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Hong Kong Education (Int'l) Investments Limited
香港教育（國際）投資集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 1082)

**SHARE TRANSACTION –
ACQUISITION OF 60% ISSUED SHARE CAPITAL OF
THE TARGET INVOLVING ISSUE OF
CONSIDERATION SHARES UNDER GENERAL MANDATE**

THE ACQUISITION

The Board wishes to announce that after trading hours on 30 April 2021, the Purchaser, a direct wholly-owned subsidiary of the Company, the Vendor and the Warrantor entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares, representing 60% of the issued share capital of the Target.

The Consideration for the Acquisition is HK\$19,200,000, which shall be settled by way of allotment and issue of 15,360,000 Consideration Shares to the Vendor (or to the Warrantor, if so directed by the Vendor) at Completion. The Consideration Shares will be issued under the General Mandate. The Consideration Shares represent (i) approximately 2.64% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company).

IMPLICATION UNDER THE LISTING RULES

As the highest relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is less than 5%, the Acquisition constitutes a share transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

The Board wishes to announce that after trading hours on 30 April 2021, the Purchaser, the Vendor and the Warrantor entered into the SP Agreement in respect of the Acquisition.

The principal terms of the SP Agreement are set out below:

THE SP AGREEMENT

Date

30 April 2021

Parties

Purchaser: Noble Heartland Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company.

Vendor: Full Creative Limited, a company incorporated in Hong Kong with limited liability.

Warrantor: Mr. Leung Wing Lun, Alan.

The Warrantor is the sole shareholder of the Vendor and the chief executive officer of the Target Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and the Warrantor is an Independent Third Party and the Vendor is principally engaged in investment holding. The Warrantor joined as a party to the SP Agreement to guarantee the performance of the Vendor's obligations under the SP Agreement.

Assets to be acquired

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares with effect from Completion free from all encumbrances together with all rights now or hereafter attaching thereto including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date.

The Sale Shares represent 60% of the entire issued share capital of the Target.

Consideration

The Consideration payable by the Purchaser to the Vendor is HK\$19,200,000, which shall be settled by way of allotment and issue to the Vendor (or to the Warrantor, if so directed by the Vendor) of 15,360,000 Consideration Shares, credited as fully paid, at an issue price of HK\$1.25 per Consideration Share at Completion.

The Consideration Shares represent (i) approximately 2.64% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 2.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change to the share capital of the Company).

The issue price of the Consideration Shares (i.e. HK\$1.25) represents:

- (i) a discount of approximately 13.19% to the closing price of HK\$1.44 per Share as quoted on the Stock Exchange on the date of the SP Agreement; and
- (ii) a discount of approximately 9.02% to the average closing price of HK\$1.374 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the SP Agreement.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor on normal commercial terms with reference to the Valuation and the business prospects of the Target Group. Pursuant to the Valuation Report, the Valuer determined that the fair value of the Sale Shares as at 31 December 2020 was approximately HK\$22,618,000. The Valuer has used income approach for the valuation of the fair value of the Sale Shares.

Profit guarantee

The Vendor undertakes to the Purchaser that the Actual Aggregate Profit shall be not less than HK\$16,000,000.

In the event that the Actual Aggregate Profit is less than HK\$16,000,000, the Vendor agrees to refund an amount to the Purchaser (“**Shortfall Compensation**”). The Shortfall Compensation shall be calculated in accordance with the following formula:

$$\text{Shortfall Compensation} = (\text{HK\$16,000,000} - \text{Actual Aggregate Profit}) \div 3 \times 60\% \times 6$$

Provided in any case, the maximum amount of the Shortfall Compensation refundable by the Vendor to the Purchaser shall not exceed HK\$16,000,000.

The Shortfall Compensation shall be paid by the Vendor in cash on a dollar-to-dollar basis to the Purchaser (or at its direction) within 14 Business Days after the day on which FY2024 Combined Accounts are delivered to the Purchaser (“**Compensation Deadline**”). In the event that the Vendor fails to pay the Shortfall Compensation in full on or before the Compensation Deadline, the Warrantor undertakes to pay the shortfall to the Purchaser (or at its direction) within 28 Business Days after the Compensation Deadline.

