing US-China trade tensions, and many Chinese factories started to scale down their capacities or reduce their component purchases. The situation was further aggravated by the temporary factory closures due to the COVID-19 pandemic. In view of the low profit margin and the unstable macroeconomic conditions, the Company has temporarily suspended this business since HY20/21.

1.2 Financial Guarantee Business

The Financial Guarantee Business involves provision of corporate financial guarantee services and related consultancy services. The Group provides these services to small and medium-sized enterprises (the “SMEs”) in the PRC for their bank borrowings by taking collaterals such as properties and inventories, and/or accepting corporate/personal guarantees. The Group receives guarantee fee from the SMEs based on the amount of guarantee provided.

1.3 Property Investment Business

The Property Investment Business involves leasing of property and provision of property management services. As at the Latest Practicable Date, the Group held three investment properties in Xi’an City and Hanzhong City of the Shaanxi Province, the PRC. Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch) (“**Commercial Complex**”) and Chinlink International Centre (“**CIC**”) are both situated in Xi’an City, whereas The Chinlink • Worldport Integrated Logistics Park (“**Chinlink • Worldport**”) is located in Hanzhong City.

Commercial Complex is the main revenue driver of the Property Investment Business. In FY17/18, FY18/19, FY19/20 and HY20/21, Commercial Complex contributed 100%, 100%, 100% and approximately 93% respectively of the revenue of the Property Investment Business. The average occupancy rate for HY20/21 was about 94.5%. Phase two of Commercial Complex, comprising residential and retail units, is currently under construction, and part of it is targeted for pre-sale in the second quarter of 2021.

CIC is a flagship commercial and office building located in Xi’an City which has commenced operation since September 2019. It has started to record revenue since April 2020. As at 30 September 2020, tenancy agreements had been entered in respect of around 85% of the lettable area.

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Chinlink • Worldport, encompassing custom bonded warehouses, a building and construction materials marketplace, a Chinese herbal medicine industrial park and other facilities, is still under trial operation. It had not contributed any revenue to the Group so far.

1.4 Financial Advisory Business

The Group operates the Financial Advisory Business through MCM Holdings Limited and its subsidiaries (collectively, the “**MCM Group**”), which was acquired in November 2017. The MCM Group holds the licenses to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and is principally engaged in capital raising, advisory and equity research businesses as well as asset management in Hong Kong. The MCM Group assists Chinese and overseas private enterprises in their primary market fundraising through global private equity, family offices, and venture capital networks. In the asset management arm, the assets under management amounted to approximately US\$60 million as at 30 September 2020.

1.5 Logistics Business

The Logistics Business is a supporting function to the Trading Business. In the past, the Group also provided ancillary logistics services to the SME clients of the Financial Guarantee Business who pledge their inventories to the Group but due to the low profit margin, the Group ceased to provide such services. Following the suspension of the Trading Business, the Logistics Business did not record any revenue for HY20/21.

1.6 Interest income

Interest income represents the revenue generated from the money lending and factoring businesses.

1.7 Discontinued businesses

The Group was also engaged in the provision of interior decoration works principally to high-end commercial and residential customers in Hong Kong and Macau in the past. As the Company considered the opportunities for any new and large-scale projects in this business were limited, the Group had repositioned away from this segment and ceased this operation in FY18/19. It generated revenue of approximately HK\$114,000 during FY17/18.

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Besides, in view of the significant difficulties in expanding the leasing and guarantee portfolios through leveraging its capital due to the tight liquidity both in the capital market and the banking sectors, on 17 December 2019, the Group divested its majority interest in Chinlink Finance Lease Company Limited (the “**Finance Lease Company**”), which is principally engaged in the provision of finance lease services (the “**Finance Lease Business**”). After the divestment, the Group remains interested in a 25% equity interest in the Finance Lease Company, and the Finance Lease Company has ceased to be a subsidiary and become an associate of the Group. Accordingly, the financial results of the Finance Lease Company have been accounted for in the consolidated financial statements of the Group using equity method since FY19/20. During FY17/18, FY18/19 and HY19/20, revenue generated by the Finance Lease Business amounted to approximately HK\$8.8 million, HK\$32.6 million and HK\$19.3 million respectively.

2. Financial results of the Group

Set out below is a summary of the audited profit and loss of the Group for each of FY17/18, FY18/19 and FY19/20 as extracted from the annual reports of the Company and the unaudited profit and loss of the Group for each of HY19/20 and HY20/21 as extracted from the 20/21 Interim Report:

| | FY17/18 HK\$'000 (Audited) | FY18/19 HK\$'000 (Audited) (Note) | FY19/20 HK\$'000 (Audited) | HY19/20 HK\$'000 (Unaudited) (Note) | HY20/21 HK\$'000 (Unaudited) |
|---|----------------------------------|--|----------------------------------|--|------------------------------------|
| Revenue | 1,257,726 | 1,717,718 | 425,498 | 337,879 | 115,985 |
| Cost of sales | <u>(1,110,523)</u> | <u>(1,534,057)</u> | <u>(280,798)</u> | <u>(250,682)</u> | <u>(41,402)</u> |
| Gross profit | 147,203 | 183,661 | 144,700 | 87,197 | 74,583 |
| Other income and gains | 70,435 | 6,220 | 13,972 | 5,882 | 26,792 |
| Gain on disposal of a subsidiary | – | – | – | – | 5,200 |
| Loss arising from acquisition of a subsidiary | (101,654) | – | – | – | – |
| Gain on fair value change of investment properties | 161,017 | 224,546 | 146,586 | 50,656 | 32,036 |
| Gain on fair value change of put option derivative | – | – | 4,694 | – | 3,091 |
| Allowance under expected credit loss model, net of reversal | 245 | (24,518) | (6,723) | (357) | 102 |
| Impairment loss on goodwill | – | (10,161) | (15,318) | (6,892) | – |
| Share of profit of an associate | – | – | 935 | – | 3,841 |
| Selling and distribution costs | (11,703) | (9,777) | (7,757) | (3,711) | (2,968) |
| Administrative expenses | (103,406) | (109,025) | (124,099) | (58,393) | (48,711) |
| Finance costs | <u>(167,598)</u> | <u>(199,316)</u> | <u>(236,252)</u> | <u>(112,546)</u> | <u>(123,350)</u> |

LETTER FROM OPTIMA CAPITAL

| | FY17/18 | FY18/19 | FY19/20 | HY19/20 | HY20/21 |
|---|-----------------|-----------------|------------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Audited) | (Audited) | (Audited) | (Unaudited) | (Unaudited) |
| | | <i>(Note)</i> | | <i>(Note)</i> | |
| (Loss)/profit before taxation | (5,461) | 61,630 | (79,262) | (38,164) | (29,384) |
| Income tax expense | <u>(23,665)</u> | <u>(52,285)</u> | <u>(39,774)</u> | <u>(18,960)</u> | <u>(8,356)</u> |
| (Loss)/profit for the year/period | <u>(29,126)</u> | <u>9,345</u> | <u>(119,036)</u> | <u>(57,124)</u> | <u>(37,740)</u> |
| (Loss)/profit for the year/period attributable to: | | | | | |
| Owners of the Company | (77,877) | 14,005 | (119,152) | (57,314) | (44,997) |
| Non-controlling interests | <u>48,751</u> | <u>(4,660)</u> | <u>116</u> | <u>190</u> | <u>7,257</u> |
| | <u>(29,126)</u> | <u>9,345</u> | <u>(119,036)</u> | <u>(57,124)</u> | <u>(37,740)</u> |

Note: The results of the Group for FY18/19 and HY19/20 have been restated to reflect the discontinued operations separately from the continuing operations of the Group.

FY17/18 versus FY18/19

For FY18/19, the Group recorded total revenue of approximately HK\$1,717.7 million, representing a rise of approximately 36.6% as compared with FY17/18. The increase in revenue was mainly attributable to the continuous good performance of the Trading Business and the Property Investment Business. There was a noticeable increment in per-unit rental and building management fee recorded by Commercial Complex during the year. There was also additional revenue contribution from the Finance Lease Business and the Financial Advisory Business, both of which were newly commenced operations during the year and began to generate revenue in the second half of FY17/18.

Gross profit increased significantly due to a surge in revenue contribution as mentioned above.

During FY18/19, the gain on fair value change of investment properties amounted to approximately HK\$224.5 million, comparing to approximately HK\$161.0 million recorded in FY17/18.

Administrative expenses increased by approximately HK\$5.6 million as compared with that of FY17/18, which was mainly due to business expansion of the Group including the new operations of the Finance Lease Business and the Financial Advisory Business starting from the second half of FY17/18.

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Finance costs increased by approximately HK\$31.7 million as compared with that of FY17/18. The increase was mainly resulted from (i) the non-cash imputed interest expenses of approximately HK\$42.4 million arising from the non-interest bearing loan from related companies and an obligation under a put option granted to a non-controlling shareholder of a non-wholly-owned subsidiary; (ii) interest expense for the 12.0% coupon bonds with principal amount of US\$15 million issued in December 2017; (iii) interest expense for the 9.0% coupon bonds with principal amounts of HK\$200 million and HK\$150 million issued in two tranches in July 2017 and August 2017 respectively; (iv) interest expense related to a long-term loan of US\$41.0 million drawn down in April 2018; (v) increase in trade finance costs owing to the expansion of the Trading Business; and (vi) interest expense related to the fixed return on capital injection in Shaanxi Chinlink Financial Guarantee Limited (“**Shaanxi Chinlink**”), an indirect non-wholly owned subsidiary of the Company principally engaged in the Financial Guarantee Business, by Hanzhong City Investment Holdings Group Limited (the minority shareholder interested in 35% of the issued share capital of Shaanxi Chinlink).

Having considered the uncertainty of the capital market as impacted by the US-China trade tensions, an impairment of HK\$10.2 million was made on the goodwill arising from the acquisition of the MCM Group during the year.

As a result of the above, the Group recorded a profit of approximately HK\$9.3 million during FY18/19, whereas a loss of approximately HK\$29.1 million was recorded for FY17/18.

FY18/19 versus FY19/20

The Group recorded total revenue of approximately HK\$425.5 million in FY19/20, representing a drop of approximately 75.2% as compared with FY18/19. The drastic drop was mainly attributable to the substantial contraction in trading activities of electronic components for use in smartphone and data storage owing to the US-China trade tensions and the COVID-19 pandemic. Consequently, the Trading Business experienced a substantial decrease in turnover of approximately 82.8% as compared with FY18/19. While the revenue from the Financial Guarantee Business and the Property Investment Business was relatively stable as compared with last year, there was a drop in the revenue from the Financial Advisory Business of approximately 21.2% due to the challenging macroeconomic conditions brought about by the US-China trade tensions and the Hong Kong social unrests. The Logistics Business only operated at a minimal scale as it is ancillary to the Trading Business and the Financial Guarantee Business. During the year, the Group discontinued the Finance Lease Business by disposing 37.5% interest in the Finance Lease Company. The Group continued to hold a 25% interest in the Finance Lease Company after the disposal.

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Gross profit decreased significantly due to the significant drop in revenue from the Trading Business.

The gain on fair value change of investment properties amounted to approximately HK\$146.6 million, representing a decrease of approximately 34.7% as compared with that in FY18/19.

Administrative expenses increased by approximately HK\$15.1 million as compared with that of FY18/19 which was largely attributable to legal and professional fees incurred for the financing activities of the Group during the year.

Finance costs increased by approximately HK\$36.9 million as compared with that of FY18/19. The increase was mainly due to the interest incurred for a two-year credit facility of US\$48.7 million and the 13.0% coupon bonds with a principal amount of US\$30 million, and the interest related to the fixed return on capital injection by a non-controlling shareholder of Shaanxi Chinlink.

In view of the uncertain outlook of the capital market, especially the China market, as adversely impacted by the US-China trade tensions and the COVID-19 pandemic, a further impairment of HK\$15.3 million was made on the goodwill arising from the acquisition of the MCM Group during the year.

In a combination of the above factors, the Group recorded a loss of approximately HK\$119.0 million during FY19/20 as compared to a profit of approximately HK\$9.3 million (restated after disaggregating the discontinued Finance Lease Business) in FY18/19.

HY19/20 versus HY20/21

For HY20/21, the Group recorded total revenue of approximately HK\$116.0 million, representing a drop of approximately 65.7% as compared with HY19/20. The drop was mainly due to the temporary suspension of the Trading Business. Coupled with the impact of the COVID-19 pandemic, the Trading Business had been seriously affected by the unsettled trade and technology tensions between the US and China. As a result, the Group has taken a very cautious approach and suspended the Trading Business temporarily and therefore no income was recorded from this segment during the period. While the Financial Guarantee Business was mostly on track, the Financial Advisory Business had shown a significant improvement owing to the exercise of cost control in operations and the increase in number of successful private placements and capital raising activities. Despite there was a new revenue source from the leasing of CIC, revenue generated from the Property Investment Business dropped slightly by approximately 12.9% from that of HY19/20 because of the disruption of tenancy renewal of Commercial Complex by the COVID-19 pandemic. Chinlink • Worldport was still in trial operation and had not generated any income during the period. The Logistics Business did not generate any revenue as the Trading Business was temporarily suspended.

LETTER FROM OPTIMA CAPITAL

Gross profit for the period was down by approximately 14.5% as compared with that of HY19/20. The decrease was mainly due to the temporary suspension of the Trading Business.

During the period, the Group recorded fair value gain on investment properties of approximately HK\$32.0 million as compared with that of approximately HK\$50.7 million for HY19/20.

Administrative expenses decreased by approximately HK\$9.7 million due to the reduction in staff costs and legal and professional fees incurred for the financing activities of the Group.

Finance costs increased by approximately HK\$10.8 million as compared with that of HY19/20. The increase was mainly due to the interest incurred for a two-year credit facility of US\$48.7 million and the 13.0% coupon bonds with a principal amount of US\$30 million.

As a result of the above, the Group recorded a loss of approximately HK\$37.7 million during HY20/21 whereas a loss of approximately HK\$57.1 million (restated after disaggregating the discontinued Finance Lease Business) was recorded in HY19/20.

