
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 to be taken, you should consult a stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Future World Holdings Limited (the "Company"), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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FUTURE WORLD HOLDINGS LIMITED

未來世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

(1) SHARE CONSOLIDATION
AND
(2) PROPOSED RIGHTS ISSUE ON
THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON
THE RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS

Placing Agent



Central Wealth Securities Investment Limited
中達證券投資有限公司

Underwriter



Po Tai Securities (Hong Kong) Limited
寶泰證券(香港)有限公司

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

VEDA | CAPITAL
智略資本

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

A notice convening the extraordinary general meeting ("EGM") of the Company to be held at Unit 2218, 22/F, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong on Monday 21 February 2022 at 11:00 a.m., at which the above proposal will be considered, is set out in this circular. The proxy form for use at the aforesaid general meeting is enclosed with this circular. Such proxy form is also published on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk.

Whether or not you intend to attend the extraordinary general meeting, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

PRECAUTIONARY MEASURES FOR THE EGM

Please refer to page 1 of this circular for the measures being taken to prevent and control the spread of the COVID-19 at the EGM, including but not limited to:

- (1) Compulsory body temperature check
- (2) Compulsory wearing of surgical face mask
- (3) Maintaining a safe distance between seats
- (4) No provision of refreshments or beverages
- (5) No distribution of coupons for subsequent consumption

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue.

In light of the continuing risks posed by the COVID-19 and as part of the Company's control measures to safeguard the health and safety of the Shareholders, the Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" in the Letter from the Board. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

The Rights Issue is on a non-fully underwritten basis. Details of the underwriting arrangement are set out in the paragraph headed "THE UNDERWRITING AGREEMENT" in the Letter from the Board.

31 January 2022

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PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and stakeholders of the Company is of paramount importance to us. To prevent and control the spread of the COVID-19, the Company will implement the following at the EGM as part of the control measures to safeguard the health and safety of our attending Shareholders, staff and stakeholders of the Company:

- (1) Compulsory body temperature checks will be conducted for every attendee at the entrance of the EGM venue. Any person who has a body temperature of over 37.5 degrees Celsius or is subject to the mandatory quarantine order imposed by the Hong Kong government will be denied entry into or be required to leave the EGM venue.
- (2) Every attendee must wear a surgical face mask throughout the EGM and inside the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (3) The Company will maintain a safe distance between seats.
- (4) No refreshments or beverages will be served.
- (5) No distribution of coupons for subsequent consumption.

In addition, the Company would like to remind all attending Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. The Company strongly encourages the Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and return the proxy forms to the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be).

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. The Shareholders should check the Company's website (www.fw-holdings.com) or the Stock Exchange's website (www.hkexnews.hk) for any future announcements and updates on the EGM arrangements.

EXPECTED TIMETABLE

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

Expected Timetable

2022

Latest time for lodging transfers of the Shares to qualify for attendance and voting at the EGM	4:30 p.m., on Thursday, 17 February
Register of members of the Company closes (both days inclusive)	Friday, 18 February to Monday, 21 February
Latest time for lodging proxy forms for the EGM	11:00 a.m. Saturday, 19 February
Record date for attendance and voting at the EGM	Monday, 21 February
Expected date of the EGM to approve the Rights Issue	11:00 a.m. Monday, 21 February
Announcement of the poll result of the EGM	Monday, 21 February
Register of members of the Company re-opens	Tuesday, 22 February
Effective date of the Share Consolidation	Wednesday, 23 February
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Wednesday, 23 February
Original counter for trading in Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 23 February
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 23 February

EXPECTED TIMETABLE

Expected Timetable

2022

First day of free exchange of existing share certificates for new share certificates for Consolidated Share	Wednesday, 23 February
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue	Thursday, 24 February
First day of dealings in the Consolidated Shares on an ex-rights basis	Friday, 25 February
Latest time for lodging transfer of Consolidated Shares in order to qualify for the Rights Issue	4:30 p.m., on Monday, 28 February
Closure of Register of members of the Company to determine eligibility of the Rights Issue (both days inclusive)	Tuesday, 1 March to Friday, 4 March
Record Date for determining entitlements to the Rights Issue	Friday, 4 March
Register of members of the Company re-opens	Monday, 7 March
Despatch of Prospectus Documents (in the case of Excluded Shareholders, the Prospectus only)	Monday, 7 March
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m., on Wednesday, 9 March
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m., on Wednesday, 9 March
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	Wednesday, 9 March
First day of dealing in nil-paid Rights Shares	9:00 a.m., on Wednesday, 9 March
Latest time for splitting of the PAL	4:30 p.m., on Friday, 11 March

EXPECTED TIMETABLE

Expected Timetable	2022
Last day of dealing in nil-paid Rights Shares	4:00 p.m., on Wednesday, 16 March
Latest Time for Acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 21 March
Latest time for the Rights Issue to become unconditional	4:00 p.m. on Tuesday, 22 March
Announcement of the number of Unsubscribed Rights Shares subject to the Unsubscribed Shares Arrangement	Wednesday, 23 March
Commencement of placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Thursday, 24 March
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Tuesday, 29 March
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Tuesday, 29 March
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Tuesday, 29 March
Latest time for placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent	Wednesday, 30 March
Latest time for free exchange of existing share certificates for new share certificates	Thursday, 31 March
Latest Time for Termination for the Rights Issue	4:00 p.m. on Thursday, 31 March
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and the Net Gain per Unsubscribed Rights Share)	Monday, 4 April

EXPECTED TIMETABLE

Expected Timetable

2022

Despatch of certificates for fully-paid Rights Shares and refund cheques in relation to unsuccessful applications	Wednesday, 6 April
Payment of Net Gain (if any) to relevant No Action Shareholders	Wednesday, 6 April
Expected first day of dealings in fully-paid Rights Shares	Thursday, 7 April