The Vendor shall deliver to the Purchaser the FY2022 Combined Accounts, FY2023 Combined Accounts and FY2024 Combined Accounts by no later than 92 calendar days after the date to which such accounts are made up, failing which the FY2022 Amount, FY2023 Amount and FY2024 Amount for the relevant year shall be deemed to be zero.

The Vendor and the Warrantor shall be released from all its obligations and liabilities in respect of the Shortfall Compensation:

- (1) if the Purchaser is in material breach of the provisions in the clause relating to the Shortfall Compensation; or
- (2) upon the occurrence of a Force Majeure Event during the period up to the financial year ending 30 June 2024 (“**Relevant Period**”);

A Force Majeure Event shall mean any event of force majeure or series of event of force majeure, in Hong Kong, which is or are beyond the reasonable control of the Vendor, including, without prejudice to the generality of the foregoing, the following; war or civil war (whether declared or not), other hostilities (including terrorism, sabotage, vandalism, riot, insurrection, revolution or other civil commotion), explosion, bombing, fire, flood, storm, earthquake, hurricanes, tornado, drought, disease, other acts of God or elements, accident, that, materially and adversely and continuously affects the business of the Group as a whole; or

- (3) if the Company has been delisted before the Compensation Deadline and at the time of delisting, the Consideration Shares are beneficially owned by the Vendor or the Warrantor; or
- (4) if the Share is being suspended from trading in the Stock Exchange for over 50 consecutive Business Days after the Compensation Deadline and during such period, the Consideration Shares are beneficially owned by the Vendor or the Warrantor; or
- (5) the Warrantor is being dismissed as the chief executive officer of the Target Group by the Purchaser during the Relevant Period.

Conditions precedent

Completion shall be conditional upon the following conditions precedent:

- (1) the Stock Exchange having granted or having agreed to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Consideration Shares;
- (2) the Purchaser having carried out and completed the legal and financial due diligence review pursuant to the SP Agreement of the Target Group and being satisfied (i) with the business, assets, financial position and prospects of the Target Group in all material respects; and (ii) that there has been no material adverse change in the business, assets and financial position of the Target Group;
- (3) the Purchaser being satisfied that (i) all Warranties remain true and correct in all material respects; and (ii) the Vender has or, as appropriate, will have carried out and complied with the undertakings contained in the SP Agreement;

- (4) all requisite consents, licences and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and the performance of the SP Agreement and the transactions contemplated hereunder having been obtained by the Vendor, the Purchaser, the Warrantor and/or any member of the Target Group, and if subject to conditions, on such conditions acceptable to the Purchaser, and such consents, licenses and approval remaining in full force and effect and not being revoked; and
- (5) the consummation of the transactions contemplated pursuant to the SP Agreement not having been restrained, enjoined or otherwise prohibited by any applicable laws and regulations, including any order, injunction, decree or judgment of any court or other governmental authority.

The Purchaser may waive any of the conditions precedent referred to in paragraphs (2) and (3) above at any time before the Long Stop Date by written notice to the Vendor. If any of the above conditions precedent have not been fulfilled or waived at or before 5:00 p.m. Hong Kong time on the Long Stop Date, all rights and obligations of the parties under the SP Agreement shall cease and terminate (save for the provisions on interpretation, rescission, confidentiality and restriction on announcements, costs and expenses, miscellaneous, notices and governing law and jurisdiction which shall remain in full force and effect), and no party shall have any claim against the other save for claim (if any) in respect of such continuing provisions or any antecedent breach of the SP Agreement.

Completion

Upon fulfillment or waiver of all the above conditions precedent, Completion shall take place on the Completion Date. Upon Completion, the Target Group will become indirect non wholly-owned subsidiaries of the Company and the financial results of the Target Group will be consolidated with the results of the Group.

Deed of indemnity

Pursuant to the SP Agreement, upon Completion, the Vendor and the Warrantor shall enter into a deed of indemnity in favour of the Purchaser and the Target Group regarding certain indemnities in relation to taxation.