3. Financial position of the Group

3.1 Financial position as at 30 September 2020

Set out below is a summary of the unaudited consolidated assets and liabilities of the Group as at 30 September 2020 as extracted from the 20/21 Interim Report:

| | As at 30 September 2020 |
|-------------------------------|--|
| | <i>HK\$'000</i> |
| | (Unaudited) |
| Non-current assets | |
| Property, plant and equipment | 174,918 |
| Investment properties | 4,055,701 |
| Interest in an associate | 75,896 |
| Right-of-use assets | 14,764 |
| Goodwill | 17,237 |
| Other non-current assets | 38,371 |
| | <hr/> |
| | 4,376,887 |
| | <hr/> |

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As at
30 September
2020
HK\$'000
(Unaudited)

Current assets

| | |
|---|----------------|
| Trade and other receivables, deposits and prepayments | 63,728 |
| Loan receivables | 148,152 |
| Factoring receivables | 102,088 |
| Pledged bank deposits | 211,927 |
| Bank balances and cash | <u>30,214</u> |
| | <u>556,109</u> |

Current liabilities

| | |
|---|------------------|
| Trade and other payables and accruals | 100,521 |
| Construction costs accruals | 167,275 |
| Amounts due to directors, former subsidiaries and related companies | 432,803 |
| Bank and other borrowings | 974,056 |
| 6.5% coupon bonds | 221,182 |
| 13.0% coupon bonds | 236,362 |
| Other current liabilities | <u>111,765</u> |
| | <u>2,243,964</u> |

Non-current liabilities

| | |
|-------------------------------|----------------|
| Deferred tax liabilities | 326,765 |
| Bank and other borrowings | 524,498 |
| Other non-current liabilities | <u>9,810</u> |
| | <u>861,073</u> |

Total equity

| | |
|---|-------------------------|
| | 1,827,959 |
| Non-controlling interests | <u>(40,423)</u> |
| Equity attributable to owners of the Company | <u><u>1,787,536</u></u> |

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As at 30 September 2020, the Group had total assets of approximately HK\$4,933.0 million, comprising non-current assets of approximately HK\$4,376.9 million and current assets of approximately HK\$556.1 million. The non-current assets of the Group mainly included investment properties of approximately HK\$4,055.7 million, which represented the land and properties of Commercial Complex, CIC and Chinlink • Worldport. The current assets of the Group mainly included (i) trade and other receivables, deposits and prepayments of approximately HK\$63.7 million; (ii) loan receivables of approximately HK\$148.2 million; (iii) factoring receivables of approximately HK\$102.1 million; and (iv) pledged bank deposits and bank balance and cash of approximately HK\$242.1 million. The pledged bank deposits represented deposits placed to certain banks as securities in return for the banks to provide loans to the Group's customers of the Financial Guarantee Business and banking facilities for the Trading Business.

As at 30 September 2020, the Group had total liabilities of approximately HK\$3,105.0 million, comprising non-current liabilities of approximately HK\$861.1 million and current liabilities of approximately HK\$2,244.0 million. The non-current liabilities of the Group mainly included (i) bank and other borrowings of approximately HK\$524.5 million; and (ii) deferred tax liabilities of approximately HK\$326.8 million. The current liabilities of the Group primarily included (i) bank and other borrowings of approximately HK\$974.1 million; (ii) amounts due to directors, former subsidiaries and related companies of approximately HK\$432.8 million; (iii) 13.0% coupon bonds of approximately HK\$236.4 million; (iv) 6.5% coupon bonds of approximately HK\$221.2 million; and (v) construction cost accruals of approximately HK\$167.3 million which were mainly related to the construction of Chinlink • Worldport.

LETTER FROM OPTIMA CAPITAL

3.2 *Indebtedness*

As at 30 November 2020, the total outstanding debts and borrowings (the “**Debts**”) of the Group amounted to approximately HK\$2,565.5 million. Set out below is the breakdown of the Debts:

| Type | Outstanding principal and accrued interests <i>HK\$' million</i> | Interest rate per annum | Remarks (<i>Note 2</i>) |
|---|--|--|------------------------------------|
| <i>(i) Debts due for repayment within 12 months</i> | | | |
| Bank borrowings | 213.0 | Hong Kong Interbank Offered Rate +2.5% to 8.5% | March 2021 to November 2021 |
| Bonds | 333.3 | 6.5% to 13% | August 2021 |
| Other borrowings (<i>Note 1</i>) | 1,171.8 | 0% to 20% | On demand/ September 2021 |
| Sub-total | <u>1,718.1</u> | | |
| <i>(ii) Debts due for repayment over 12 months</i> | | | |
| Bank borrowings | 453.7 | Hong Kong Interbank Offered Rate +2.5% to 8.5% | December 2021 to November 2027 |
| Bonds | 133.0 | 13% | May 2022 |
| Other borrowings (<i>Note 1</i>) | 260.7 | 0% to 18% | December 2021 to September 2023 |
| Sub-total | <u>847.4</u> | | |
| Total | <u><u>2,565.5</u></u> | | |

Notes:

- Other borrowings consisted of (i) amounts due to former subsidiaries; (ii) amounts due to related companies; (iii) loans from staff of the Group; (iv) amounts due to directors; and (v) other borrowings due to non-bank financial institutions.
- These represent the month and year in which the relevant portion(s) of the loan(s) and accrued interests are due for repayment as set out in the relevant loan agreement(s). For Debt(s) with maturity more than 12 months from 30 November 2020 (i.e. the specified date for the purpose of the indebtedness statement), its/their relevant portion(s) of the loan(s) and accrued interests will be classified between Debts due for repayment within 12 months and Debts due for repayment over 12 months accordingly.

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Among the Debts, the outstanding principal together with the accrued interests of approximately HK\$968.6 million (including overdue amount of approximately HK\$189.2 million) are due within 6 months from 30 November 2020 and approximately HK\$749.5 million are due over 6 months but within 12 months from 30 November 2020.

As at 30 November 2020, the Group defaulted in repayment of the Debts amounting to approximately HK\$189.2 million, of which approximately HK\$3.9 million were subsequently settled on or before the Latest Practicable Date. Approximately HK\$1,841.7 million of the Debts, including overdue debts and borrowings, were under negotiation/preparation to negotiate for extension, refinancing, deferring payment and/or partial repayment with the creditors. As at the Latest Practicable Date, out of approximately HK\$189.2 million overdue amount, the Group obtained consents from financial institutions to extend the repayment date of principal of approximately HK\$178.3 million.

4. Prospects of the Group

As mentioned in the 20/21 Interim Report, as a result of the COVID-19 pandemic, it is expected that most of the developed economies suffer from regression and negative gross domestic product (“GDP”) growth for coming two to three years. However, due to the success of China in containing the virus, it is on track of early recovery and is expected to be the only major economy in the world to achieve positive GDP growth in 2020 and 2021. Apart from the COVID-19 pandemic, there has been ongoing tension between China and the US on many fronts. In response to the changing environment, China turns to greater focus on domestic demand (i.e. the Internal Circulation) and self-innovation to fuel growth. While the Group’s prospects will be dependent on how successful it is in capturing the opportunity arisen from China’s new development strategy amid the evolving global and domestic micro and macro environment, the Directors consider that the Group’s positioning aligns closely with the Chinese government’s strategy and development plan.

By working with various provincial and municipal governments in China, and collaborating with global financial, academic and scientific research institutions and strategic partners, the Group is helping the transformation of the local industry landscape. For instance, the Group has established the Hanzhong Green Agricultural Products & Chinese Herbal Medicine Exhibition & Exchange Centre within Chinlink • Worldport through a joint venture with the Hanzhong Municipal Government, which has commenced operations in early 2020, and opened the bonded warehouse and the customs office in May 2020. The Group will commence provision of warehousing and auxiliary logistic services. It is also in the process of organising export of Chinese medicine to Hong Kong and other overseas markets as well. Apart from the abovementioned project with Hanzhong Municipal Government, the Group is also actively advising Yulin Municipal Government on green and clean energy project investments in Shaanxi Province. The Group has made considerable progress over the past year in this respect.

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The Financial Advisory Business, primarily carried out by the MCM Group, has been growing in a healthy pace. Benefiting most from the restructuring including staff reshuffling to increase productivity done last year and with a focus on private transactions and increased penetration towards regional opportunities, the Management considers that the MCM Group is well-positioned to capture the anticipated rebound in capital markets in Hong Kong and China.

In respect of the Property Investment Business, the developments of Commercial Complex and CIC remain on track amid the impact of the COVID-19 pandemic. The foundation works of phase two of Commercial Complex (being a residential and retail complex) have started in early 2020. The construction was interrupted for a few months because of COVID-19 pandemic but gradually resumed in the second quarter of 2020. Pre-sale of the residential units in phase two of Commercial Complex is targeted in the second quarter of 2021, and the Group is formulating a plan to integrate the new retail space in phase two with the existing Commercial Complex into a new life-style retail experience space, catering for the changes in consumer behaviour after the COVID-19 pandemic. The Group anticipates that the pre-sale will considerably improve the Group's liquidity from 2021 onwards. CIC, another flagship investment property of the Group, has started to record revenue since April 2020. Tenancy agreements had been entered in respect of 85% of total lettable area as at 30 September 2020, and it is expected that CIC will enjoy full occupancy by 2021/2022.

In recent years, the Group has adopted a new positioning as an innovative solution group building an ecosystem that integrates government, education, research, industry, finance, entrepreneurs and talent resources by leveraging on the Group's international partnership network. This ecosystem is empowered by a full chain of financial services, which include alternative finance, investment banking, financial advisory, asset management and venture funds, providing the essential capital to startup businesses and fast-growing companies. The Directors are positive about the business prospects of the Group and believe that the current challenging environment, despite it brought material adverse impact to the world economically and socially, provides an enormous opportunity for the Group to advance its business model and enjoy a fair share of financial benefits in the coming years. The Group incurred substantial indebtedness in the past primarily for the Property Investment Business and the establishment of the Financial Guarantee Business as well as the Financial Advisory Business, and the operations of these businesses are now in full swing and contribute positively to the Group's revenue. In our view, the Group needs to be relieved from its heavily indebted financial position in order to make its way to profitability. The recapitalisation of the Group by way of the Rights Issue will provide the Group a healthier capital structure to build a more sustainable growth of its businesses.

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5. Principal terms of the Rights Issue

The table below summarises the principal terms of the Rights Issue:

| | | |
|---|---|--|
| Basis of the Rights Issue | : | Three (3) Rights Shares for every one (1) Adjusted Share held on the Record Date |
| Subscription Price | : | HK\$0.38 per Rights Share |
| Number of Rights Shares to be issued under the Rights Issue | : | Not less than 876,965,814 Rights Shares (assuming no exercise of the Remaining Share Options) and not more than 881,443,944 Rights Shares (assuming full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options on or before the Latest Lodging Date), assuming no other Shares will be issued or repurchased by the Company on or before the Record Date |
| Right of excess application | : | Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment |
| Gross proceeds to be raised | : | Approximately HK\$333.2 million (assuming no exercise of the Remaining Share Options) to approximately HK\$334.9 million (assuming full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options on or before the Latest Lodging Date) |
| Underwriter | : | Emperor Securities |
| Number of Underwritten Shares | : | Not less than 342,099,534 Rights Shares (assuming no exercise of the Remaining Share Options) and not more than 346,577,664 Rights Shares (assuming full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options on or before the Latest Lodging Date), having taken into account the Irrevocable Undertakings and assuming no other Shares will be issued or repurchased by the Company on or before the Record Date |
| Underwriting commission | : | 2.5% of the aggregate Subscription Price of the Underwritten Shares |

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For those Qualifying Shareholders who do not wish to participate in the Rights Issue, they are allowed to dispose of their nil-paid Rights Shares in the market. If the Shareholders are optimistic about the prospects of the Group, they may apply for excess Rights Shares and increase their shareholdings in the Company. The Company will allocate the Rights Shares in excess of the entitlement at its discretion on a fair and equitable basis to the Qualifying Shareholders who have applied for excess Rights Shares.

The Rights Issue is conditional upon, among other things, the approval of the Independent Shareholders at the SGM, the granting of the listing approval by the Listing Committee in respect of the Rights Shares, the Capital Reorganisation having become effective and the Underwriting Agreement having become unconditional and not being terminated. The conditions of the Rights Issue are set out in the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in the letter from the Board contained in the Circular.

The Rights Issue is fully underwritten by the Underwriter which will receive underwriting commission calculated at 2.50% of the aggregate Subscription Price of the Underwritten Shares. We have conducted a search of rights issue exercises announced by companies listed on the Stock Exchange during the six-month period prior to the Last Trading Day and identified an exhaustive list of 22 cases (the “**Comparables**, and each a “**Comparable**”), and noted that the underwriting commission charged by the underwriters in the Comparables ranged from nil to 5.00%, with a simple average of approximately 2.70%. The 2.50% commission charged by the Underwriter under the Rights Issue is in our view within market range and on normal commercial terms. Further details of the Comparables are set out in the section headed “Comparison with recent rights issue exercises” below.

6. Reasons for and benefits of the Rights Issue and intended use of proceeds

As mentioned in the paragraph headed “Indebtedness” under the section headed “Financial position of the Group” above, the Group had total Debts amounting to approximately HK\$2,565.5 million as at 30 November 2020, of which approximately HK\$1,718.1 million will mature within 12 months. As at 30 November 2020, approximately HK\$189.2 million of the Debts were overdue. Based on the 20/21 Interim Report, as at 30 September 2020, the Group only had bank balances and cash of approximately HK\$30.2 million. Apparently it is far from sufficient to fully repay the current liabilities when they fall due. The Group is heavily indebted and requires new capital to restructure its financial position and support its business development.

As advised by the Management, the Company has considered alternative financing methods including debt financing and other equity fund raising exercise to resolve the capital needs of the Company. As announced by the Company on 23 July 2020, 4 August 2020, 25 September 2020 and 24 November 2020 respectively, the Company has been undergoing the placing of bonds to raise not more than HK\$100 million (the “**New Bonds Issue**”) for the purpose of refinancing the existing debts and borrowings. However, such debt financing can hardly be further substantially scaled up under the unfavorable market sentiments and uncertainties due to the COVID-19

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pandemic. Besides, the Directors consider that the net amount that could be raised through placing of new Shares under general mandate is considerably small with uncertain market response. The Directors also consider share placement not in the interest of the Shareholders given that it would inevitably bring along dilution to the shareholding of the existing Shareholders.