Dates or deadlines specified in expected timetable above or in other parts of this circular are indicative only and may be varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest time for acceptance of and payment for Rights Shares will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons, or a “black” rainstorm warning is:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest time for acceptance of and payment for the Rights Shares does not take place on the Latest Acceptance Date, the dates mentioned above section may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 15 December 2021 in relation to the Share Consolidation and the Rights Issue
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Future World Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Shares”	issued and unissued ordinary shares or preference shares (as the case maybe) of the Company of HK\$0.4 each upon the Share Consolidation becoming effective
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Share Consolidation and the Rights Issue
“Existing Shares”	issued and unissued ordinary shares or preference shares (as the case maybe) of the Company of HK\$0.02 each prior to the Share Consolidation becoming effective

DEFINITIONS

“Group”	the Company and its subsidiaries
“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 board committee of the Company comprising all the independent non-executive Directors
“Independent Financial Adviser” or “Veda Capital”	Veda Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee
“Independent Shareholders”	Shareholders other than the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Last Trading Day”	15 December 2021, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Acceptance Date”	21 March 2022, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Latest Practicable Date”	28 January 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on the Latest Acceptance Date
“Latest Time for Termination”	4:00 p.m. on 31 March 2022 or such later date as the Company and the Underwriter may agree in writing
“Latest Time for Unsubscribed Arrangement”	4:00 p.m. on 30 March 2022, being the latest time for the Placing Agent to determine the list of placees and to notify the Company and the Underwriter of the results of the Placing

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minimum Underwritten Shares”	the minimum Rights Shares to be underwritten by the Underwriter, which together with the Rights Shares to be placed by the Placing Agent and the Rights Shares to be taken up by the Qualifying Shareholders, shall be 30,000,000 Rights Shares
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares placed by the Placing Agent under the Placing Agreement) under the Unsubscribed Arrangement
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve

DEFINITIONS

“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Central Wealth Securities Investment Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares under the Unsubscribed Arrangement in accordance with Rule 7.21(1) of the Listing Rules
“Placing Agreement”	the placing agreement dated 15 December 2021 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares
“Placing Period”	the period commencing from the third Business Day after the Latest Time for Acceptance and ending on the Latest Time for Unsubscribed Arrangement
“PRC”	the People’s Republic of China, which for the purpose of this circular only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus Posting Date”	25 February 2022 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Qualifying Shareholders”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company as at the close of business on the Record Date

DEFINITIONS

“Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently scheduled to be on 4 March 2022 or such later date as announced by the Company
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“Rights Issue”	the proposed issue of up to 82,044,138 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) at the Subscription Price by way of rights on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date payable in full on acceptance on a non-fully underwritten basis
“Rights Share(s)”	the new Consolidated Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) or preference share(s) (as the case maybe) in issue and in the unissued share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Share Consolidation”	proposed consolidation of the Shares on the basis of twenty (20) Existing Shares into one (1) Consolidated Share
“Share Option(s)”	129,358,424 outstanding options to subscribe for 129,358,424 Existing Shares granted under the Share Options Scheme, of which 94,900,000 outstanding options can only be exercisable from March 2022 and the other Share Option holders have given irrevocable undertaking not to exercise the Share Options till completion or termination of the Rights Issue
“Share Options Scheme”	the share option scheme adopted by the Company

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.9 per Rights Share
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Underwriter”	Po Tai Securities (Hong Kong) Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter on 15 December 2021 in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	the Rights Shares to be procured for subscription by the Underwriter pursuant to the terms of the Underwriting Agreement (including the Minimum Underwritten Rights Shares and those additional untaken Rights Shares that may be procured by subscription by the Underwriter)
“Unsold Rights Shares”	the Unsubscribed Rights Shares which have not been placed to places by the Placing Agent under the Placing Agreement
“Unsubscribed Arrangement”	the placement of Unsubscribed Rights Shares by the Placing Agent pursuant to the terms of the Placing Agreement, details of which are set out in the section headed “Procedures in respect of the Unsubscribed Rights Shares and the Unsubscribed Arrangement” in this circular
“Unsubscribed Rights Shares”	consist of (i) Rights Shares that are not being taken up by the Qualifying Shareholders; and (ii) unsold entitlement of the Non-Qualifying Shareholders to the Rights Shares
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



FUTURE WORLD HOLDINGS LIMITED

未來世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

Executive Directors:

Liang Jian
Yu Zhenzhong
Cai Linzhan
Lau Fai Lawrence
Yu Qingrui

Registered Office:

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

Independent non-executive Directors:

Chen Pei
Siu Siu Ling, Robert
Tam Tak Wah
Zheng Zongjia

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

Unit 2218, 22/F,
The Metropolis Tower,
10 Metropolis Drive,
Hung Hom, Kowloon,
Hong Kong

31 January 2022

To the Shareholders,

Dear Sir or Madam,

**(1) SHARE CONSOLIDATION
AND
(2) PROPOSED RIGHTS ISSUE ON
THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON
THE RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS**

INTRODUCTION

Reference is made to the Announcement of the Company dated 15 December 2021 whereby the Board announced that the Company proposed to conduct the Share Consolidation and the Rights Issue.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further details of the Share Consolidation, the Rights Issue and the notice of EGM.

(1) SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) Existing Shares of HK\$0.02 each be consolidated into one (1) Consolidated Share of HK\$0.4 each.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the fulfillment of the following conditions:

- (i) the passing of the ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with the relevant procedures and requirements under the Cayman Islands laws (where applicable) and the Listing Rules to effect the Share Consolidation.

Listing application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

LETTER FROM THE BOARD

None of the Existing Shares are listed or dealt in any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Reason for the Share Consolidation

Pursuant to rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

The share price of the Company has been constantly below HK\$0.1 for certain time. It is expected that the Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per Consolidated Share. As at the date of the Announcement, the share price of the Company was HK\$0.068, with a board lot size of 20,000, the existing board lot value was below HK\$2,000, which could not meet the criteria of HK\$2,000. Upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$1.36, with the new board lot size of 20,000 Consolidated Shares, the new board lot value would be HK\$27,200, which would be more than the required HK\$2,000. As such, the proposed combination of the Share Consolidation would enable the Company to comply with the trading requirements under the Listing Rules. Thus, the Board considers that, despite such Share Consolidation would lead to odd lots, they would maintain the trading amount for each board lot at a reasonable level in order to attract more investors and to extend the shareholder base of the Company.