Deed of non-competition

Pursuant to the SP Agreement, upon Completion, the Warrantor shall enter into a deed of non-competition under which the Warrantor undertakes to the Purchaser that he shall not, either alone or jointly with, through (which includes by ownership of any share or any other means of direct or indirect Control) or on behalf of (whether as director, partner, consultant, manager, adviser, employee, agent or otherwise) any person or entity other than any member of the Target Group, directly or indirectly, without the prior written consent of the Purchaser:

- (1) carry on or be engaged or interested in or assist, directly or indirectly, whether as shareholder, director, partner, agent or otherwise, any business of the Target Group in the Restricted Business;
- (2) seek to (a) procure orders from; (b) do business with; or (c) procure directly or indirectly any other person to procure orders from or do business with, any person who is or has been a customer of the Target Group at the Relevant Time or at any time in the 12 months prior to such time;
- (3) solicit or contact with a view to his engagement or employment by such party or another person, a director, officer, employee or manager of the Target Group or a person who was a director, officer, employee or manager of the Target Group at any time during the 12 months prior to the date of such solicitation or contact; or
- (4) seek to contract with or engage any person who has been contracted with or engaged to distribute, manufacture, assemble, supply or deliver products, goods, materials or services to any member of the Target Group at the Relevant Time or at any time in the 12 months prior to such time.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the British Virgin Islands with limited liability on 4 March 2021 and is principally engaged in investment holding. The Target holds 100% interest in GO VR, a company incorporated in Hong Kong with limited liability on 3 October 2016 and 100% interest in Digital Plus, a company incorporated in Hong Kong with limited liability on 26 June 2019. GO VR is an equipment, service and content provider specialising in the Virtual Reality technology and is a content and solution provider in the STEAM education industry. Digital Plus is principally engaged in digital entertainment industry.

Since the Target was only incorporated on 4 March 2021 for holding GO VR and Digital Plus, no consolidated financial information of the Target Group is made available as at the date of the SP Agreement. Certain financial information of the Target, GO VR and Digital Plus are set out below:

The Target

	For the period from 4 March 2021 (date of incorporation) to 15 April 2021 <i>HK\$</i> (unaudited)
Turnover	–
Loss before and after tax	11,000

The unaudited total asset value and net liabilities of the Target as at 15 April 2021 were HK\$10,100 and HK\$3,200 respectively.

GO VR

	For the year ended 31 March 2020 <i>HK\$</i> (audited)	For the year ended 31 March 2019 <i>HK\$</i> (audited)
Turnover	573,540	520,988
Loss before and after tax	4,089	10,721

The unaudited total asset value and net liabilities of GO VR as at 31 December 2020 were HK\$382,941 and HK\$75,229 respectively.

Digital Plus

For the period from
26 June 2019
(date of incorporation) to
31 December 2020
HK\$
(unaudited)

Turnover	–
Loss before and after tax	12,816

The unaudited total asset value and net liabilities of Digital Plus as at 31 December 2020 were nil and HK\$12,716 respectively.

INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is principally engaged in the provision of private educational services, investment in securities and money lending business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Board considers that the Acquisition will enable the Group to expand its business portfolio, diversify its income source and possibly enhance its financial performance.

The terms of the SP Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately following the Completion and the allotment and issue of the Consideration Shares:

Shareholders	As at the date of this announcement		Immediately following the Completion and the allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>	<i>Number of Shares</i>	<i>Approximate percentage (%)</i>
BRADBURY INVESTMENT FUND (SPC) LIMITED – BRADBURY GLOBAL OPPORTUNITY FUND SP	76,064,000	13.09	76,064,000	12.75
The Vendor	–	–	15,360,000	2.58
Other public Shareholders	505,006,880	86.91	505,006,880	84.67
Total	<u>581,070,880</u>	<u>100.00</u>	<u>596,430,880</u>	<u>100.00</u>

GENERAL MANDATE

The Consideration Shares will be issued under the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 20% of the total number of the issued Shares on the date of passing such resolution on 4 December 2020 (i.e. up to 116,214,176 Shares). Up to the date of this announcement, no Share has been allotted or issued pursuant to the General Mandate. Accordingly, the issue of the Consideration Shares is not subject to any further approval of the Shareholders.

APPLICATION FOR LISTING OF THE CONSIDERATION SHARES

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares to be allotted and issued shall rank *pari passu* among themselves and with all Shares in issue on the Completion Date.