In view of the above, the Directors are of the opinion that the Rights Issue is a preferred means for the Group to alleviate its currently unfavourable financial condition after taking into account the amount of fund that is required to be raised, the pre-emptive nature of the Rights Issue, the certainty of the Rights Issue assured by the Underwriting Agreement, and that the Qualifying Shareholders are offered with the same opportunity to maintain their proportionate interests in the Company and to participate in the development of the Group. We concur with the Directors that the Rights Issue is an opportunity for the Company to restructure its financial position to lower its gearing ratio and interest burden.

The gross proceeds from the Rights Issue will be not less than approximately HK\$333.2 million (assuming no other Shares will be issued or repurchased by the Company on or before the Record Date) but not more than approximately HK\$334.9 million (assuming full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options on or before the Latest Lodging Date and no other Shares will be issued or repurchased by the Company on or before the Record Date). The net proceeds from the Rights Issue will be not less than approximately HK\$327.6 million but not more than approximately HK\$329.3 million. As mentioned in the letter from the Board contained in the Circular, the entire net proceeds will be applied for repayment of the Debts. However, we note that the net proceeds from the Rights Issue can only satisfy repayment of a portion of the Debts which is due within 12 months (being approximately HK\$1,718.1 million). As mentioned in the paragraph headed “Indebtedness” under the section headed “Financial position of the Group” above, we understand from the Management that it is negotiating/preparing to negotiate for extension, refinancing, deferring payment and/or partial repayment with the creditors on certain Debts. As such, the Company currently has not earmarked the proceeds from the Rights Issue for repayment of specific Debts because such decision would depend on the outcome of negotiations with creditors. In determining which of the Debts would be repaid by the net proceeds from the Rights Issue, the Group will assess the imminence of the outstanding Debts taking into account (i) the ability to negotiate for an extension of the repayment/maturity date(s) of the outstanding Debts; (ii) whether or not the terms for extension of the outstanding Debts are favorable to the Company; and (iii) the interest rate(s) (or as revised) of the outstanding Debts.

Having taken into account the factors that will be considered by the Company in applying the proceeds from the Rights Issue for the repayment of the Debts, we are of the view that the reasons for the Rights Issue and the factors considered by the Company are fair and reasonable.

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7. Analysis on the terms of the Rights Issue

7.1 Subscription Price

The Subscription Price of HK\$0.38 per Rights Share is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a premium of approximately 4.11% over the theoretical closing price of HK\$0.365 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.073 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 13.64% to the theoretical closing price of HK\$0.44 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.088 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 15.74% to the theoretical closing price of HK\$0.451 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of 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 of HK\$0.0902 per Existing Share;
- (iv) a discount of approximately 16.21% to the average theoretical closing price of approximately HK\$0.4535 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average of 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 of approximately HK\$0.0907 per Existing Share;
- (v) a discount of approximately 4.58% to the theoretical ex-rights price of approximately HK\$0.3983 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the benchmarked price of HK\$0.0906 per Existing Share (being the average closing price in the five trading days immediately prior to the date of the Announcement);

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- (vi) a discount of approximately 93.79% to the net asset value of the Company of approximately HK\$6.11 per Adjusted Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$1,787.5 million as at 30 September 2020 and 292,321,938 Adjusted Shares in issue assuming the Capital Reorganisation has become effective; and
- (vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 12.09% of the theoretical ex-rights price of HK\$0.3983 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of approximately HK\$0.453 per Adjusted Share (after taking into account the effect of the Capital Reorganisation and based on the benchmarked price of HK\$0.0906 per Existing Share).

The net subscription price per Rights Share is approximately HK\$0.374.

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7.2 Review of historical price performance of the Shares

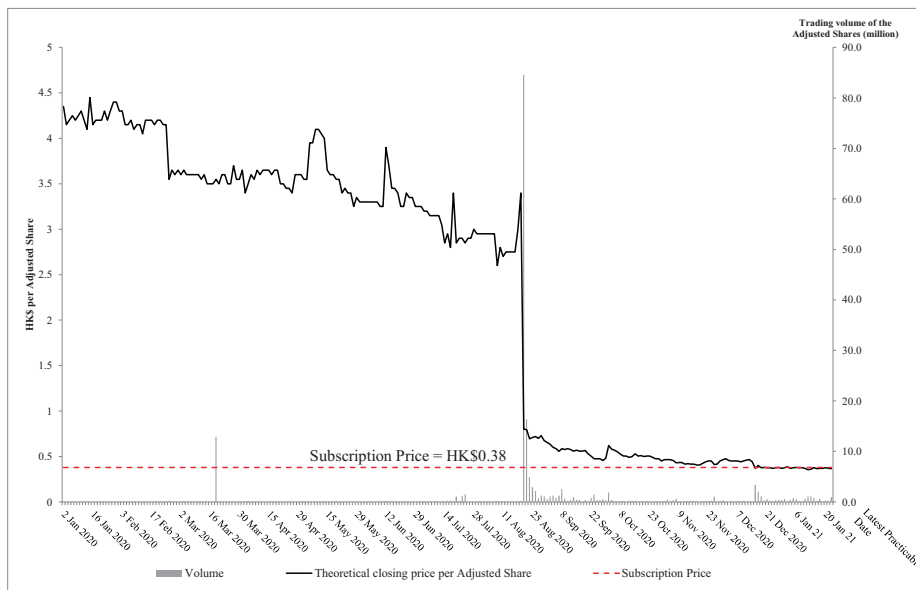
The highest and lowest closing prices of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 2 January 2020 (approximately 12 months prior to the Latest Practicable Date) up to and including the Latest Practicable Date (the “**Review Period**”) are set out in the table below:

| Month | The Existing Shares | | The Adjusted Shares (after taking into account the effect of the Capital Reorganisation) | |
|---|-----------------------|----------------------|--|----------------------------------|
| | Highest closing price | Lowest closing price | Highest theoretical closing price | Lowest theoretical closing price |
| | HK\$ | HK\$ | HK\$ | HK\$ |
| 2020 | | | | |
| January | 0.89 | 0.82 | 4.45 | 4.10 |
| February | 0.86 | 0.71 | 4.30 | 3.55 |
| March | 0.74 | 0.70 | 3.70 | 3.50 |
| April | 0.73 | 0.68 | 3.65 | 3.40 |
| May | 0.82 | 0.65 | 4.10 | 3.25 |
| June | 0.78 | 0.65 | 3.90 | 3.25 |
| July | 0.68 | 0.56 | 3.40 | 2.80 |
| August | 0.68 | 0.135 | 3.40 | 0.675 |
| September | 0.131 | 0.091 | 0.655 | 0.455 |
| October | 0.116 | 0.090 | 0.580 | 0.450 |
| November | 0.093 | 0.081 | 0.465 | 0.405 |
| December | 0.095 | 0.074 | 0.475 | 0.370 |
| 2021 | | | | |
| January (up to and including the Latest Practicable Date) | 0.076 | 0.071 | 0.38 | 0.355 |

Source: Official website of the Stock Exchange

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During the Review Period, the highest and lowest theoretical closing price of the Adjusted Shares was HK\$4.45 recorded on 15 January 2020 and HK\$0.355 recorded on 12 January 2021 respectively. The Subscription Price represents a discount of approximately 91.5% to the highest theoretical closing price of the Adjusted Shares but a premium of approximately 7.0% over the lowest theoretical closing price of the Adjusted Shares respectively. The chart below illustrates the theoretical closing prices of the Adjusted Shares and the Subscription Price, and the theoretical trading volume of the Adjusted Shares as quoted on the Stock Exchange during the Review Period:



Source: Official website of the Stock Exchange

We note that the theoretical closing price of the Adjusted Shares in general showed a downward trend during the Review Period. It dropped gradually from the highest price during the Review Period of HK\$4.45 on 15 January 2020 to HK\$2.60 on 7 August 2020, then rebounded to HK\$3.4 on 19 August 2020. After a short period of upward momentum, there was a sharp fall of the theoretical closing price to HK\$0.80 on 20 August 2020, representing a decrease of approximately 76.5% as compared with the previous day's theoretical closing price. We note that the substantial fall in Share price appeared to be associated with substantial trading volume of the Shares. We are not aware of any announcement made by the Company in respect of the sudden fall in the Share price. We have enquired with the Management and understand that they are also not aware of any reason for such fall in the Share price. Since then, the theoretical closing price has been below HK\$1 and continued to move in a downward trend and bottomed at HK\$0.355 on 12 January 2021, and the Shares were traded around this price level until the Latest Practicable Date.

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7.3 Liquidity of the Existing Shares

The following table sets out the total trading volume per month, average daily trading volume during the month and the average daily trading volume as a percentage to total issued Shares and to Shares held by the public during the Review Period:

| Month | Total monthly trading volume of the Existing Shares | Average daily trading volume of the Existing Shares during the month | % of average daily trading volume of the Existing Shares to the total Existing Shares (Note 1) | % of average daily trading volume of the Existing Shares to the total Existing Shares held by the public (Note 2) |
|---|--|--|---|--|
| 2020 | | | | |
| January | 289,000 | 14,450 | 0.001% | 0.003% |
| February | 2,643,800 | 132,190 | 0.009% | 0.023% |
| March | 66,456,600 | 3,020,755 | 0.207% | 0.530% |
| April | 2,441,200 | 128,484 | 0.009% | 0.023% |
| May | 2,208,000 | 110,400 | 0.008% | 0.019% |
| June | 2,453,200 | 116,819 | 0.008% | 0.020% |
| July | 24,732,400 | 1,124,200 | 0.077% | 0.197% |
| August | 573,987,000 | 27,332,714 | 1.870% | 4.794% |
| September | 82,257,400 | 3,738,973 | 0.256% | 0.656% |
| October | 10,557,800 | 586,544 | 0.040% | 0.103% |
| November | 22,368,600 | 1,065,171 | 0.073% | 0.187% |
| December | 50,954,260 | 2,316,103 | 0.158% | 0.406% |
| 2021 | | | | |
| January (up to and including the Latest Practicable Date) | 39,881,874 | 2,658,791 | 0.182% | 0.466% |

Source: Official website of the Stock Exchange

Notes:

(1) Based on 1,461,609,692 Existing Shares in issue as at the Latest Practicable Date.

(2) Based on 570,165,892 Existing Shares held in public hands as at the Latest Practicable Date.

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We note from the above table that trading volume of the Existing Shares was generally thin during the Review Period, where the percentages of average daily trading volume of the Existing Shares to the total issued Existing Shares and the total public float were mostly below 0.5% and 1% respectively. However, we note that the trading volume was significantly large in August 2020. We also note that it was mainly attributable to the trading day on 20 August 2020 when there was a sharp drop in the Share price. Excluding the trading volume on that trading day, the percentages of average daily trading volume of the Existing Shares in August 2020 to the total issued Existing Shares and the total public float would have been only 0.493% and 1.263% respectively. Given the thin liquidity of the Existing Shares, we consider that it may be difficult for the Company to pursue other sizeable equity financing alternatives in the market such as placing of Shares or convertible bonds.

7.4 Comparison with recent rights issue exercises

In our assessment of the terms of the Rights Issue, we have also made reference to the Comparables. Although the Comparables may be different from the Company in terms of business nature, financial performance and position and funding requirements, they can serve as fair and representative references of recent market practices in relation to rights issues in the prevailing market conditions. The list of the Comparables is set out below:

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| Date of announcement | Company name (stock code) | Basis of entitlement | Premium/(Discount) of subscription price over to the closing price on the last trading day (%) | Premium/(Discount) of subscription price over to the theoretical ex-rights price (%) | Premium/(Discount) of subscription price over to the net asset value per share (%) | Maximum dilution (Note 1) (%) | Underwriting commission (%) | Fully or Partly Underwritten (Yes/No) | Excess application (Yes/No) |
|----------------------|--|----------------------|--|--|--|-------------------------------|---|---------------------------------------|-----------------------------|
| 3-Dec-20 | Capital Finance Holdings Limited (8239) | 2 for 1 | 4.65 | 1.50 | N/A (Note 2) | 66.67 | N/A | N | N |
| 20-Nov-20 | Global Strategic Group Limited (8007) | 4 for 1 | (20.79) | (4.76) | (75.40) | 80.00 | 3.0 | Y | Y |
| 10-Nov-20 | China Fortune Holdings Limited (110) | 1 for 1 | (5.36) | (2.75) | 264.10 | 50.00 | N/A | N | Y |
| 5-Nov-20 | Asia-Pac Financial Investment Company Limited (8193) | 3 for 1 | (10.70) | (3.70) | (88.20) | 75.00 | N/A | N | N |
| 4-Nov-20 | Top Form International Limited (333) | 2 for 5 | (21.88) | (16.67) | (74.75) | 28.57 | Nil | Y | N |
| 27-Oct-20 | Longhui International Holdings Limited (1007) | 1 for 1 | (29.00) | (16.96) | N/A (Note 2) | 50.00 | Fix amount of HK\$100,000 or 1.5 (Note 3) | Y | Y |
| 19-Oct-20 | CHK Oil Limited (632) | 3 for 8 | 26.58 | 17.99 | (50.54) | 27.27 | N/A | N | Y |
| 16-Oct-20 | The Hong Kong Building and Loan Agency Limited (145) | 1 for 3 | (13.90) | (10.90) | (41.90) | 25.00 | 1.5 | Y | Y |
| 25-Sep-20 | Green International Holdings Limited (2700) | 1 for 1 | (17.81) | (9.77) | 77.30 | 50.00 | 2.5 | Y | Y |
| 18-Sep-20 | Wan Cheng Metal Packaging Company Limited (8291) | 3 for 1 | (19.40) | (5.70) | (89.60) | 75.00 | N/A | N | N |
| 11-Sep-20 | Amber Hill Financial Holdings Limited (33) | 3 for 1 | (23.66) | (7.79) | N/A (Note 2) | 75.00 | N/A | N | N |
| 3-Sep-20 | AESO Holding Limited (8341) | 3 for 1 | (16.70) | (4.80) | N/A (Note 2) | 75.00 | N/A | N | N |
| 28-Aug-20 | Royal Century Resources Holdings Limited (8125) | 2 for 1 | (25.00) | (10.00) | (81.10) | 66.67 | 2 | Y | N |
| 28-Aug-20 | Milan Station Holdings Limited (1150) | 5 for 2 | (10.57) | (3.51) | (63.60) | 71.43 | 2 | Y | Y |
| 24-Aug-20 | Wealth Glory Holdings Limited (8269) | 5 for 2 | (11.10) | (3.60) | (82.50) | 71.43 | 2.5 | Y | Y |
| 10-Aug-20 | Beaver Group (Holding) Company Limited (8275) | 1 for 2 | (28.95) | (20.59) | (74.10) | 33.33 | 5 | Y | Y |
| 5-Aug-20 | Greatwall Inc. (8315) | 1 for 3 | (27.54) | (21.88) | N/A (Note 2) | 25.00 | Fix amount of HK\$200,000 | Y | Y |
| 30-Jul-20 | Lary Jewelry International Company Limited (8351) | 5 for 1 | (29.17) | (6.59) | (60.47) | 83.33 | 5 | Y | Y |
| 16-Jul-20 | Langham Hospitality Investments Limited (1270) | 1 for 2 | (13.60) | (9.50) | (79.70) | 33.33 | N/A | N | Y |
| 7-Jul-20 | National Investments Fund Limited (1227) | 5 for 1 | (28.57) | (6.25) | N/A (Note 2) | 83.33 | 3 | Y | Y |