The Share Consolidation will also decrease the total number of the Shares currently in issue. As at the date of the Announcement, the Company has over 1 billion Existing Shares in issue. The Company proposes to conduct the Share Consolidation based on the proposed ratio of twenty (20) Existing Shares into one (1) Consolidated Share such that it can reduce the number of Shares and be convergent with the number of issued shares of other Main Board issuers.

LETTER FROM THE BOARD

Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities trade. It is hoped that this will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board is of the view that, having considered the corporate plan of the Company for the next twelve months, the proposed Share Consolidation is fair and reasonable, and in the interest of the Company and the Shareholders as a whole. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fundraising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules, as and when appropriate.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares of the Company regardless of the number of share certificates held by such holder.

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

LETTER FROM THE BOARD

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$250,000,000 divided into 12,474,000,000 ordinary Shares of HK\$0.02 each and 26,000,000 preference Shares of HK\$0.02 each, of which 1,093,921,858 ordinary Shares had been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$250,000,000 divided into 623,700,000 ordinary Shares of HK\$0.4 each and 1,300,000 preference Shares of HK\$0.4 each, of which 54,696,092 whole Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the shares of the Company regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, there are outstanding share options for subscription of 129,358,424 Existing Shares under the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, the exercise prices of the Share Options will be adjusted in accordance with the Share Option Scheme upon the Rights Issue becoming unconditional. The Company in accordance with the Share Option Scheme will notify the holders of the Share Options the required adjustment(s) as soon as practicable and details of adjustments will be announced as and when appropriate in accordance with the Listing Rules.

LETTER FROM THE BOARD

Particulars of outstanding Share Options as at the Latest Practicable Date are as follows:

Grantee	Date of grant	Exercise Price (HK\$)	Outstanding Share Options as at the Latest Practicable Date	Exercise Period	Vesting Date
Directors					
Lau Fai Lawrence	17.09.2021	0.108	9,900,000	17.09.2021 – 16.09.2023	16.03.2022
Siu Yun Fat <i>(Note)</i>	27.03.2020	0.563	6,165,168	27.03.2020 – 26.03.2022	27.03.2020
	17.09.2021	0.108	500,000	17.09.2021 – 16.09.2023	16.03.2022
Yu Qingrui	27.03.2020	0.563	6,165,168	27.03.2020 – 26.03.2022	27.03.2020
	21.05.2021	0.1254	9,400,000	21.05.2021 – 20.05.2023	21.05.2021
	17.09.2021	0.108	500,000	17.09.2021 – 16.09.2023	16.03.2022
Cai Linzhan	27.03.2020	0.563	6,165,168	27.03.2020 – 26.03.2022	27.03.2020
	17.09.2021	0.108	500,000	17.09.2021 – 16.09.2023	16.03.2022
Employees (in aggregate)	27.03.2020	0.563	6,562,920	27.03.2020 – 26.03.2022	27.03.2020
	17.09.2021	0.108	53,800,000	17.09.2021 – 16.09.2023	16.03.2022
Directors of Subsidiary (in aggregate)	17.09.2021	0.108	29,700,000	17.09.2021 – 16.09.2023	16.03.2022
Total			<u>129,358,424</u>		

Note: Mr. Siu Yun Fat has resigned as an executive Director on 31 December 2021.

LETTER FROM THE BOARD

Assuming the Share Consolidation becoming effective (but before completion of the Rights Issue), adjustments shall be made to the exercise price of the Share Options and the number of Consolidated Shares falling to be allotted and issued upon exercise of the outstanding Share Options in the following manner:

Date of grant	Immediately before the adjustments as a result of the Share Consolidation		Immediately after the adjustments as a result of the Share Consolidation	
	Number of Existing Shares to be issued upon full exercise of the Share Options	Exercise price per Existing Share (HK\$)	Adjusted number of Consolidated Shares to be issued upon full exercise of the Share Options	Adjusted exercise price per Consolidated Share (HK\$)
27 March 2020	25,058,424	0.563	1,252,919	11.26
21 May 2021	9,400,000	0.1254	470,000	2.508
17 September 2021	<u>94,900,000</u>	<u>0.108</u>	<u>4,745,000</u>	<u>2.16</u>
Total	<u>129,358,424</u>	<u>–</u>	<u>6,467,919</u>	<u>–</u>

Pursuant to the terms of the Share Option Scheme, the exercise prices of the Share Options will be adjusted in accordance with the Share Option Scheme upon the Rights Issue becoming unconditional. Details of the adjustments will be set out in the Prospectus to be despatched to the Shareholders.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, a designated broker, Central Wealth Securities Investment Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from 9 March 2022 to 29 March 2022 (both days inclusive).

LETTER FROM THE BOARD

Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Miss Chan Yi Sum of Central Wealth Securities Investment Limited at (852) 3958 4625 or by facsimile at (852) 3958 4666 during such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, the Shareholders may during the period from 23 February 2022 to 31 March 2022 (both days inclusive) submit existing share certificates in the colour of red for the Existing Shares to the Registrar, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for exchange for new share certificates in the colour of orange for the Consolidated Shares at the expense of the Company.

Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever is higher.

After 4:00 p.m. on 29 March 2022, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for share certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

Closure of register of members

The register of members of the Company will be closed from 18 February 2022 to 21 February 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

LETTER FROM THE BOARD

Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” above. Accordingly, the Share Consolidation may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.

(2) BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in board lot size of 20,000 Existing Shares. The Board proposes that the board lot size for trading on the Stock Exchange shall be from 20,000 Existing Shares to 20,000 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.068 per Existing Share (equivalent to the theoretical closing price of HK\$1.36 per Consolidated Share) as at the date of the Announcement, (i) the value of each existing board lot of Existing Shares is HK\$1,360; and (ii) the estimated value of each board lot of 20,000 Consolidated Shares would be HK\$27,200 assuming the Share Consolidation becoming effective.

Based on the closing price of HK\$0.055 per Existing Share (equivalent to the theoretical closing price of HK\$1.1 per Consolidated Share) as at the Latest Practicable Date, (i) the value of each existing board lot of Existing Shares is HK\$1,100; and (ii) the estimated value of each board lot of 20,000 Consolidated Shares would be HK\$22,000 assuming the Share Consolidation becoming effective.