PROFIT FORECAST PURSUANT TO RULE 14.61 OF THE LISTING RULES

The Valuation on the Sale Shares constitutes a “profit forecast” pursuant to Rule 14.61 of the Listing Rules and is therefore subject to the following disclosure requirements as set out in Rule 14A.68(7) of the Listing Rules:

The principal assumptions on which the Valuation on the Sale Shares has been based are as follows:

- (1) There will be no major changes in the existing political, legal and economic conditions in the jurisdiction where the Target Group currently operates or will operate, which will materially affect the revenue attributable to the Target Group;
- (2) There will be no major changes in the current taxation law in the jurisdiction where the Target Group currently exposes to or will expose to, which will materially affect the revenue attributable to the Target Group, that the rates of tax payable remain unchanged and that all applicable laws and regulations will be complied with;
- (3) Exchange rates and interest rates will not differ materially from those presently prevailing;
- (4) The financial projections in respect of the Target Group were prepared on a reasonable basis; and
- (5) Economic conditions will not deviate significantly from economic forecasts.

CCTH CPA Limited, the reporting accountants of the Company (“**Reporting Accountants**”) confirmed that they have performed procedures on the arithmetical calculations and compilation of the discounted future estimated cash flows of the Target Group on which the Valuation was based, but did not report on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based. The Reporting Accountants’ work does not constitute any valuation of the Sale Shares, or an expression of an audit or review opinion of the valuation of the Sale Shares.

A report from the Reporting Accountants is included in Appendix I to this announcement in compliance with Rule 14.62(2) of the Listing Rules.

The Board confirmed that it was satisfied that the discounted future estimated cash flows of the Target Group on which the Valuation was based has been made after due and careful enquiry.

A letter from the Board is included in Appendix II to this announcement in compliance with Rule 14.62(3) of the Listing Rules.

The following are the qualifications of the experts who have given their opinion and advice included in this announcement:

Name	Qualification
CCTH CPA Limited	Certified Public Accountants
Stirling Appraisals Limited	Independent valuer

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Reporting Accountants and the Valuer is an Independent Third Party.

As at the date of this announcement, each of the Reporting Accountants and the Valuer does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of the Reporting Accountants and the Valuer has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all reference to its name (including its qualification) in the form and context in which it appears.

IMPLICATION UNDER THE LISTING RULES

As the highest relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is less than 5%, the Acquisition constitutes a share transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements under the Listing Rules.

Shareholders and potential investors of the Company should note that the Completion of the Acquisition is subject to the fulfillment (or waiver, if applicable) of certain conditions precedent under the SP Agreement, and the Completion may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares
“Actual Aggregate Profit”	the aggregate of FY2022 Amount, FY2023 Amount and FY2024 Amount
“Board”	the board of Directors
“Business Day(s)”	means a day on which licensed banks in Hong Kong are required to be and are generally open for business (other than any Saturday, Sunday or a public holiday in Hong Kong)
“Company”	Hong Kong Education (Int’l) Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Completion Date”	the date of Completion, which means a day within 5 Business Days after the last outstanding condition precedent above shall have been fulfilled or waived (or such other date as the Purchaser and the Vendor may agree in writing) on which Completion is to take place
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Consideration”	the aggregate consideration of HK\$19,200,000
“Consideration Share(s)”	15,360,000 Shares

“Control”	(i) direct or indirect ownership of more than 50% of the votes attaching to all shares/securities of such person, generally exercisable at general shareholders meetings; and/or (ii) the right to appoint or cause the appointment of more than 50% of the board of directors, board of managers or similar supervisory body of such person;
“Digital Plus”	Digital Plus WLA Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“Director(s)”	the director(s) of the Company
“FY2022 Amount”	the profit/(loss) before tax of the Target Group as shown in the FY2022 Combined Accounts
“FY2022 Combined Accounts”	the unaudited combined financial statements of the Target Group made up for the financial period commencing from 1 April 2021 and ending 30 June 2022, prepared in accordance with HKFRSs;
“FY2023 Amount”	the profit/(loss) before tax of the Target Group as shown in the FY2023 Combined Accounts
“FY2023 Combined Accounts”	the unaudited combined financial statements of the Target Group made up for the financial year ending 30 June 2023, prepared in accordance with HKFRSs;
“FY2024 Amount”	the profit/(loss) before tax of the Target Group as shown in the FY2024 Combined Accounts
“FY2024 Combined Accounts”	the unaudited combined financial statements of the Target Group made up for the financial year ending 30 June 2024, prepared in accordance with HKFRSs;