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| Date of announcement | Company name (stock code) | Basis of entitlement | Premium/(Discount) of subscription price over to the closing price on the last trading day (%) | Premium/(Discount) over to the theoretical ex-rights price (%) | Premium/(Discount) of subscription price over to the net asset value per share (%) | Maximum dilution (Note 1) (%) | Underwriting commission (%) | Fully or Partly Underwritten (Yes/No) | Excess application (Yes/No) |
|----------------------|---|----------------------|--|--|--|-------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| 6-Jul-20 | China Merchants Securities Co., Ltd. (6099) | 3 for 10 | (41.79) | (20.33) | (45.80) | 23.08 | Undisclosed | Y | Y |
| 2-Jul-20 | Luxey International (Holdings) Limited (8041) | 1 for 2 | (58.30) | (48.20) | (16.70) | 33.33 | N/A | N | Y |
| | | Maximum | 26.58 | 17.99 | 264.10 | 83.33 | 5.00 | | |
| | | Minimum | (58.30) | (48.20) | (89.60) | 23.08 | 0.00 | | |
| | | Average | (19.21) | (9.76) | (36.44) | 54.63 | 2.70 (Note 4) | | |
| 14-Dec-20 | The Company | 3 for 1 | (13.64) | (4.58) | (93.79) | 75.00 | 2.50 | Y | Y |

Source: Official website of the Stock Exchange

Notes:

1. Maximum dilution effect of each of the Comparables is calculated based on the following formula: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.
2. The respective Comparables recorded net liability attributable to shareholders.
3. The underwriter received the higher of HK\$100,000 or 1.5% of the aggregate subscription price in respect of such number of underwritten rights shares pursuant to the relevant underwriting agreement.
4. The calculation of the average commission percentage excludes commission charged as a lump sum amount.

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We note that, by reference to the Comparables, (a) the discount of the Subscription Price to the closing price per Share on the Last Trading Day of approximately 13.6% falls within the range of that of the Comparables; (b) the discount of the Subscription Price to the net asset value per Adjusted Share of approximately 93.8% is larger than that of the Comparables; and (c) the maximum dilution effect of the Rights Issue falls within the range of that of the Comparables. We are of the view that the magnitude of the discount to the prevailing trading price of the Shares and the dilution effect represented by the Subscription Price are in line with the prevailing market practice. Although the discount to the net asset value per Adjusted Share of approximately 93.8% represented by the Subscription Price is higher than that of the Comparables, it is consistent with the discount to the net asset value per Share represented by the historical trading price per Share during the Review Period. In particular, it is similar to the discount to the net asset value per Share of approximately 92.6% represented by the average closing price per Share during the period from the date of publication of the Group's latest results announcement for HY20/21 to the Last Trading Day based on the unaudited net asset value attributable to owners of the Company of HK\$1,787.5 million as at 30 September 2020 and 1,461,609,692 Shares then in issue. Having taken into account various factors as a whole, including the pressing funding need of the Company due to the significant amount of outstanding Debts, the deteriorating business performance of the Group, the discount to the prevailing trading prices of the Shares and the dilution effect represented by the Subscription Price, as well as the persistent discount of historical trading prices of the Shares to the net asset value per Share during the Review Period as mentioned above, we consider the discount of the Subscription Price to the net asset value per Share is acceptable.

8. Financial effects of the Rights Issue on the Group

8.1 *Net tangible assets*

The unaudited consolidated net tangible asset value (“NTAV”) of the Group attributable to the owners of the Company was approximately HK\$1,770.3 million as at 30 September 2020, equivalent to approximately HK\$1.21 per Existing Share based on 1,461,609,692 Existing Shares in issue as at 30 September 2020.

An unaudited pro forma statement of adjusted consolidated NTAV of the Group attributable to the owners of the Company as if the Rights Issue had taken place on 30 September 2020 is set out in Appendix II to the Circular (the “**Statement**”). Based on the Statement, upon completion of the Rights Issue, (i) assuming the minimum number of 876,965,814 Rights Shares are issued, the unaudited pro forma adjusted consolidated NTAV of the Group would become approximately HK\$2,097.9 million, equivalent to approximately HK\$1.79 per Adjusted Share; and (ii) assuming the maximum number of 881,443,944 Rights Shares are issued, the unaudited pro forma adjusted consolidated NTAV of the Group would become approximately HK\$2,099.6 million, equivalent to approximately HK\$1.79 per Adjusted Share.

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8.2 Gearing and liquidity

As at 30 September 2020, the Group had total assets of approximately HK\$4,933.0 million and total liabilities of approximately HK\$3,105.0 million. The gearing ratio of the Group (being the percentage of total liabilities to total assets) was approximately 62.9%.

The net proceeds from the Rights Issue will be approximately HK\$327.6 million (assuming no other Shares will be issued or repurchased by the Company on or before the Record Date). Based on the total assets and total liabilities of the Group as at 30 September 2020 and on the assumption that the entire amount of the net proceeds is used to repay the Debts, the total assets of the Group would remain at approximately HK\$4,933.0 million while the total liabilities of the Group would be reduced to approximately HK\$2,777.4 million. The gearing ratio of the Group will improve to approximately 56.3%.

9. Our view on the scale and the Subscription Price of the Rights Issue

The Group is heavily indebted. Its net current liabilities as at 30 September 2020 amounted to approximately HK\$1,687.9 million, and yet it only had bank balances and cash of approximately HK\$30.2 million. As discussed in the section headed “Financial results of the Group” above, the outbreak of the COVID-19 pandemic has made the business environment of the Group very challenging. The pandemic brought massive global economic slowdown which caused a different degree of impact across the Group’s business segments, and the financial performance of the Group’s business has been materially and adversely affected. At the same time, the high gearing position also resulted in significant finance cost which had aggravated the operational losses of the Group. In FY19/20, the Group’s finance cost amounted to approximately HK\$236.3 million, representing approximately 55.5% of the Group’s total revenue. As mentioned in the section headed “Reasons for and benefits of the Rights Issue and intended use of proceeds” above, the Directors had considered different means of fund-raising activities including debt financing and other equity fund raising exercise for the purpose of raising fund to reorganise the debt structure of the Group. In fact, the Group completed the first tranche of the New Bonds Issue in the principal amount of approximately HK\$66.5 million in August 2020, and it has extended the placing period twice with a view to placing further tranches of bonds under the New Bonds Issue in the aggregate principal amount of up to approximately HK\$33.5 million by 26 February 2021. We consider that further debt financing may result in additional interest burden and would not be helpful in improving the gearing ratio for the Group, which will not improve the financial position of the Group and is not in the interests of the Company and the Shareholders as a whole. Therefore, we concur with the Management that equity financing is a more preferred means for the Group to relieve its present unfavourable financial condition. Having considered that (i) private placing of new Shares will not be open to all Qualifying Shareholders and therefore will result in dilution of the shareholding interests of existing Shareholders; and (ii) open offer will not provide the exit opportunity to those Qualifying Shareholders who do not wish to take up their entitlements and wish to sell their nil-paid rights entitlements instead, we concur with the Management that the Rights Issue is in the interests of the Company and Shareholders as a whole.

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We note that the Debts amounted to approximately HK\$2,565.5 million as at 30 November 2020, and among which, the current portion amounted to approximately HK\$1,718.1 million. While the net proceeds of the Rights Issue of approximately HK\$329.3 million (assuming full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options on or before the Latest Lodging Date and no other Shares will be issued or repurchased by the Company on or before the Record Date) would not be able to repay all outstanding Debts, we consider that the Rights Issue is able to raise immediate cash to repay a significant portion of the Debts and alleviate the interest burden of the Group. As advised by the Management, with the anticipated cash inflow from the Rights Issue into the Group, the Directors would also be in a better position to negotiate for extension, refinancing, deferring payment and/or partial repayment with the creditors.

The Subscription Price represents a mild discount to the theoretical closing price of the Adjusted Shares (calculated with reference to the prevailing market price of the Existing Shares as at the Last Trading Day) and a significant discount to the net asset value per Adjusted Share. Although the Group is asset-intensive with substantial investment properties, the Group has net current liabilities with a large portion of the Debts repayable on demand or due shortly. The Group needs capital to meet its financial obligations, and the Rights Issue enables the Group to raise immediate cash in a significant amount. As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion of their existing shareholdings in the Company held on the Record Date, the discount of the Subscription Price would encourage the Qualifying Shareholders to take up their entitlements to maintain their shareholdings in the Company. We also note that it is common in the market to have the subscription price of a rights issue set at a discount to the prevailing market price in order to appeal to shareholders to participate and the discount represented by the Subscription Price falls within the range of the discounts represented by the subscription prices of the Comparables. We further note that the price of the Shares has been trading consistently at a substantial discount to the net asset value of the Group during the Review Period. For those Qualifying Shareholders who do not wish to participate in the Rights Issue, they will be offered the opportunity, subject to market conditions, to dispose of their nil-paid Rights Shares in the market for economic benefits to compensate their dilution in shareholdings resulted from the Rights Issue. For the dilution impact of the Rights Issue, please refer to the section headed “Potential dilution effect on the existing Shareholders” below.

In light of the above, we consider the scale of the Rights Issue and the Subscription Price are fair and reasonable.

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10. Potential dilution effect on the existing Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. The shareholding of Qualifying Shareholders who take up their entitlements in full under the Rights Issue will remain unchanged upon completion of the Rights Issue. For those Qualifying Shareholders who opt not to take up their entitlements in full under the Rights Issue, depending on the extent to which they may take up their entitlements, their shareholding interests will be diluted upon completion of the Rights Issue by a maximum of approximately 75%.

Set out below are the shareholding structures of the Company as at the Latest Practicable Date, immediately after the Capital Reorganisation becoming effective and completion of the Rights Issue under various scenarios:

- (i) Assuming no other Shares will be issued or repurchased by the Company on or before the Record Date:

| Name of Shareholder | As at the Latest Practicable Date | | Immediately upon the Capital Reorganisation becoming effective | | Assuming all Shareholders have taken up the Rights Shares | | Assuming only Mr. Li and Wealth Keeper have taken up the Rights Shares | |
|---|-----------------------------------|---------------|--|---------------|---|---------------|--|---------------|
| | No. of Existing Shares | Approx % | No. of Adjusted Shares | Approx % | No. of Adjusted Shares | Approx % | No. of Adjusted Shares | Approx % |
| Mr. Li | 66,680,600 | 4.56 | 13,336,120 | 4.56 | 53,344,480 | 4.56 | 53,344,480 | 4.56 |
| Wealth Keeper | 824,763,200 | 56.43 | 164,952,640 | 56.43 | 659,810,560 | 56.43 | 659,810,560 | 56.43 |
| Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them | - | - | - | - | - | - | 342,099,534 | 29.26 |
| Other public Shareholders | 570,165,892 | 39.01 | 114,033,178 | 39.01 | 456,132,712 | 39.01 | 114,033,178 | 9.75 |
| Total | 1,461,609,692 | 100.00 | 292,321,938 | 100.00 | 1,169,287,752 | 100.00 | 1,169,287,752 | 100.00 |

- (ii) Assuming full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options on or before the Latest Lodging Date and no other Shares will be issued or repurchased by the Company on or before the Record Date:

| Name of Shareholder | As at the Latest Practicable Date | | Upon full exercise of the Remaining Share Options other than the Mr. Li Vested Share Options | | Immediately upon the Capital Reorganisation becoming effective | | Assuming all Shareholders have taken up the Rights Shares | | Assuming only Mr. Li and Wealth Keeper have taken up the Rights Shares | |
|---|-----------------------------------|---------------|--|---------------|--|---------------|---|---------------|--|---------------|
| | No. of Existing Shares | Approx % | No. of Existing Shares | Approx % | No. of Adjusted Shares | Approx % | No. of Adjusted Shares | Approx % | No. of Adjusted Shares | Approx % |
| Mr. Li | 66,680,600 | 4.56 | 66,680,600 | 4.54 | 13,336,120 | 4.54 | 53,344,480 | 4.54 | 53,344,480 | 4.54 |
| Wealth Keeper | 824,763,200 | 56.43 | 824,763,200 | 56.14 | 164,952,640 | 56.14 | 659,810,560 | 56.14 | 659,810,560 | 56.14 |
| Underwriter, sub-underwriter(s) and/or subscriber(s) procured by them | - | - | - | - | - | - | - | - | 346,577,664 | 29.49 |
| Other public Shareholders | 570,165,892 | 39.01 | 577,629,444 | 39.32 | 115,525,888 | 39.32 | 462,103,552 | 39.32 | 115,525,888 | 9.83 |
| Total | 1,461,609,692 | 100.00 | 1,469,073,244 | 100.00 | 293,814,648 | 100.00 | 1,175,258,592 | 100.00 | 1,175,258,592 | 100.00 |

LETTER FROM OPTIMA CAPITAL

We consider the possible dilution effect on the existing Shareholders to be acceptable having taken into account the following factors: (i) the Group is in need of capital to meet its financial obligations comprising current portion of the Debts of approximately HK\$1,718.1 million as at 30 November 2020 and the proceeds from the Rights Issue are intended to be fully applied for the repayment of the outstanding Debts. The Rights Issue can raise immediate cash in a significant amount to the Group which can improve the cash flow position of the Group and reduce the future finance cost after repayment of part of the Debts; (ii) the substantial recapitalisation of the Group by way of the Rights Issue will give a healthier capital structure to the Group, with gearing ratio of the Group improving from approximately 62.9% to approximately 56.3% after applying the net proceed towards the repayment of the Debts, to substantiate the growth of its businesses, and the Shareholders will benefit from the growth of the Group; (iii) if the Company is not able to raise new capital to repay the outstanding Debts, it will put the Group into a more unfavourable financial condition and constrain the growth of its businesses, which is not in the interests of the Company and the Shareholders as a whole; (iv) all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company under the terms of the Rights Issue; (v) the Qualifying Shareholders who do not want to take up their provisional allotments will be offered the opportunity, subject to market conditions, to sell their nil-paid Rights Shares in the market for economic benefits to compensate the dilution in shareholding; and (vi) the Independent Shareholders have veto right on the Rights Issue.