(3) PROPOSED RIGHTS ISSUE ON A NON-FULLY UNDERWRITTEN BASIS

The Board proposed the Rights Issue, details of which are summarised below (assuming there have been no change in the issued share capital of the Company on or before the Record Date):

Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date
Subscription Price:	HK\$0.9 per Rights Share

LETTER FROM THE BOARD

Number of Existing Shares in issue as at the date of the Announcement:	1,093,921,858 Existing Shares
Number of whole Consolidated Shares in issue upon the Share Consolidation having become effective:	54,696,092 Consolidated Shares
Number of Rights Shares:	Up to 82,044,138 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) Not less than 30,000,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$32,817,655.2 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and all the Rights Shares will be allotted and issued) Not less than HK\$12,000,000 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and only 30,000,000 Rights Shares will be allotted and issued)
Number of issued whole Consolidated Shares immediately upon completion of the Rights Issue:	Up to 136,740,230 whole Consolidated Shares, (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) in issue upon completion of the Rights Issue) Not less than 84,696,092 whole Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) in issue on or before completion of the Rights Issue)

LETTER FROM THE BOARD

Maximum and minimum funds up to approximately HK\$73.8 million before costs
raised before expenses: and expenses and not less than approximately
HK\$27 million before costs and expenses

As at the Latest Practicable Date, there are 129,358,424 outstanding Share Options granted by the Company exercisable into 129,358,424 Existing Shares (equivalent to approximately 6,467,921 Consolidated Shares), of which 94,900,000 outstanding Share Options not exercisable till March 2022 and the other Share Option holders has given irrevocable undertakings to the Company that they would not exercise the outstanding Share Options till completion or termination of the Rights Issue. Save for the foregoing, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the maximum 82,044,138 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) approximately 150% of the existing issued share capital of the Company as at the Latest Practicable Date (assuming the Share Consolidation become effective); and (ii) approximately 60% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming the Share Consolidation become effective and full acceptance by the Qualifying Shareholders).

Assuming no change in the number of issued Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the minimum 30,000,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) approximately 54.85% of the existing issued share capital of the Company as at the Latest Practicable Date (assuming the Share Consolidation become effective); and (ii) approximately 35.42% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming the Share Consolidation become effective and full acceptance by the Qualifying Shareholders).

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Subscription price

The Subscription Price is HK\$0.9 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 33.82% to the theoretical closing price of HK\$1.36 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 36.26% to the theoretical average closing price of HK\$1.412 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0706 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately preceding the Last Trading Day;
- (c) a discount of approximately 18.18% to the theoretical closing price of HK\$1.1 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.055 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (d) a discount of approximately 16.97% to the theoretical ex-rights price of HK\$1.084 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$1.084 per Consolidated Share based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a theoretical dilution effect (as defined under the Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.23% of the theoretical diluted price of HK\$1.084 per Consolidated Share to the benchmarked price of HK\$1.412 per Consolidated Share (after taking into account the effect of the Share Consolidation); and
- (f) a discount of approximately 94.62% to the unaudited net asset value per Consolidated Share (after taking into account the effect of the Share Consolidation) of approximately HK\$16.8 as at 30 June 2021.

The net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.84.

LETTER FROM THE BOARD

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; and (iii) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issue" below.

Whilst the Company noted that the Subscription Price represented a significant discount of to the unaudited net asset value per Consolidated Share as at 30 June 2021, the Shares have been traded at a significant discount to the net asset value per Share over the last 12 months prior and up to the date of the Announcement, with that the average closing price per Existing Share over the period of 12 months prior to and up to the date of the Announcement of approximately HK\$0.137 per Existing Share. As such, the Company is of the view that the market price per Share (as opposed to the net asset value per Share) represents realistic value for prospective investors in order to raise capital for the Company. With the fact that the Shareholders can participate in the Rights Issue and subscribe the Rights Shares at the Subscription Price, the Board considers the Subscription Price is fair and reasonable to the Company.

After taking into consideration the reasons for the Rights Issue as stated in the section headed "Reasons for the Rights Issue" below, the Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which may be declared, made or paid, the record date of which is after the date of allotment and issue of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Monday, 28 February 2022. It is expected that the last day of dealings in the Shares on a cum-rights basis is Thursday, 24 February 2022 and the Shares will be dealt with on an ex-rights basis from Friday, 25 February 2022.

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The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a cheque or banker's cashier order for the Rights Shares being applied for with the Registrar at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong on or before 4:00 p.m. on the Latest Acceptance Date.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Basis of provisional allotments

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by duly completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Non-Qualifying Shareholders

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will send copies of the Overseas Letter and the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the PAL to them. Non-Qualifying Shareholders shall not be eligible to take part in the Rights Issue as explained below.

LETTER FROM THE BOARD

The Board will make enquiry regarding the legal restrictions under the laws of the relevant overseas place(s) and the requirements of the relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiry and based on legal opinion provided by the legal advisers to the Company, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in the relevant place(s), no offer of the Rights Shares will be made to such Overseas Shareholders. Accordingly, the Rights Issue will not be extended to the Non-Qualifying Shareholders.

As at the Latest Practicable Date, there are two Overseas Shareholder with registered address located in the PRC and the Cayman Islands, which are interested in an aggregate of 95,000,005 Existing Shares, representing approximately 8.68% of the total number of the existing issued Shares.

Taking into account the advice provided by the legal adviser engaged by the Company, the Directors are of the opinion that the relevant PRC legal restrictions and requirements of the relevant regulatory body or stock exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC from the Rights Issue. Taking into account the advice provided by the legal adviser engaged by the Company, the Directors are of the opinion that the relevant Cayman Islands legal restrictions and requirements of the relevant regulatory body or stock exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the Cayman Islands from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in the PRC and the Cayman Islands.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) would not have any entitlement under the Rights Issue. Such Rights Shares will form part of the Unsubscribed Rights Shares and if possible be placed by the Placing Agent under the Unsubscribed Arrangement to independent placees, and if not successfully placed out, will become Unsold Rights Shares and be dealt with in accordance with the terms of the Underwriting Agreement. Please refer to the paragraph headed "Procedures in respect of the Unsubscribed Rights Shares and the Unsubscribed Arrangement" below for the treatment of Unsubscribed Rights Shares under the Unsubscribed Arrangement and the section headed "Underwriting Agreement" below for the treatment of Unsold Rights Shares under the Underwriting Agreement.