“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 4 December 2020 pursuant to which the Directors are authorised to allot, issue or deal with Shares of up to 20% of the total number of issued Shares on the date of the passing such resolution (i.e. up to 116,214,176 Shares)
“GO VR”	GO VR Immersive Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 July 2021 (or such later date as the Purchaser and the Vendor may agree in writing)
“Purchaser”	Noble Heartland Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company

“Relevant Time”	<p>the date falling one (1) year after the latest of the following dates:</p> <p>(a) the date on which the Warrantor ceases to be employed by any member of the Target Group; or</p> <p>(b) the date on which the Warrantor ceases to be a director of any member of the Target Group</p>
“Restricted Business”	the current business of education and virtual reality related products or activities in Hong Kong conducted by the Target Group
“SP Agreement”	the sale and purchase agreement dated 30 April 2021 entered into between the Purchaser, the Vendor and the Warrantor in relation to the Acquisition
“Sale Shares”	600 issued shares in the share capital of the Target, which shall represent 60% of the entire issued shares of the Target as at Completion
“Share(s)”	ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	UFO Interactive Group Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor as at the date of this announcement

“Target Group”	the Target, GO VR and Digital Plus
“Valuation”	the valuation of the Sale Shares conducted by the Valuer
“Valuation Report”	the valuation report dated 30 April 2021 issued by the Valuer in respect of the Valuation
“Valuer”	Stirling Appraisals Limited
“Vendor”	Full Creative Limited, a company incorporated in Hong Kong with limited liability
“Warrantor”	Mr. Leung Wing Lun, Alan

By order of the Board
Hong Kong Education (Int’l) Investments Limited
Yip Kai Pong
Executive Director

Hong Kong, 30 April 2021

As at the date of this announcement, the executive Directors are Mr. Tsang Ka Wai and Mr. Yip Kai Pong; and the independent non-executive Directors are Ms. Jor Stephanie Wing Yee, Mr. Leung Ki Chi James and Mr. Fenn David.

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the Company’s Reporting Accountants for inclusion in this announcement.



The Board of Directors

Hong Kong Education (Int’l) Investments Limited
Room 1003A, 10/F, Exchange Tower,
33 Wang Chiu Road, Kowloon Bay,
Kowloon, Hong Kong

ACCOUNTANTS’ REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE 60% EQUITY INTEREST OF UFO INTERACTIVE GROUP LIMITED AND ITS SUBSIDIARIES

We have examined the calculations of the discounted future estimated cash flows on which the valuation (the “**Valuation**”) was prepared by Stirling Appraisals Limited dated 30 April 2021 in respect of the 60% equity interest in UFO Interactive Group Limited (the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) as at 31 December 2020. The Valuation is set out in the announcement of Hong Kong Education (Int’l) Investments Limited (the “**Company**”) dated 30 April 2021. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Directors’ responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the “**Assumptions**”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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 Hong Kong Institute of Certified Public Accountants (“HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform the assurance engagement to obtain reasonable assurance as to whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. We reviewed the arithmetical calculations and the compilation of the discounted future estimated cash flows in accordance with the Assumptions. Our work does not constitute any valuation of the Target Group.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

CCTH CPA Limited

Certified Public Accountants

Hong Kong

30 April 2021

APPENDIX II – LETTER FROM THE BOARD

30 April 2021

The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

Dear Sirs

Reference is made to the announcement of the Company dated 30 April 2021 (“**Announcement**”), of which this letter forms part, and the valuation report dated 30 April 2021 issued by the Valuer in relation to the Valuation. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

We, being all the Directors, noted that the Valuation has been based on the discounted future estimated cash flows of the Target Group (“**Profit Forecast**”) which constitutes a profit forecast under Rule 14.61 of the Listing Rules. We have reviewed and considered the Profit Forecast including the bases and assumptions upon which the Valuation was based and reviewed and considered the Valuation for which the Valuer is responsible. We have also considered the report dated 30 April 2021 from the Reporting Accountants, and so far as the calculations are concerned, whether the Profit Forecast has been properly complied in all material respects in accordance with the bases and assumptions adopted by the Valuer as set out in the Valuation. We have noted that the Profit Forecast in the Valuation is mathematically accurate. In compliance with Rule 14.62(3) of the Listing Rules, the Board confirm that the Profit Forecast underlying the Valuation has been made after due and careful enquiry.

Yours faithfully
For and on behalf of the Board
Yip Kai Pong
Executive Director