DISCUSSION AND ANALYSIS

The Company proposes to raise not less than approximately HK\$327.6 million and not more than approximately HK\$329.3 million after expenses by way of the Rights Issue on the basis of three Rights Shares for every one Adjusted Share held on the Record Date at the Subscription Price of HK\$0.38 per Rights Share, payable in full on acceptance. Having considered that the extent of Independent Shareholders' dilution if they do not take up their entitlements to the Rights Shares is up to a maximum of 75%, the Rights Issue may be regarded as a "heavy" call on Shareholders. Notwithstanding this, we can see that such call, as it is resulted from a considerable need for new equity capital to address the liquidity issue currently faced by the Group, is justifiable and equitable to all Shareholders.

LETTER FROM OPTIMA CAPITAL

We agree with the Directors' strategy to raise new fund in a relatively substantial amount at this stage by means of the Rights Issue because debt refinancing would not resolve and relieve the Group's current interest burden and repayment obligations when they fall due. The Rights Issue will raise net proceeds of not less than HK\$327.6 million and, as set out above, following completion of the Rights Issue and on an illustrative basis, would improve the gearing ratio from 62.9% to approximately 56.3% by fully applying the net proceeds towards the repayment of the Debts. Following the repayment, it is expected that the interest burden of the Group will be alleviated which will give a positive impact to the financial performance of the Group.

We have discussed with the Management on the future prospects of the Group, and the Management has a positive outlook for the longer term of the businesses of the Group due to the factors as mentioned in the section headed "Prospects of the Group" above.

To demonstrate the support in the Company's long-term growth, Mr. Li and Wealth Keeper, being controlling Shareholders beneficially interested in an aggregate of 891,443,800 Existing Shares (of which 824,763,200 Existing Shares were held by Wealth Keeper and 66,680,600 Existing Shares were held by Mr. Li personally), had executed the Irrevocable Undertakings to, among other things, take up their respective entitlements to the Rights Shares under the Rights Issue. The remaining Rights Shares have been fully underwritten by the Underwriter at arm's length commission rate. The Rights Issue provides the Qualifying Shareholders with a means of preserving their percentage shareholdings in the Company. The Shareholders who are positive about the prospects of the Group may take advantage of the excess application mechanism to increase their shareholdings in the Company at a discount to the current market price before any underwriting obligation of the Underwriter is called upon.

The Subscription Price of HK\$0.38 represents a premium of approximately 4.11% over the theoretical closing price of approximately HK\$0.365 per Adjusted Share based on the closing price of HK\$0.073 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date. Any Shareholders who do not wish to contribute more to the capital of the Company may sell their nil-paid Rights Shares in the market. Those wishing to do so should note that on the basis of the expected timetable set out in the Circular, trading in nil-paid Rights Shares will take place from 5 March 2021 to 12 March 2021.

LETTER FROM OPTIMA CAPITAL

OPINION

Based on the above principal factors and reasons and in view of the capital demand to reduce the Debts of the Group, we are of the view that the terms of the Rights Issue are reasonable under the circumstances. We consider that the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable to the Independent Shareholders and that the proposed Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve, among other matters, the Rights Issue.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Beatrice Lung
Managing Director, Corporate Finance

Ms. Beatrice Lung is a responsible officer of Optima Capital Limited and a licensed person registered with the Securities and Futures Commission to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Lung has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

A. FINANCIAL INFORMATION

Financial information with respect to the profits and losses, financial record and position, set out as a comparative table and the balances sheets together with the notes on the accounts of the Group for the years ended 31 March 2018, 31 March 2019 and 31 March 2020 and for the six months ended 30 September 2020 are disclosed in pages 112 to 315 of the annual report 2018, pages 110 to 383 of the annual report 2019, pages 109 to 403 of annual report 2020 and pages 45-116 of the interim report 2020 respectively.

The said annual and interim reports of the Company are available on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (http://www.chinlinkint.com/en_US/index.html).

B. INDEBTEDNESS

At the close of business on 30 November 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding borrowings comprise the following:

| | <i>HK\$'000</i> |
|--|-----------------|
| Bank borrowings, secured and guaranteed | 644,844 |
| Bank borrowings, unsecured and guaranteed | 9,436 |
| Bank overdraft, secured and guaranteed | 12,441 |
| Amounts due to former subsidiaries, unsecured and unguaranteed | 9,164 |
| Amounts due to related companies, unsecured and unguaranteed (<i>note 1</i>) | 458,712 |
| Other borrowings, unsecured and unguaranteed (<i>note 2</i>) | 449,802 |
| Other borrowings, secured and guaranteed (<i>note 2</i>) | 436,709 |
| Loans from staff of the Group, unsecured and unguaranteed | 25,959 |
| 6.5% coupon bonds, secured and guaranteed | 224,754 |
| 13.0% coupon bonds, secured and guaranteed | 241,484 |
| Lease liabilities | 13,304 |
| Amounts due to directors, unsecured and unguaranteed | 52,208 |

Notes:

1. Amounts due to related companies are non-trade in nature.
2. Other borrowings represents amount due to non-banking financial institution.

Bank borrowings, other borrowings and coupon bonds

The Group's secured bank borrowings, bank overdraft, other borrowings and coupon bonds were secured by (i) the Group's property, plant and equipment; (ii) the Group's investment properties and (iii) equity interest of certain Group's wholly owned subsidiaries and guaranteed by Mr. Li, the ultimate controlling shareholder.

The Group has defaulted in repayment of principal of 13.0% coupon bonds of approximately US\$9.0 million (equivalent to approximately HK\$69.8 million) was due on 30 September 2020 and 30 November 2020 which outstanding amount of approximately HK\$241.5 million as at 30 November 2020 remain outstanding. The Group has obtained a consent from financial institution on 6 January 2021 to extend the repayment date of principal of approximately US\$9.0 million (equivalent to approximately HK\$69.8 million) and agreed to repay US\$8.0 million (equivalent to approximately HK\$62.0 million) on 31 March 2021, US\$2.0 million (equivalent to approximately HK\$15.5 million) on 30 April 2021, US\$2.0 million (equivalent to approximately HK\$15.5 million) on 31 May 2021, and US\$2.0 million (equivalent to approximately HK\$15.5 million) on 30 June 2021. The remaining balance of principal will be extended by nine months from 30 August 2021 (“**Original Maturity Date**”) to 31 May 2022 (“**New Maturity Date**”) and the coupon rate will step down to 12.0% from the Original Maturity Date to the New Maturity Date.

The Group has defaulted in repayment of principal of other borrowings, secured and guaranteed of approximately HK\$108.5 million was due on 30 November 2020 which outstanding amount of approximately HK\$353.9 million as at 30 November 2020 remain outstanding. The Group has obtained a consent from financial institution on 21 January 2021 to extend the original repayment schedule to 31 March 2021.

The Group has defaulted in repayment of principal of other borrowings, unsecured and unguaranteed of approximately HK\$3.9 million was due on 30 November 2020 which outstanding amount of approximately HK\$3.9 million as at 30 November 2020 remain outstanding. The Group has fully settled the outstanding amount of approximately HK\$3.9 million on or before the Latest Practicable Date.

The Group has defaulted in repayment of principal of bank borrowings, secured and guaranteed of approximately HK\$7.0 million was due on 30 November 2020 which outstanding amount of approximately HK\$29.5 million as at 30 November 2020 remain outstanding. The Group has been negotiating with the financial institution for extension of the interests and principal but these negotiations had not been concluded at the date of the circular. The Directors are confident that their negotiations with the financial institution will ultimately reach a successful conclusion and believe that adequate alternative sources of finance are available to repay the interests and ensure that there is no threat to the continuing operations of the Group should the lenders call for immediate repayment of the corresponding borrowings.

Contingent liabilities

As at 30 November 2020, the Group has entered into agreements with banks and other lenders in respect of its financing guarantee services to provide corporate guarantees with respect to bank loans granted to independent third parties and related companies. The maximum liabilities of the Group as at 30 November 2020 under these guarantees is approximately HK\$380.4 million and such guarantees were secured by pledged bank deposit of the Group of approximately HK\$161.0 million.

Disclaimer

Save as aforesaid above and apart from intra-group liabilities, at the close of business on 30 November 2020, the Directors confirmed that the Group did not have any other debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans other borrowings and indebtedness, bank overdrafts, liabilities under acceptances (other than normal trade payables) or acceptances credits, finance lease, hire purchase commitments, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

As set out in the Company's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020, out of the approximately HK\$974.1 million of borrowings and approximately HK\$457.5 million of bonds in current liabilities, approximately HK\$129.3 million of borrowings and approximately HK\$34.9 million of bonds were defaulted and become immediately repayable on demand. As at 30 September 2020, however, the Group's cash and cash equivalents amounted to approximately HK\$30.2 million only. The above condition indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In preparing the working capital forecast for the Group for the 12 months from the date of this Circular, the Group is carrying out the following measures for the purpose of ensuring there are sufficient working capital for at least the next 12 months from the date of the Circular:

- (i) the Group has obtained a consent from financial institution for coupon bonds with defaulted in repayment of principal of approximately HK\$69.8 million as at Latest Practicable Date of which the repayment of principal were past due and in default as at 30 November 2020;
- (ii) the Group has obtained a consent from financial institution for other borrowings with defaulted in repayment of principal of approximately HK\$108.5 million as at Latest Practicable Date of which the repayment of principal were past due and in default as at 30 November 2020;
- (iii) the Group has received a written confirmation dated 21 January 2021 from Mr. Li, the ultimate controlling shareholder, that he will provide continuing financial support to the Group to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future, and agreed not to demand repayment of any of the amounts due to him by the Group in the next twelve months from the date of approval for issue of these circular; and
- (iv) the Company has actively negotiated with banks and financial institutions to secure the renewals of the Group's bonds and borrowings to meet its liabilities when fall due.

Taking into considerations of item (i) to (iv) above, and (v) the present financial resources; (vi) the estimated net proceeds from the Rights Issue and if applicable; (vii) the continuing financial support from Mr. Li, the ultimate controlling shareholder and an executive director of the Company, totaling approximately HK\$310 million pursuant to the written confirmation; and (viii) the assumption that the relevant lenders of the existing loans will not exercise their rights to demand immediate payment of the relevant loans prior to their scheduled contractual repayment dates, and, in the absence of unforeseeable circumstances, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this Circular.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for (i) the temporary suspension of the Group's international trading business due to the impact of the continuous trade and technology disputes between China and US and the outbreak of the COVID-19 pandemic; and (ii) the interruption of the construction work for a few months of the phase two development of Daminggong Construction Materials and Furniture Shopping Centre (Dongsanhuan Branch) the ("**Commercial Complex**") due to COVID-19 pandemic as disclosed in the interim report of the Company for six months ended 30 September 2020 which recorded a loss making position, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Prospects

At this time the world is still struggling to contain the surging waves of the COVID-19 pandemic, with most of the developed economies suffering regression and negative gross domestic product ("**GDP**") growth for 2020, and likely in the next two to three years beyond, according to the World Bank forecast. However, China is on track for an early recovery, heading to achieve a slight GDP increase in 2020 and a higher growth in 2021 of 6.0% as predicted by the World Bank. It will be the only major economy in the world to achieve positive GDP growth in 2020 and 2021, according to the International Monetary Fund ("**IMF**"). China's success in controlling the virus is the main reason for the growth rebound. It is attributed to the stringent lockdowns and social distancing measures implemented during the infection period, supported by extensive virus testing and monitoring of individual social activities. China's manufacturing activity base is almost fully recouped from the second quarter of 2020. It even experienced a surge in export for three successive months to August 2020 and a higher trade surplus with the US in August 2020 than the Previous Period, notwithstanding still slow demand in those major overseas markets. Irrespective of the current global abnormality, the world is still reliant on China's strong industrial base and comprehensive supply chains to support global consumption demand, particularly in the critical supplies of healthcare products, such as personal protective equipment. Consumer spending in China is also gearing up, as lockdown eases and consumers start to venture out homes, empowering the country to a V-shape recovery post COVID-19 pandemic.

Apart from the COVID-19 damages to the social and economic livelihood, the world is facing uncertain geopolitical environment marked by ongoing tension between China and US, initially on trade but expanded to technology, politics, culture and ideology frontiers. Moreover, the COVID-19 has highlighted the risks and vulnerabilities inherent in globalised deep trade integration, spurring countries to reduce their reliance on other economies. The changing environment indicated it would be unsustainable for China to continue relying on overseas demand to keep its growth engine.

However, given China's economic resilience and vast population, it will continue its growing trend irrespective of the changing environment. In October 2020, China mapped out its 14th Five-Year Plan as a blueprint for its social and economic development for the next five years to 2025. The 14th Five-Year Plan is characterised by the strong emphasis on high-quality, green and sustainable growth, opening-up and self-innovation. A new directive from this latest program is the Dual Circulation strategy. Instead of concentration on export-oriented growth, the External Circulation, China turns to greater focus on domestic demand, the Internal Circulation, and self-innovation to fuel growth, as the international trade environment becoming less predictable, heading to be more protective and de-globalisation. Furthermore, it will push for more technological self-reliance to counter possible future containment led by the US-led Western countries. The priority on Internal Circulation highlights the importance of structural reform that need to be implemented in the coming years, including further deregulation, reducing the market barrier for domestic and foreign investment, more profound reform of state-owned enterprises, encouraging the free flow of talents and labours, continuing urbanisation, as well as further widening the access to the capital market by the foreign investors.

Chinlink's prospects will be dependent on how successful we are in capturing the opportunity arisen from China's new development strategy amid the evolving global and domestic micro and macro environment. During the last two years, Chinlink has solidified itself as a global innovative resource integrator aims to support the fast-growing companies of China with indigenous technology and business models. This is to be achieved through an ecosystem powered by capital, technology, innovation and entrepreneurship. Our positioning aligns closely with the Chinese government's strategy under the 14th Five-Year Plan and the Dual Circulation development plan.