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

LETTER FROM THE BOARD

Fractions of the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and disposed by the Company in the open market if a premium (net of expenses) can be obtained.

Odd lots matching services

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Central Wealth Securities Investment Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from 9 March 2022 to 29 March 2022 (both days inclusive).

Holder of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Miss Chan Yi Sum of Central Wealth Securities Investment Limited at (852) 3958 4625 or by facsimile at (852) 3958 4666 during such period. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Procedures in respect of the Unsubscribed Rights Shares and the Unsubscribed Arrangement

Pursuant to rule 7.21(1)(b) of the Listing Rules, the Company in the Rights Issue must make compensatory arrangement to dispose Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent places for the benefit of the No Action Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue as stipulated by rule 7.21(2)(a) of the Listing Rules.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent places on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any unsold Unsubscribed Rights Shares will form the Unsold Rights Shares and will be dealt with in accordance with the terms of the Underwriting Agreement. Please refer to the section headed “Underwriting Agreement” for the treatment of Unsold Rights Shares.

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

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

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

Placing Agreement for the Unsubscribed Rights Shares

Details of the Placing Agreement are summarised as follows:

Date:	15 December 2021
Issuer:	The Company
Placing Agent:	Central Wealth Securities Investment Limited was appointed as the Placing Agent to procure, on a best efforts basis, places to subscribe for the Unsubscribed Rights Shares during the Placing Period.
Placing Period:	The period commencing from the sixth Business Day after the Latest time for acceptance and ending on 4:00 p.m. on the eighth Business Day after the Latest time for acceptance (or such other period as the Placing Agent and the Company may agree in writing).

LETTER FROM THE BOARD

Commission and expenses:	Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3.5% of the amount which is equal to the Subscription Price multiplied by the number of Unsubscribed Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
Placing price of the Unsubscribed Rights Shares:	The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares during the process of placement.
Places:	<p>The Unsubscribed Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).</p> <p>For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.</p>
Ranking of Unsubscribed Rights Shares:	Unsubscribed Rights Shares (when allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.
Conditions of the Placing Agreement:	The obligations of the Placing Agent under the Placing Agreement are conditional upon the Underwriting Agreement becoming unconditional (except for the condition that the Placing Agreement becomes unconditional).

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In the event that the above condition precedent has not been fulfilled on or before the Latest time for termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

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

As explained above, the Rights Shares that are not accepted by the Qualifying Shareholders, together with the Rights Shares that the Non-Qualifying Shareholders are entitled to under the Rights Issue, will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares are successfully placed, any premium over the Subscription Price (if any) will be distributed to the relevant No Action Shareholders. If all of the Unsubscribed Rights Shares are successfully placed, the underwriting obligations of the Underwriter under the Underwriting Agreement will be terminated forthwith. If and only if there remain any Unsubscribed Right Shares not exceeding the Underwritten Shares after the placing, the Underwriter will be obliged to take up such amount of the Unsubscribed Rights Shares up to the Underwritten Shares at the Subscription Price.

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make compensatory arrangement to dispose Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the No Action Shareholders to whom they were offered by way of the Rights Issue. Accordingly, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realized will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, acquire for all (or as many as possible) of those Unsubscribed Rights Shares. Any unsold Unsubscribed Rights Shares will form the Unsold Rights Shares and will be dealt with in accordance with the terms of the Underwriting Agreement. In other words, the appointment of the Placing Agent

LETTER FROM THE BOARD

will be in the interests of the Company as it (i) acts as compensatory arrangement to place the Unsubscribed Rights Shares in accordance with the Listing Rules; and (ii) may increase funds to be raised by the Company in the event that the Placing Agent can secure independent places to take up those Unsubscribed Rights Shares.

The placing commission rate was arrived at after arm's length negotiations between the Company and the Placing Agent. The Company has approached other securities brokerage firms but they were unwilling to act as underwriter and/or placing agent in the Rights Issue. As explained in the section "Reasons for the Rights Issue" below, the Company has practical funding needs for fund raising to meet the capital and funding requirements of the proposed margin financing development of FW Securities.

It is noted that the Share price of the Company shows a decreasing trend in the past six months and the trading liquidity of the Shares were in general relatively thin. In light of the recent market uncertainty as the continuing outbreak of COVID-19 pandemic and the fact that the placing commission would be only payable on the actual number of Unsubscribed Rights Shares that have been successfully placed by the Placing Agent, the placing commission rate was determined at 3.5% after arm's length negotiations between the Placing Agent and the Company.

Whilst placing commission rate may be higher than the market average rate for rights issues of other listed issuers, the Company considers that the placing commission is justifiable as (i) the terms of the Rights Issue (including but not limited to the placing commission rate and the underwriting commission rate) shall be subject to the approval of the Independent Shareholders at the EGM; (ii) the Company has approached other securities brokerage firms but they were unwilling to act as underwriter and/or placing agent in the Rights Issue; and (iii) the Company has practical fundraising needs for its margin financing business development. As such, the Company considers that the placing commission rate is justifiable and on normal commercial terms and in the interests of the Company and its Shareholders as whole.

LETTER FROM THE BOARD

The Board is of the view that the above Unsubscribed Arrangement and the terms of the Underwriting Agreement are fair and reasonable and are in the best interests of the Shareholders as a whole:

- (i) the arrangements are in compliance with the requirements under rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Unsubscribed Arrangement (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the Placing Shares. The Placing Agent is not connected with the Company or any of its connected persons; and
- (iii) the Unsubscribed Arrangement will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares to the Company.

Conditions of the Rights Issue

The Rights Issue will be conditional upon the Underwriting Agreement becoming unconditional. For details of the conditions of the Underwriting Agreement, please refer to the section headed “Underwriting Agreement – Conditions of the Underwriting Agreement” in this circular.

Application for listing

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 20,000 Consolidated Shares in one board lot.

LETTER FROM THE BOARD

Stamp Duty and other applicable fees and charges

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

Share certificates for the Rights Shares and refund cheques

Subject to the fulfilment of the conditions of the Rights Issue as set out below, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before 6 April 2022 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risk.