By working with various provincial and municipal governments in China, and collaborating with global financial, academic and scientific research institutions and strategic partners, Chinlink is helping the transformation of the local industry landscape. The Group has made considerable progress over the past year in this respect.

The Hanzhong traditional Chinese medicine project is a good illustration. Under the joint venture with Hanzhong Government, Chinlink actively participates in the modernisation of Hanzhong’s legendary Chinese medicine industry along a vertical and sustainable model. As reported on the above-mentioned Business Review section, Hanzhong Exhibition & Exchange Centre to showcase Hanzhong green agriculture produces and Chinese herbal medicine is opened, an online B2B wholesale trade platform is in operation, the Japanese GAP Research Institute was invited to introduce best agricultural practices to the local Chinese herbal manufactures as a further step towards internationally recognised certification. Chinlink is also in the process of organising export of Chinese medicine to Hong Kong and other overseas markets.

Chinlink is also actively advising the Yulin Municipal Government on green and clean energy project investment. Located at the northern border of Shaanxi Province, Yulin is best known as the “Kuwait of China”. It possesses the largest concentration of energy and critical mineral resources in China, with rich reserves in coal, oil and natural gas, and rock salt. Through the Group’s asset management subsidiary registered in Xi’an, we initiate a clean energy fund to invest in hydrogen projects in Yulin. Investors in the fund included the State Power Investment Corporation (“SPIC”), a state-owned enterprise specialised in power and energy project investments, Yulin municipal industry venture fund and large enterprises in the energy field. The Group will be the co-general partner with SPIC. Hydrogen is a clean, emission-free and renewable energy with wide commercial applications. The fund will invest in the development, commercialisation and manufacturing of hydrogen fuel cell for use in commercial and passenger vehicles. This project highlighted Yulin government’s commitment to diversifying from fossil fuel to green energy, and Chinlink’s expertise in fund raising, asset management and industry networks. The Group will continue to explore other opportunities in the green and renewable energy field, including hydrogen fuel, by leveraging the Group’s cordial relationship with the Yulin Municipal Government.

To carry out the Group’s innovation and finance ecosystem business model, the Group has installed a robust financial platform, the MCM Group, to access both domestic and global capital networks. Since MCM Group became a subsidiary of Chinlink three years ago, it has recorded the best six-month performance during the Period. The strategy for MCM Group has continued to be around building further partnerships in China and abroad, and to assist Chinlink’s strategic campaigns with the government partnerships. Under the China’s 14th Five-Year Plan to 2025, MCM Group stands to benefit from the increasing financial opening and integration of Chinese capital markets with the west, where the role of Hong Kong as international financial centre will be further cemented. After two challenging years marked by US-China trade tensions, decreasing cross-border capital flows, political instability in Hong Kong and COVID-19, the Group has continued to make the needed adjustments to pivot further towards areas of expansion, as described above. MCM Group will continue to build its activities in Latin America through its local joint venture, MCM Latam Holdings Limited, benefiting from increasing interest in Asian investment, as well as

emerging opportunities in the region for Asian capital. MCM Group has also benefited from our strong network in Europe and other parts of Asia as MCM Group pursues various acquisition mandates in multiple sectors, and hope to focus onto the US will rekindle soon.

Our innovation partner from Silicon Valley of US has undergone a rebrand from GSVlabs to OneValley in September 2020. Under the new branding, OneValley will carry the mission to build the world's first global entrepreneurship and innovation platform. Being OneValley's strategic investor and partner from China, Chinlink will continue the effort to bring the Silicon Valley innovation and acceleration experience to China. This is of particular significance as China is leading a development model relying on technology and innovation under the 14th Five-Year Plan. However, the progress of our first artificial intelligence (“AI”) acceleration centre in Xi'an, jointly established under the joint venture between Chinlink, MCM Group and One-Valley, was delayed because of the waves of COVID-19 outbreak in the US and the lockdown for regular business. It is our mutual intention to resume the programme as the situation allows.

Moreover, we have made a breakthrough in the Group's innovation partnership line up. In early November 2020, we became the partner of JD Cloud, a subsidiary of JD Group, a leading technology driven e-commerce company in China, to operate the JD Cloud AI innovation centre in Xi'an, to focus on AI, big data, machine learning and IoT verticals. We aim at bidding for more JD Cloud centres on other parts of China and co-operate with JD Group across the technology, innovation, entrepreneurship and venture capital arena in partnership with MCM Group and OneValley.

Despite the impact of COVID-19, our Commercial Complex still recorded a valuation gain in the Period. CIC, the Group's new flagship office building and its adjacent commercial extension, is completed and ready for occupancy. CIC has already recorded income during the Period. Approximately 85.0% of the lettable area has entered into tenancy agreement as of 30 September 2020. CIC will enjoy full occupancy hopefully by 2021/22. Given CIC's excellent location and high-quality finishing, the value of the property may have a substantial increase in the next few years.

Despite the temporary disruption on the construction work of the Phase Two Development during the early COVID-19 pandemic surge, the Group targets to launch pre-sale of the residential units around second quarter of 2021. We anticipate the pre-sale will considerably improve the Group's liquidity from next year onwards. We will retain the commercial and retail space of the Phase Two Development for leasing as long-term investment. The Group is formatting a plan to integrate the new retail space with the existing Commercial Complex into a new life-style retail experience space, catering for the changes in consumer behaviour after the COVID-19 pandemic. We believe this is an important strategy to enhance the return and long-term value of the investment properties.

It is beyond doubt that the world is encountering the most severe economic and social challenges in recent history because of the COVID-19 pandemic. It is further complicated by the geopolitical tensions between China and the US. The Group, as a whole, is not immune. However, with the gradual recovery of the national economy and China's new development policies emphasising on innovation, technology and entrepreneurship, and further opening of the capital market, it provides an enormous opportunity for the Group to advance its business model and enjoy the fair share of financial benefits in the coming years.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets (the “**Unaudited Pro Forma Financial Information**”) of the Group attributable to owners of the Company has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 September 2020 and taking into account of certain assumptions.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company upon Completion of the Rights Issue as at 30 September 2020 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020, as extracted from the published interim report of the Company for the period ended 30 September 2020, with adjustments described below.

(1) Assuming no outstanding Share Options having been exercised on or before the Record Date

| | | | | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 after taking into account of the Share Consolidation and prior to the completion of the Rights Issue per Share | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 immediately after completion of the Share Consolidation and Rights Issue per Share |
|--|--|--|---|--|--|---|
| | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September | Estimated net proceeds from the Rights Issue | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 without taking into account of the Share Consolidation and prior to the completion of the Rights Issue per Share | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 after taking into account of the Share Consolidation and prior to the completion of the Rights Issue per Share | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 immediately after completion of the Share Consolidation and Rights Issue per Share |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$ | HK\$ | HK\$ |
| | (Note 1) | (Note 2) | | (Note 3) | (Note 4) | (Note 5) |
| Base on 876,965,814 Right Shares to be issued at subscription price of HK\$0.38 per Rights Share | 1,770,299 | 327,593 | 2,097,892 | 1.2112 | 6.0560 | 1.7942 |

(2) Assuming full exercise of the outstanding Share Options by the Options Holders on or before the Record Date

| | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 HK\$'000 (Note 1) | Estimated net proceeds from the Rights Issue HK\$'000 (Note 6) | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 immediately after completion of the Rights Issue HK\$'000 | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 without taking into account of the Share Consolidation and prior to the completion of the Rights Issue per Share HK\$ (Note 3) | Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 after taking into account of the Share Consolidation but prior to the completion of the Rights Issue per Share HK\$ (Note 4) | Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 immediately after completion of the Share Consolidation and Rights Issue per Share HK\$ (Note 7) |
|--|---|--|---|--|--|---|
| Base on 881,443,944 Right Shares to be issued at subscription price of HK\$0.38 per Rights Share | 1,770,299 | 329,295 | 2,099,594 | 1.2112 | 6.0560 | 1.7865 |

Note:

- (1) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 of approximately HK\$1,770,299,000 is based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 September 2020 of approximately HK\$1,787,536,000 as adjusted to exclude goodwill of approximately HK\$17,237,000 as shown on the unaudited consolidated statement of financial position of the Group as at 30 September 2020 as extracted from the published interim report of the Company for the period ended 30 September 2020.
- (2) The estimated net proceeds from the Rights Issue of approximately HK\$327,593,000 is calculated based on 876,965,814 Rights Shares to be issued (in the proportion of three (3) Rights Share for every one (1) consolidated share held as at the Rights Issue Record Date) at the subscription price of HK\$0.38 per Rights Share, after deduction of the estimated related expenses of approximately HK\$5,654,000, assuming that the Rights Issue had been completed on 30 September 2020.
- (3) The amount is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 of approximately HK\$1,770,299,000 and 1,461,609,692 shares in issue as at 30 September 2020 (“Existing Shares”) without taking into account of consolidation of every five (5) issued Existing Shares of HK\$0.3125 each into one consolidated shares of HK\$1.5625 each (the “Share Consolidation”).

- (4) The unaudited consolidated net tangible assets per share attributable to owners of the Company as at 30 September 2020 after taking into account of the Share Consolidation is HK\$6.0560, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 of approximately HK\$1,770,299,000 and 292,321,938 consolidated shares (involves the consolidation of every five (5) Existing Shares into one (1) consolidated share) (the “**Consolidated Shares**”) which is calculated on 1,461,609,692 shares in issue as at 30 September 2020 subdivided by five (5).
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue and Share Consolidation is calculated based on 1,169,287,752 shares which comprise 292,321,938 Consolidated Shares and 876,965,814 Rights Shares expected to be issued on the completion of the Rights Issue as at 30 September 2020.
- (6) The estimated net proceeds from the Rights Issue of approximately HK\$329,295,000 is calculated based on 881,443,944 Rights Shares to be issued (in the proportion of three (3) rights share for every one (1) consolidated share held as at the Rights Issue Record Date) at the subscription price of HK\$0.38 per Rights Share, after deduction of the estimated related expenses of approximately HK\$5,654,000, assuming that the Rights Issue had been completed on 30 September 2020.
- (7) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share immediately after completion of the Rights Issue and Share Consolidation is calculated based on 1,175,258,592 shares which comprise 292,321,938 consolidated shares (involves the consolidation of every five (5) Existing Shares into one (1) consolidated share), 1,492,710 consolidated shares arising from the full exercise of the outstanding Share Options and 881,443,944 Rights Shares expected to be issued on the completion of the Rights Issue as at 30 September 2020.
- (8) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2020.

The following is the text of the independent reporting accountants' assurance report dated 25 January 2021 prepared for the sole purpose of inclusion in this circular, received from independent reporting accountants, HLB Hodgson Impey Cheng Limited, in respect of the Unaudited Pro Forma Financial Information of the Group.

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

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

The Directors
Chinlink International Holdings Limited
Suites 5-6, 40/F.
One Exchange Square
8 Connaught Place
Central
Hong Kong

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

To the Directors of Chinlink International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Chinlink International Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets attributable to owners of the Company as at 30 September 2020 and the related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II to the circular dated 25 January 2021 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 82 to 84 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed rights issue of 876,965,814 rights shares (assuming no outstanding share options having been exercised on or before the record date) and 881,443,944 (assuming full exercise of the outstanding share option by the option holders on or before the record date) at HK\$0.38 per rights share (the “**Rights Shares**”) on the basis of three (3) Rights Shares for every one (1) consolidated share of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2020 as if the Rights Issue had taken place on 30 September 2020. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s unaudited consolidated financial statements for the period ended 30 September 2019, on which an interim 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 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

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

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

Reporting Accountants’ Responsibilities

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

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

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

The purpose of the Unaudited Pro Forma Financial Information included in the 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 event or transaction at 30 September 2020 would have been as presented.

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

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

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hong Kong, 25 January 2021

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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**(i) Share Capital as at the Latest Practicable Date**

Authorised: HK\$

| | | |
|----------------------|------------------------------------|--------------------|
| <u>2,000,000,000</u> | Existing Shares of HK\$0.3125 each | <u>625,000,000</u> |
|----------------------|------------------------------------|--------------------|

Issued and fully paid:

| | | |
|----------------------|------------------------------------|-----------------------|
| <u>1,461,609,692</u> | Existing Shares of HK\$0.3125 each | <u>456,753,028.75</u> |
|----------------------|------------------------------------|-----------------------|

(ii) Immediately following the Capital Reorganisation having become effective (assuming no change in the number of issued Existing Shares (or the Adjusted Shares upon the Capital Reorganisation having become effective) from the Latest Practicable Date up to the Effective Date)

Authorised share capital: HK\$

| | | |
|-----------------------|----------------------------------|--------------------|
| <u>62,500,000,000</u> | Adjusted Shares of HK\$0.01 each | <u>625,000,000</u> |
|-----------------------|----------------------------------|--------------------|

Issued and fully paid:

| | | |
|--------------------|----------------------------------|---------------------|
| <u>292,321,938</u> | Adjusted Shares of HK\$0.01 each | <u>2,923,219.38</u> |
|--------------------|----------------------------------|---------------------|

- (iii) **Share Capital immediately following the Capital Reorganisation becoming effective and upon completion of the Rights Issue (assuming no further issue of Adjusted Shares or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares))**

Authorised: *HK\$*

| | | |
|-----------------------|--|--------------------|
| | Adjusted Shares immediately following the Capital Reorganisation becoming effective | |
| <u>62,500,000,000</u> | | <u>625,000,000</u> |

Issued and fully paid:

| | | |
|----------------------|--|----------------------|
| | Adjusted Shares | |
| 292,321,938 | | 2,923,219.38 |
| | Rights Shares to be allotted and issued under the Rights Issue | |
| <u>876,965,814</u> | | <u>8,769,658.14</u> |
| | Shares in issue immediately upon completion of the Rights Issue | |
| <u>1,169,287,752</u> | | <u>11,692,877.52</u> |

- (iv) **Share Capital immediately following the Capital Reorganisation becoming effective and upon completion of the Rights Issue (assuming full exercise of the Remaining Share Options and no other issue or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares))**

Authorised: *HK\$*

| | | |
|-----------------------|--|--------------------|
| | Adjusted Shares immediately following the Capital Reorganisation becoming effective | |
| <u>62,500,000,000</u> | | <u>625,000,000</u> |

Issued and fully paid:

| | | |
|----------------------|---|----------------------|
| 292,321,938 | Adjusted Shares | 2,923,219.38 |
| | Adjusted Shares to be issued upon full exercise of the Remaining Share Options | 14,927.10 |
| 1,492,710 | | |
| <u>881,443,944</u> | Rights Shares to be allotted and issued under the Rights Issue | <u>8,814,439.44</u> |
| | Shares in issue immediately upon completion of the Rights Issue | <u>11,752,585.92</u> |
| <u>1,175,258,592</u> | | |

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

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. As at the Latest Practicable Date, there are 8,241,570 outstanding Share Options, which are exercisable during the period from 24 August 2014 to 16 December 2023 entitling the holders thereof to subscribe for a total of 8,241,570 new Existing Shares at the prevailing exercise price.

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

3. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interest and short positions in shares and underlying shares and debentures of the Company of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or 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 in 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 maintained by the Company referred to therein; or (iii) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Long position in the Shares

| Name of Director | Beneficial owner | Interest of controlled Corporation | Number of Shares held | | Approximate % of interest |
|-----------------------------------|------------------|------------------------------------|---|-------------|---------------------------|
| | | | Interest in underlying shares pursuant to the Share Option Scheme of the Company (Note 2) | Total | |
| Mr. Li Weibin (“ Mr. Li ”) | 53,344,480 | 659,810,560 (Note 1) | 778,018 | 713,933,058 | 61.04% (Note 3) |
| Mr. Siu Wai Yip | – | – | 542,804 | 542,804 | 0.04% (Note 4) |
| Mr. Lau Chi Kit | 200,000 | – | 361,869 | 561,869 | 0.04% (Note 4) |
| Dr. Ho Chung Tai, Raymond | – | – | 361,869 | 361,869 | 0.02% (Note 4) |
| Ms. Chan Sim Ling, Irene | – | – | 180,935 | 180,935 | 0.01% (Note 4) |
| Ms. Lai Ka Fung, May | – | – | 180,935 | 180,935 | 0.01% (Note 4) |

Notes:

1. These Shares are held by Wealth Keeper, the entire issued share capital of which is wholly and beneficially owned by Mr. Li. Accordingly, Mr. Li is deemed to have the same interest as Wealth Keeper by virtue of the SFO.
2. The number of Shares to be issued upon exercise of the Share Options may be adjusted pursuant to the terms of the Share Option Scheme upon the Capital Reorganisation becoming effective. Such adjustment (if any) will be certified by an independent financial adviser or auditors of the Company (as the case may be).
3. Calculation of percentage shareholding of Mr. Li assuming completion of the Rights Issue and no further issue of Adjusted Shares or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares) on or before the Latest Lodging Date.
4. Calculation of percentage shareholding of other Directors are based on actual number of issued Shares as at the Latest Practicable Date.

(b) Substantial Shareholder's interests in Shares

As at the Latest Practicable Date, so far as was known to the Directors, the persons (other than a director or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

| Name | Capacity/Nature | Number of Shares held (Long position) | Interest in underlying shares pursuant to the Share Option Scheme of the Company | Total | Approximate % of Interest (Note 5) |
|-------------------------|------------------|---------------------------------------|--|-------------------------|------------------------------------|
| Wealth Keeper | Beneficial owner | 659,810,560 | - | 659,810,560 | 56.43% |
| Ms. Cao Wei ("Ms. Cao") | Spouse Interest | 713,155,040 (Note 1) | 778,018 (Note 2) | 713,933,058 | 61.04% |
| The Underwriter | Underwriter | 346,577,664 | - | 346,577,664 (Note 3) | 29.53% |

| Name | Capacity/Nature | Number of Shares held (Long position) | Interest in underlying shares pursuant to the Share Option Scheme of the Company | Total | Approximate % of Interest (Note 5) |
|---------------------------------------|------------------------------------|---------------------------------------|--|-------------------------|------------------------------------|
| Emperor Capital Group Limited | Interest of controlled corporation | 346,577,664 | – | 346,577,664 (Note 3) | 29.53% |
| Albert Yeung Capital Holdings Limited | Interest of controlled corporation | 346,577,664 | – | 346,577,664 (Note 3) | 29.53% |
| CDM Trust & Board Services AG | Trustee | 346,577,664 | – | 346,577,664 (Note 3) | 29.53% |
| Dr. Yeung Sau Shing, Albert | Founder of a discretionary trust | 346,577,664 | – | 346,577,664 (Note 3) | 29.53% |
| Ms. Luk Siu Man, Semon | Interest of spouse | 346,577,664 | – | 346,577,664 (Note 3) | 29.53% |
| Get Nice Securities Limited | Beneficial owner | 116,000,000 | – | 116,000,000 (Note 4) | 9.87% |
| Get Nice Incorporated | Interest in controlled corporation | 116,000,000 | – | 116,000,000 (Note 4) | 9.87% |
| Get Nice Holdings Limited | Interest in controlled corporation | 116,000,000 | – | 116,000,000 (Note 4) | 9.87% |
| Get Nice Financial Group Limited | Interest in controlled corporation | 116,000,000 | – | 116,000,000 (Note 4) | 9.87% |
| Honeylink Agents Limited | Interest in controlled corporation | 116,000,000 | – | 116,000,000 (Note 4) | 9.87% |
| Hung Hon Man | Interest in controlled corporation | 116,000,000 | – | 116,000,000 (Note 4) | 9.87% |

Notes:

1. Ms. Cao, being the spouse of Mr. Li, is deemed to have the same interests of Mr. Li by virtue of the SFO.
2. These underlying shares, i.e. the Share Options, are held by Mr. Li, the spouse of Ms. Cao. Accordingly, Ms. Cao is deemed to be interested in the 778,018 underlying shares by virtue of the SFO. The number of Shares to be issued upon exercise of the Share Options may be adjusted pursuant to the terms of the Share Option Scheme upon the Capital Reorganisation becoming effective. Such adjustment (if any) will be certified by an independent financial adviser or auditors of the Company (as the case may be).
3. The 346,577,664 Shares are the Rights Shares in which the Underwriter is interested under the Underwriting Agreement assuming no Qualifying Shareholders, other than Mr Li and Wealth Keeper, take up their Rights Shares. The Underwriter is wholly owned by Emperor Capital Investment Holdings Limited, a wholly owned subsidiary of Emperor Capital Group Limited which in turn is owned as to 42.72% by Emperor Capital Group Holdings Limited (a wholly owned subsidiary of Albert Yeung Capital Holdings Limited). Albert Yeung Capital Holdings Limited is held by CDM Trust & Board Services AG, a trustee for a private trust, the founder of which is Dr. Yeung Sau Shing, Albert. Ms. Luk Siu Man, Semon is the spouse of Dr. Yeung Sau Shing, Albert and is deemed or taken to be interested in all the Shares in which Dr. Yeung Sau Shing, Albert has, or is deemed to have, an interest for the purpose of the SFO.
4. Get Nice Securities Limited has deemed interest in 116,000,000 Shares by virtue of itself acting as a sub-underwriter agreeing to sub-underwrite the said shares in relation to the Rights Issue. Get Nice Securities Limited is wholly owned by Get Nice Incorporated which is in turn wholly owned by Get Nice Financial Limited. Get Nice Holdings Limited has 72.99% interest in issued shares of Get Nice Financial Limited. Get Nice Holdings Limited is owned as to 61.32% by Honeylink Agents Limited which is wholly owned by Hung Hon Man. Get Nice Incorporated, Get Nice Financial Limited and Get Nice Holdings Limited are deemed to be interested in the Shares held by Get Nice Securities Limited.
5. Calculation of percentage shareholding assuming completion of the Rights Issue and assuming no further issue of Adjusted Shares or repurchase of Shares on or before the completion of the Rights Issue (other than issue of the Rights Shares) on or before the Latest Lodging Date.

Save as disclosed above, as at Latest Practicable Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO. Save as Mr. Li, being the director of Wealth Keeper, as at the Latest Practicable Date, none of the directors nor chief executive of the Company is a director or employee of a company which has an interest or short position in the shares and underlying shares of the issuer which would fall to be disclosed to the issuer under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined under the Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS

On 24 December 2019, 匯景國際(西安)信息科技有限公司 (Real King International (Xi'an) Information Technology Company Limited*) (“**Real King**”) (an indirect wholly-owned subsidiary of the Company) entered into the lease agreements with 西安浩華置業有限公司 (Xi'an Hao Hua Zhi Ye Company Limited*) (“**Hao Hua**”) and 西安聯鼎企業管理諮詢有限公司 (Xi'an Lian Ding Enterprise Management Consulting Company Limited*) (“**Lian Ding**”) respectively (collectively, the “**Lease Agreements**”), pursuant to which Real King agreed to lease certain office premises (the “**Premises**”) of Chinlink International Centre (“**CIC**”) to Hao Hua and Lian Ding at the annual rental of RMB739,000 and RMB1,212,000 respectively. The term of the Lease Agreements was from 25 December 2019 to 31 March 2022.

On 24 December 2019, 普匯中金商業運營管理(西安)有限公司 (Chinlink Commercial Operation Management (Xi'an) Company Limited*) (“**Chinlink Commercial**”) (an indirect wholly-owned subsidiary of the Company) also entered into the property management services agreements in relation to the Premises with Hao Hua and Lian Ding respectively (collectively, the “**Services Agreements**”), pursuant to which Chinlink Commercial agreed to provide property management services to Hao Hua and Lian Ding at the annual property management services fees of RMB1,349,000 and RMB1,724,000 respectively and other utilities fees. The term of the Services Agreements was from 25 December 2019 to 31 March 2022.

Due to the outbreak of the COVID-19 pandemic, there had been a delay in the commencement of lease of CIC and accordingly the receipt of rental/management services income from all tenants (including Hao Hua and Lian Ding) were delayed. Except for the postponement of the commencement date of the rental/management services from 25 December 2019 to 1 April 2020, other terms of the Lease Agreements and the Services Agreements remained unchanged and valid. The ending dates of the term of both the Lease Agreements and the Services Agreements remained the same as mentioned above, that is, 31 March 2022.

As 60% of the equity interest of Hao Hua and 99% of the equity interest of Lian Ding are held by Mr. Li, Hao Hua and Lian Ding are connected persons of the Company and the transactions contemplated under the Lease Agreements and the Services Agreements constituted continuing connected transactions of the Company under the Listing Rules. Further details of the above agreements are set out in the announcement of the Company dated 24 December 2019.

* For identification purposes only

The rental charged to Hao Hua and Lian Ding was based on the terms of the Lease Agreements entered into between Real King and other tenants of CIC (who are third parties independent of the Company and its connected persons) and market rental for similar properties nearby and having taken into account the availability of similar premises nearby and the cost of relocation. The property management services fee charged to Hao Hua and Lian Ding was based on the scope of services provided, the terms of property management services agreements entered into between Chinlink Commercial and other customers of CIC (who are third parties independent of the Company and its connected persons) and the market services fee for similar properties nearby. The other utilities fees payable under the Services Agreements were determined with reference to the cost of providing these utilities services, the fee charged to other customers of CIC (who are third parties independent of the Company and its connected persons) and the market services fee for similar properties nearby.

Saved as disclosed above, as at the Latest Practicable Date, (i) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 March 2020, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) there was no contract or arrangement entered into by any member of the Group subsisting, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

6. DIRECTORS' SERVICE CONTRACTS

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

7. LITIGATION

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

8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date and are or may be material:

- the Underwriting Agreement;
- on 23 July 2020, the Company and Emperor Securities Limited entered into a placing agreement for the placing of bonds issued by the Company in an aggregate principal amount of up to HK\$100 million;

- on 12 December 2019, Chinlink Mega Limited, an indirect wholly-owned subsidiary of the Company, as vendor and 西安曲江文化金融控股(集團)有限公司 (Xian Qujiang Cultural Financial Holdings Limited*) as purchaser entered into a disposal agreement for the sell and purchase of 37.5% of the equity interest in 普匯中金融租賃有限公司 (Chinlink Finance Lease Company Limited* for a consideration of approximately RMB93.2 million (equivalent to approximately HK\$103.5 million));
- on 2 September 2019, Chinlink International Trade Centre (Hanzhong) Company Limited* (普匯中金國際交易中心(漢中)有限公司), an indirect wholly-owned subsidiary of the Company, and Hanzhong City Zhenxing Agricultural Services Company Limited* (漢中市振興鄉村產業服務有限公司) entered into a cooperation agreement in relation to the capital injection of RMB200.0 million (equivalent to approximately HK\$220.0 million) into Hanzhong City Tiannong Chinese Pharmaceutical Development Company Limited* (漢中市天農漢藥產業發展有限公司); and
- on 30 July 2019, the Company and Emperor Securities Limited entered into a placing agreement for the placing of bonds issued by the Company in an aggregate principal amount of up to HK\$200 million.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

| Name | Qualifications |
|---------------------------------|---|
| HLB Hodgson Impey Cheng Limited | Certified Public Accountants, Hong Kong |
| Optima Capital Limited | A licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO |

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

* For identification purposes only

As at the Latest Practicable Date, none of the above experts had any direct or indirect interest in any assets which had been, since 31 March 2020 (the date to which the latest published audited financial statements of the Group were made up), acquired, disposed of by or leased to, or were proposed to be acquired, disposed of by or leased to any member of the Group.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

| | |
|--|--|
| Registered Office | Clarendon House 2 Church Street Hamilton HM 11 Bermuda |
| Head Office and Principal Place of Business in Hong Kong | Suites 5-6, 40/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong |
| Authorised Representatives | Mr. Siu Wai Yip Suites 5-6, 40/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong Ms. Lau Wai Har Suites 5-6, 40/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong |
| Company Secretary | Ms. Lau Wai Har |
| Auditor/Reporting Accountants | HLB Hodgson Impey Cheng Limited <i>Certified Public Accountants</i> 31/F, Gloucester Tower The Landmark, 11 Pedder Street Central, Hong Kong |

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| Principal Bankers | The Hongkong and Shanghai Banking Corporation Limited OCBC Wing Hang Bank Limited DBS Bank (Hong Kong) Limited China Minsheng Banking Corporation Limited Industrial and Commercial Bank of China Limited Industrial and Commercial Bank of China (Asia) Limited Bank of Xi'an Company Limited Bank of Ningxia Company Limited Bank of Chang'an Company Limited |
| Principal Share Registrar and Transfer Office | Ocorian Management (Bermuda) Limited Victoria Place, 5th Floor, 31 Victoria Street Hamilton HM10 Bermuda |
| Hong Kong Branch Share Registrar and Transfer Office | Tricor Standard Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong |
| Legal Advisers to the Company | <i>as to Hong Kong law:</i> Michael Li & Co. 19/F., Prosperity Tower No. 39 Queen's Road Central Central, Hong Kong <i>as to Bermuda law:</i> Walkers (Hong Kong) 15/F Alexandra House 18 Chater Road, Central Hong Kong |
| Underwriter | Emperor Securities Limited 23-24/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong |
| Financial adviser to the Company | Emperor Capital Limited 23/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong |

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| Independent financial adviser to the Independent Board Committee and the Independent Shareholders | Optima Capital Limited Suite 1501, 15th Floor, Jardine House 1 Connaught Place Central, Hong Kong |
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11. PARTICULARS OF DIRECTORS

Executive Directors

Mr. LI Weibin (“**Mr. Li**”), aged 50, joined the Group as an executive Director since 27 January 2012 and was re-designated as Chairman and Managing Director of the Company on 18 February 2012. Mr. Li holds a Bachelor’s degree in Applied Electronics from Xi’an Technological University and an Executive Master in Business Administration from Xi’an Jiaotong University. Since early 2000, Mr. Li has been engaged in research, production and sales of electronic components and materials, computer software and hardware as well as research and sales of computer related equipment. He has also been engaged in property development, planning and sales, management, and other property related investments, cultural and entertainment businesses. His businesses are present in Beijing, Xi’an and Hong Kong.