If the Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be refunded to the Qualifying Shareholders or such other person to whom the nil-paid rights have been validly renounced or transferred or, in the case of joint acceptances, to the first-named person, without interest and by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other person to their registered addresses by the Registrar on or around 6 April 2022. No receipt will be given for such remittance.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both 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 commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement 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.

No irrevocable commitments

The Company has not received any irrevocable commitments to accept or reject the Rights Shares.

LETTER FROM THE BOARD

THE UNDERWRITING AGREEMENT

Principal terms of the Underwriting Agreement are as follow:

Date: 15 December 2021

Issuer: The Company

Underwriter: Po Tai Securities (Hong Kong) Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Announcement, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties

The actual amount of Rights Shares to be underwritten by the Underwriter will depend on the level of subscriptions by the Qualifying Shareholders, and the results of the placing pursuant to the Unsubscribed Arrangement under the Placing Agreement

Number of Underwritten Shares and the underwriting arrangement: Pursuant to the Underwriting Agreement, the minimum Rights Shares to be underwritten by the Underwriter together with the Rights Shares to be placed by the Placing Agent and the Rights Shares to be taken up by the Qualifying Shareholders shall be 30,000,000 Rights Shares.

The Underwriter shall have no obligation to underwrite further Rights Shares in the event that the Rights Shares to be placed by the Placing Agent together the Rights Shares to be taken up by the Qualifying Shareholders shall be more than 30,000,000 Rights Shares. For the avoidance of doubt, the Underwriter may procure for subscription of additional untaken Rights Shares at its discretion.

The actual amount of Rights Shares to be underwritten by the Underwriter will depend on the level of subscriptions by the Qualifying Shareholders, and the results of the placing pursuant to the Unsubscribed Arrangement under the Placing Agreement.

LETTER FROM THE BOARD

Commission and expenses: 5% of the aggregate Subscription Price in respect of the actual number of Underwritten Shares underwritten, subscribed for or procured subscription for by the Underwriter pursuant to the Underwriting Agreement, provided that the minimum commission payable shall be HK\$1,350,000 (the “Minimum Underwriter Fee”).

On 28 January 2022, the Company and the Underwriter entered into a supplemental letter pursuant to which the Underwriter agrees to waive the Minimum Underwriter Fee, i.e. the underwriting commission payable by the Company shall be at 5% of the aggregate Subscription Price in respect of the actual number of Underwritten Shares underwritten, subscribed for or procured subscription for by the Underwriter pursuant to the Underwriting Agreement and there shall be no minimum underwriting commission payable by the Company.

The terms of the Underwriting Agreement were determined after arm’s length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; and (iii) the funding and capital needs of the Company for its business plans and prospect set out in the section headed “Reasons for the Rights Issue” below.

The underwriting commission rate was arrived at after arm’s length negotiations between the Company and the Underwriter. The Company has approached other securities brokerage firms but they were unwilling to act as underwriter and/or placing agent in the Rights Issue. As explained in the section “Reasons for the Rights Issue” below, the Company has practical funding needs for fund raising to meet the capital and funding requirements of the proposed margin financing development of FW Securities. The appointment of the Underwriter will secure the minimum fundraising amount to be raised under the Rights Issue and the Company considers that the appointment of the Underwriter is necessary for the Rights Issue in order to provide for a guaranteed minimum funding from the Rights Issue.

Unlike placing on a best effort basis, the Underwriter would face the potential risk that it might have to take up not less than 30,000,000 Rights Shares in the event that no Shareholders would take up the Rights Shares. In other words, the Underwriter has to maintain sufficient financial resources to meet such funding needs and it is reasonable and on normal commercial terms for the Underwriter to request for minimum commission payable irrespective of the acceptance level of the Rights Issue. The Underwriter has to earmark the full amount of the undertaking of 30,000,000 Rights Shares under the Underwriting Agreement in complying with the Securities and Futures (Financial Resources) Rules regardless of the actual acceptance level of the Rights Issue. The Underwriter also involves in relevant administrative and paper works (such as filling in relevant forms) for the underwriting arrangement to arrange subscribers to subscribe for the Underwritten Shares. As such, the Company considers that the underwriting commission is justifiable and fair and reasonable.

LETTER FROM THE BOARD

It is noted that the Share price of the Company shows a decreasing trend in the past six months and the trading liquidity of the Shares were in general relatively thin. In light of the recent market uncertainty as the continuing outbreak of COVID-19 pandemic and the fact that the Underwriter may have to take up not less than 30,000,000 Rights Shares in the event that no Shareholders would take up the Rights Shares and have to earmark the full amount of the undertaking of 30,000,000 Rights Shares under the Underwriting Agreement in complying with the Securities and Futures (Financial Resources) Rules regardless of the actual acceptance level of the Rights Issue, the underwriting commission rate was determined at 5% after arm's length negotiations between the Placing Agent and the Company.

Whilst underwriting commission rate may be higher than the market average rate for rights issues of other listed issuers, the Company considers that the underwriting commission is justifiable as (i) the terms of the Rights Issue (including but not limited to the placing commission rate and the underwriting commission rate) shall be subject to the approval of the Independent Shareholders at the EGM; (ii) the Company has approached other securities brokerage firms but they were unwilling to act as underwriter and/or placing agent in the Rights Issue; and (iii) the Company has practical fundraising needs for its margin financing business development. As such, the Company considers that the underwriting commission rate is justifiable and on normal commercial terms and in the interests of the Company and its Shareholders as whole.

To allow the Independent Shareholders to consider the fairness and reasonableness of the placing commission rate and the underwriting commission rate, the effective rate payable by the Company to both the Placing Agent and the Underwriter will be ranged from 3.50% to 5.00% subject to the level of placement and underwriting of the Unsubscribed Rights Shares.

The Directors are of the view that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional upon:

- (a) the passing of the necessary resolution(s) by the Shareholders (or the Independent Shareholders, as the case maybe) at the EGM to approve the Share Consolidation and the Share Consolidation having become effective;
- (b) the passing of the necessary resolution(s) by the Shareholders (or the Independent Shareholders, as the case maybe) at the EGM to approve the Rights Issue;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by the 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) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (d) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (e) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully paid forms) by no later than the Business Day prior to the first day of their dealings;
- (f) the Underwriting Agreement not being terminated or rescinded by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (g) compliance with and performance of all the undertakings and obligations of the Company under the terms of the Underwriting Agreement;
- (h) there being no specified event occurring prior to the Latest Time for Termination; and
- (i) the Shares remaining listed on the Main Board of the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than ten (10) trading days at any time prior to the Latest Time for Acceptance.

LETTER FROM THE BOARD

The Company shall use all reasonable endeavours to procure the fulfilment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriter may agree. The conditions precedent, other than condition (h) above which can only be waived by the Underwriter, are incapable of being waived. If any of the conditions is not satisfied or waived (as the case may be) by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (a) in the 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 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 hereof) 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 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
- (b) any material 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 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 materially and adversely affect the market price of the Shares; or

LETTER FROM THE BOARD

- (c) there is any change in the circumstances of the Company or any member of the Group which in the 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 event of force majeure (whether or not covered by insurance or responsibility has been claimed) including, without limiting the generality thereof, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS), Influenza A (H5N1), Influenza A (H5N9), COVID-19 and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any relevant jurisdiction in which the Group has business operation; or
- (e) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which the Company or any member of the Group is liable prior to its stated maturity; or
- (f) any other material adverse change in the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (g) the Prospectus Documents in connection with the Rights Issue when published contain information (either as to business prospects or the financial 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 absolute opinion of the Underwriter is material to the Group as a whole and is likely to affect materially and adversely the success of the Rights Issue or might cause a reasonably prudent investor not to apply for its assured entitlements under the Rights Issue; or
- (h) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or

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- (i) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive Business Days, excluding any suspension in connection with the clearance of the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or
- (j) any moratorium, suspension or material restriction on trading of the shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed.

SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; (iii) immediately after completion of the Share Consolidation and the Rights Issue assuming full acceptance by the Shareholders; and (iv) immediately after completion of the Share Consolidation and the Rights Issue assuming nil acceptance by the Shareholders,

- (a) assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and all 82,044,138 Rights Shares have been taken up:

	As at the Latest Practicable Date		Immediately after completion of the Share Consolidation		Immediately after completion of the Share Consolidation and the Rights Issue (assuming all Shareholders have taken up all the entitled Rights Shares)		Immediately after completion of the Share Consolidation and the Rights Issue (assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares)	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Directors (Note 4)	7,738,045	0.71	386,902	0.71	967,255	0.71	386,902	0.28
Shareholder(s) procured by the Placing Agent/ Underwriter	-	-	-	-	-	-	82,044,138	60.00
Other Shareholders	1,086,183,813	99.29	54,309,190	99.29	135,772,975	99.29	54,309,190	39.72
Total	1,093,921,858	100.00	54,696,092	100.00	136,740,230	100.00	136,740,230	100.00

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- (b) assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and only 30,000,000 Rights Shares have been taken up:

	As at the Latest Practicable Date		Immediately after completion of the Share Consolidation		Immediately after completion of the Share Consolidation and the Rights Issue (assuming the Shareholders have taken up an aggregate 30,000,000 entitled Rights Shares in proportion to their shareholdings)		Immediately after completion of the Share Consolidation and the Rights Issue (assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares)	
	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%	Number of issued Shares	%
Directors (Note 4)	7,738,045	0.71	386,902	0.71	601,342	0.71	386,902	0.46
Shareholder(s) procured by the Placing Agent/ Underwriter	-	-	-	-	-	-	30,000,000	35.42
Other Shareholders	1,086,183,813	99.29	54,309,190	99.29	84,094,750	99.29	54,309,190	64.12
Total	1,093,921,858	100.00	54,696,092	100.00	84,696,092	100.00	84,696,092	100.00

Notes:

- (1) Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter shall use all reasonable endeavours to ensure that each of the subscribers or purchasers of the Rights Shares procured by it (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the Listing Rules); and (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue.
- (2) The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
- (3) These scenarios are for illustrative purpose only
- (4) The 7,738,045 Existing Shares are owned (a) as to 1,614,457 Shares by Mr. Cai Linzhan; (b) as to 3,440,000 Shares by Mr. Siu Yun Fat; (c) as to 2,670,221 Shares by Mr. Yu Qingrui; and (d) as to 13,367 Shares by Mr. Tam Tak Wah. Mr. Siu Yun Fat has resigned as an executive Director on 31 December 2021.

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

The Company has not conducted any other equity fund raising activities during the past 12 months immediately preceding the date of the Announcement.

LETTER FROM THE BOARD

INFORMATION ON THE PLACING AGENT

The Placing Agent is a corporate licensed to carry out Type 1 (dealings in securities) regulated activity under the SFO.

As disclosed in the announcement of the Company dated 7 October 2020, Globally Finance Limited, a wholly owned subsidiary of the Company principally engaged in money lending business, had entered into a loan agreement to grant loan facilities in the principal amount up to HK\$270,000,000 to Central Wealth Group Holdings Limited, the holding company of the Placing Agent. Save for the loan facility agreement and the Placing Agreement, the Company is not aware of any business relationship between (a) the Placing Agent and its ultimate beneficial owner(s) on one hand; and (b) the Company, its connected persons and their respective associates on the other.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the Announcement, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

INFORMATION ON THE UNDERWRITER

The Underwriter is a corporate licensed to carry out Type 1 (dealings in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.

As disclosed in the circular of the Company dated 23 July 2021, the Underwriter is the tenant at G/F, No. 20, Kwun Chung Street, Kowloon, Hong Kong, which is a property owned by the Group with monthly rental HK\$140,000 (inclusive of management fees, government rent and rates) on normal commercial terms. Save for the tenancy and the Underwriting Agreement, the Company is not aware of any business relationship between (a) the Underwriter and its ultimate beneficial owners on one hand; and (b) the Company, its connected persons and their respective associates on the other.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the Announcement, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. As such, the Underwriter complies with rule 7.19(1) of the Listing Rules.