Mr. SIU Wai Yip (“**Mr. Siu**”), aged 64, joined the Group as an executive Director since 27 January 2012. Mr. Siu holds a Bachelor of Arts degree from The University of Hong Kong. He has over 10 years’ of experience in banking and financing and previously held executive positions at various major international banks, with specialization in trade financing and corporate banking. Prior to joining the Group, he was appointed as an executive director of Matsunichi Communication Holdings Limited (now known as Goldin Properties Holdings Limited, stock code: 283) from January 2005 to February 2006. He was an executive director of Vincent Intertrans (Holdings) Limited (now known as Shanghai Industrial Urban Development Group Limited, stock code: 563) from July 1998 to May 1999. The shares of these two companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Mr. LAU Chi Kit (“**Mr. Lau**”), aged 76, joined the Group as an independent non-executive Director since 18 February 2012, and he was re-designated as an executive Director on 18 September 2013. Mr. Lau retired from The Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) in late December 2000 after more than 35 years’ of service. Amongst the major positions at HSBC, he served as Assistant General Manager and Head of Personal Banking Hong Kong and Assistant General Manager and Head of Strategic Implementation, Asia-Pacific Region. Mr. Lau is a Fellow of the Hong Kong Institute of Bankers (the “**Institute**”). He served as the Chairman of the Institute’s Executive Committee (from January 1999 to December 2000) and is currently the Honorary Advisor of the Institute’s Executive Committee. He has served as a Member on a number of

committees appointed by the Government of Hong Kong Special Administrative Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission's Privacy Sub-committee (from February 1990 to March 2006). Mr. Lau also served as a Chairman of Business Environment Council Limited (from September 1998 to December 2001). Currently, he is also an independent non-executive director of Century Sunshine Group Holdings Limited (stock code: 509), Royale Furniture Holdings Limited (stock code: 1198), Leoch International Technology Limited (stock code: 842) and Hin Sang Group (International) Holding Co. Ltd. (stock code: 6893), and was an independent non-executive director of Hang Pin Living Technology Company Limited (previously known as Hua Long Jin Kong Company Limited and Highlight China IoT International Limited and Ford Glory Group Holding Limited, stock code: 1682) from September 2010 to September 2017 and Janco Holdings Limited (Stock code: 8035) from March 2017 to September 2019. Except for Janco Holdings Limited with its shares listed on the Growth Enterprise Market of the Stock Exchange, all the shares of the companies mentioned above are listed on the Main Board of the Stock Exchange.

Independent Non-executive Directors

Dr. HO Chung Tai, Raymond (“**Dr. Ho**”), aged 81, joined the Group as an independent non-executive Director since 17 December 2013. Dr. Ho is a former member of the Legislative Council (1996-2012), a former Hong Kong Deputy to the 10th & 11th National People's Congress and the past President of the Hong Kong Institution of Engineers (1987-1988). He holds a Doctorate in Civil Engineering from City University of London, United Kingdom; an Honorary Doctorate of Laws from The University of Manchester, United Kingdom; an Honorary Doctorate of Business Administration from City University of Hong Kong; a Bachelor of Science degree in Engineering from The University of Hong Kong; and a Postgraduate Diploma in Geotechnical Engineering from The University of Manchester, United Kingdom. Currently, Dr. Ho is the Chairman of the Advisory Committee for the Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee (2005-present) and Professional Advisor to The Ombudsman of Hong Kong (Engineering and Surveying) (1995-2013, 2015-present). He has served as a Board Member of the Airport Authority Hong Kong (2008-2014), the former Chairman of the Hong Kong Trade Development Council Infrastructure Development Advisory Committee (2009-2013) and the Founding Council Chairman of City University of Hong Kong (1992-1994). He is also an independent non-executive director of GCL-Poly Energy Holdings Limited (stock code: 3800), Deson Development International Holdings Limited (stock code: 262), Fu Shek Financial Holdings Limited (stock code: 2263), AP Rentals Holdings Limited (stock code: 1496) and Superland Group Holdings Limited (stock code:

368). He was an independent non-executive director of China State Construction International Holdings Limited (stock code: 3311) from June 2005 to June 2019. He also acted as the chairman and a non-executive director of Veson Holdings Limited (formerly known as SCUD Group Limited) (stock code: 1399) from September 2018 to May 2020 and from September 2018 to June 2020 respectively. The shares of these seven companies mentioned above are listed on the Main Board of the Stock Exchange.

Ms. LAI Ka Fung, May (“**Ms. Lai**”), aged 54, joined the Group as an independent non-executive Director since 18 February 2012. Ms. Lai obtained a Master of Arts in International Accounting from City University of Hong Kong in 2001. She has been a Member of the Hong Kong Institute of Certified Public Accountants since 1999 and is a Fellow of The Association of Chartered Certified Accountants since 2003. She is the sole proprietor of May K. F. Lai & Co., Certified Public Accountant and has been engaged in the audit field for more than 20 years. She is also an independent non-executive director of Emperor Entertainment Hotel Limited (stock code: 296) and was an independent non-executive director of Emperor Watch & Jewellery Limited (stock code: 887) from June 2008 to May 2017. The shares of these two companies mentioned above are listed on the Main Board of the Stock Exchange.

Ms. CHAN Sim Ling, Irene (“**Ms. Chan**”), aged 58, joined the Group as an independent non-executive Director since 18 February 2012. She graduated with a Bachelor of Laws degree from The University of Hong Kong in 1985. Ms. Chan is a retired solicitor with over 20 years’ of experience serving as an independent non-executive director of listed companies. She is an independent non-executive director of Emperor Culture Group Limited (previously known as See Corporation Limited, stock code: 491) and Emperor Watch & Jewellery Limited (stock code: 887). She was also an independent non-executive director of Emperor Entertainment Hotel Limited (stock code: 296) from May 1998 to August 2013 and New Media Group Holdings Limited (now known as Evergrande Health Industry Group Limited, stock code: 708) from November 2013 to March 2015. The shares of these four companies mentioned above are listed on the Main Board of the Stock Exchange.

Business address of the Directors

The business address of the Directors is the same as the Company’s head office and principal place of business in Hong Kong located at Suites 5-6, 40/F, One Exchange Square, 8 Connaught Place Central, Hong Kong.

12. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$5.6 million and are payable by the Company.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Suites 5-6, 40/F, One Exchange Square, 8 Connaught Place Central, Hong Kong, from the date of this circular up to and including the date of the SGM:

- (i) the memorandum of association and the bye-laws of the Company;
- (ii) the annual reports of the Company for the two financial years ended 31 March 2019 and 31 March 2020 and the interim report of the Company for the six months ended 30 September 2020;
- (iii) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;
- (iv) the letter of advice from Optima Capital, the text of which is set out on pages 41 to 73 of this circular;
- (v) the independent reporting accountants' assurance report on the unaudited pro forma financial information of the Group issued by HLB Hodgson Impey Cheng Limited set out in Appendix II to this circular;
- (vi) the written consents referred to in the paragraph under the heading "Experts and Consents" in this Appendix;
- (vii) the material contracts disclosed in the paragraph under the heading "Material Contracts" in this Appendix; and
- (viii) this circular.

14. GENERAL

In case of inconsistency, the English text of this circular, the accompanying notice of the SGM and form of proxy shall prevail over its Chinese text.

NOTICE OF SGM



CHINLINK

普匯中金

CHINLINK INTERNATIONAL HOLDINGS LIMITED

普匯中金國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 0997)

NOTICE OF SGM

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of Chinlink International Holdings Limited (the “**Company**”) will be held at 11:00 a.m. on Wednesday, 17 February 2021 at Suites 5-6, 40/F., One Exchange Square, 8 Connaught Place, Central, Hong Kong for the purposes of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

SPECIAL RESOLUTION

1. “**RESOLVED THAT**, conditional upon (i) the compliance with the relevant procedures and requirements under the Companies Act 1981 of Bermuda (as amended) and the laws of Bermuda; to effect the Capital Reduction (as defined below) and; (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting approval of the listing of, and the permission to deal in, the Adjusted Shares (as defined below) in issue, with effect from the second business day immediately following the date of passing this resolution or the above conditions are fulfilled (whichever is the later) (the “**Effective Date**”):
 - (a) every five (5) issued shares of the Company of par value of HK\$0.3125 each (the “**Existing Shares**”) in the share capital of the Company be and is hereby consolidated into one (1) consolidated share of par value of HK\$1.5625 (the “**Consolidated Share**”) in share capital of the Company (the “**Share Consolidation**”);
 - (b) immediately upon the Share Consolidation becoming effective, (i) the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation; and (ii) the par value of each of

* For identification purposes only

NOTICE OF SGM

the then issued Consolidated Shares be and is hereby reduced from HK\$1.5625 to HK\$0.01 (the “**Adjusted Shares**” and each an “**Adjusted Share**”) by cancelling the paid up capital of the Company to the extent of HK\$1.5525 on each of the then issued Consolidated Shares (the “**Capital Reduction**”);

- (c) immediately following the Capital Reduction, all the authorised but unissued share capital of the Company (which shall include the authorised but unissued share capital arising from the Capital Reduction) will be cancelled and forthwith upon such cancellation, the authorised share capital of the Company be increased to HK\$625,000,000 by the creation of such number of additional Adjusted Shares as shall be sufficient to increase the authorised share capital of the Company to HK\$625,000,000 divided into 62,500,000,000 Adjusted Shares (the “**Diminution and Increase**”);
- (d) all credits arising as a result of the Capital Reduction be transferred to the contributed surplus account of the Company for use by the board of directors of the Company (the “**Directors**”) in any manner permitted by the Companies Act 1981 of Bermuda and the bye-laws of the Company (together with Share Consolidation, Capital Reduction and Diminution and Increase, shall comprise the “**Capital Reorganisation**”); and
- (e) each of the Adjusted Shares shall rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum of continuance and the bye-laws of the Company; and
- (f) any one Director be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Capital Reorganisation.”

ORDINARY RESOLUTION

- 2. “**RESOLVED THAT** subject to the passing of resolution number 1 above and conditional upon:
 - (a) 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); and

NOTICE OF SGM

- (b) the fulfillment of the conditions set out in the underwriting agreement dated 14 December 2020 (as supplemented on 8 January 2021) (the “**Underwriting Agreement**”), entered into among the Company as issuer, Emperor Securities Limited (the “**Underwriter**”) as underwriter, Mr Li Weibin and Wealth Keeper International Limited becoming unconditional and the Underwriting Agreement not being terminated in accordance with the terms thereof prior to 4: 00 p.m. on the third business day after the last day for acceptance of Rights Shares (as defined below),
- (i) the issue by way of rights issue (the “**Rights Issue**”) of not less than 876,965,814 Adjusted Shares (each a “**Right Share**”) (assuming no exercise of the Vested Share Options (as defined in the circular (the “**Circular**”) of the Company dated 25 January 2021 on or before the Latest Lodging Date (as defined in the Circular)) and not more than 881,443,944 Rights Shares (assuming full exercise of the Remaining Share Options (as defined in the Circular) at the subscription price of HK\$0.38 per Rights Share to the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on record date (the “**Record Date**”) of the Rights Issue as determined and announced by the board of Directors (excluding those Shareholders with registered addresses outside Hong Kong whom the Directors consider it necessary or expedient to exclude after making the relevant enquiries regarding the legal restrictions under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where those overseas Shareholders reside) on the basis of three Rights Shares for every one Share then held by Qualifying Shareholders on the Record Date be and is hereby approved;
- (ii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to and in connection with the Rights Issue as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company;
- (iii) the Underwriting Agreement and the transactions contemplated thereby (including but not limited to the arrangement for the taking up of the unsubscribed Rights Shares, if any, by the Underwriter) be and are hereby approved, confirmed and ratified; and

NOTICE OF SGM

- (iv) any one Director be and is hereby authorised to sign and execute such documents and do all such acts and things incidental to the Rights Issue or as they consider necessary, desirable or expedient in connection with the implementation of or giving effect to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.”

By order of the Board
Chinlink International Holdings Limited
Mr. Li Weibin
Chairman

Hong Kong, 25 January 2021

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and Principal Place of of
business in Hong Kong:*
Suites, 5-6, 40/F,
One Exchange Square
8 Connaught Place,
Central 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 proxy to attend and, subject to the provisions of the articles of association of the Company, vote in on his/her behalf. A proxy need not be a member of the Company but must be present in person at the meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the proxy form together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, must be deposited at the offices of the Company's Hong Kong branch share registrar and transfer office, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of proxy form will not preclude a shareholder of the Company from attending in person and voting at the meeting or any adjournment thereof, should he/she so wish.
3. A proxy form in respect of the meeting is enclosed. Whether or not you intend to attend the meeting in person, all members are urged to complete and return the proxy form in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting if they so wish.
4. Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in this notice will be decided by poll at the SGM.
5. If Typhoon Signal No.8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the SGM, the SGM will be postponed. Members may visit the website of the Company for details of the postponement and alternative meeting arrangement.
6. The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English Version shall prevail.