REASONS FOR THE RIGHTS ISSUE

The Company is an investment holding company. The Group is principally engaged in (i) high technology business; (ii) property investment; (iii) provision of financing services; (iv) securities trading and investment; (v) investment in film industry; (vi) trading business and related services; and (vii) licensing of e-commerce platform.

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In 2015, the Group invested in securities brokerage through investment in associates. The Group disposed the associates subsequently in 2017. The Directors are optimistic to the securities market development in Hong Kong and have resolved to engage its securities brokerage business from year 2020. It is expected that the continuous return of Chinese concept stocks to Hong Kong will attract PRC and international capital to flow into Hong Kong, driving the prospects for Hong Kong stocks to be bright.

Bond Connect allows investors from Mainland China and overseas to trade in each other's bond markets through a market infrastructure linkage in Hong Kong. Northbound trading commenced on 3 July 2017, offering China Interbank Bond Market (CIBM) access to a broader group of international investors. Moreover, the Southbound Trading under Bond Connect has been officially launched since September 2021 and that provides a convenient and efficient channel for investors to invest in offshore bonds through the Hong Kong bond market. It is expected that with the formal launch of the Southbound Trading under Bond Connect, the prospect of Hong Kong bond market is promising.

The Board also considers that diversification of the Group's business will broaden revenue bases and would be in the interests of the Group. Accordingly, the Group in 2020 has set up a wholly owned subsidiary Future World Securities Investment Limited ("**FW Securities**") which has obtained license to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO and the Group intends to further develop the securities brokerage business with margin financing. FW Securities aims at providing broader and more diversified services to customers. FW Securities targets to provide securities dealing and advising securities services to its customers.

The Group considers that providing margin financing services to its securities brokerage customers will allow it to broaden the customer base and also assists the development of securities brokerage business as it is contemplated that the customers will be more willing to utilize the services of the Group. In order to provide margin financing services to the securities trading customers, it is necessary for the licensed corporation to have sufficient funds to meet the expected margin financing needs of its customers. Under the licensing requirements of the SFO, FW Securities would have to meet certain financial requirements for providing margin financing services to its customers. As such, the Group is under funding needs for its future and further development of the securities brokerage business.

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FW Securities was established in 2020 with the intention to operate in the securities brokerage business. FW Securities obtained the SFO licenses on 30 June 2020 and has since been operating and generating revenue for the Group. The Company has applied to the Securities and Futures Commission for the approval to provide margin services and is expected to commence to provide such margin services to its existing and future customers (which comprise individual and corporate customers) once obtained the relevant approval in the first quarter of 2022. In operating the business and/or service of margin financing, where the Group, as the broker, offer and/or provision of loans with margin ratio to its customers for investment purposes and would require strong financial capability to satisfy the relevant financial requirement as set out under the SFO. FW Securities will comply with the Guidelines for Securities Margin Financing Activities issued by the Securities and Futures Commission in providing margin financing services. Under the Securities and Futures (Financial Resources) Rules, the minimum paid-up share capital of a Type 1 licensed corporation with margin financing activities would be HK\$10 million, which implies that FW Securities would have to increase its paid up share capital. FW Securities' current paid up share capital amounts HK\$5 million. FW Securities would not consider to carry out margin financing activities in the event that the Rights Issue is not materialized. As such, the Group has a practical fund raising need to develop its securities brokerage business.

By providing margin financing services, the Group will then be able to receive interest revenue from its customers (in addition to the securities brokerage commission) and broaden its income base. For the year ended 31 December 2021, FW Securities generated unaudited revenue of approximately HK\$1,100,000. In addition to securities dealing and advisory service currently provided by FW Securities, FW Securities now wishes to provides securities margin financing to its customers (which shall comprise individual and corporate clients) to broaden its revenue base.

The business model of FW Securities will involve providing securities margin financing services to its customers covering the stocks listed in the Stock Exchange and unlisted and listed bonds, which in addition to the securities brokerage, FW Securities would also receive interest from margin loans to those customers. Without offering margin financing services, it is difficult for FW Securities to procure potential customers to utilize its services whilst vast of the other securities brokerage firms would provide margin financing services to their clients. To develop the securities brokerage business, FW Securities would utilize the business network of the Company's management and also the clientele base of the Group in securities brokerage. The provision of securities margin financing to such customers will be subject to relevant credit assessments in accordance with its internal control policy. The management of FW Securities has relevant experience and expertise in the margin financing business and each of the three responsible officers of FW Securities, who are SFC licensees and responsible for the operations of FW Securities, have over nine years experience in margin financing and the Company believes that the responsible officers of FW Securities have sufficient experience and expertise to carry out the margin financing business. FW Securities intends to further develop its business upon completion of the Rights Issue and will employ additional staff to meet its needs.

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In respect of the internal control, FW Securities will adopt relevant margin financing policy, which will cover the total margin control (i.e. control over the maximum outstanding margin loan amount to be advanced by FW Securities), client limit control (i.e. control over the margin loan limit to individual clients depending on credit assessment and margin loan limit exceeding HK\$5 million would be approved by the responsible officer and the written approval of the board of directors of FW Securities), assessment of collaterals provided by client to assess the relevant risk and procedures for margin call (i.e. requests for additional collaterals and/or repayment in the event that the collateral's value is not sufficient). The policy will be in line with the Guidelines for Securities Margin Financing Activities issued by the Securities and Futures Commission.

It is also intended part of the proceeds would be utilize for repayment of loans and interest of the Group, which will reduce the gearing ratio of the Group. The remaining balance of the proceeds is intended for the general working capital of the Group.

The Company intends to utilize part of the proceeds to repay the bank borrowings of the Group. Those bank borrowings are secured bank loans with aggregate outstanding principal amounts of HK\$296,267,000 and the interest rates are 2.5% below the prime rate, 2% per annum + HIBOR (1 month) or 2.5% per annum over HIBOR (1 week to 1 month). Among bank borrowings, approximately HK\$89,914,000 are repayable within one year, HK\$10,207,000 are repayable over one year but not exceeding two years, HK\$31,420,000 are repayable over two years but not exceeding five years and HK\$164,726,000 are repayable over five years. The Group will repay the current liabilities due from its internal resources to be generated from business operations and/or negotiation for extension of repayment. In respect of the general working capital, the Company intends to utilize up to HK\$1.5 million for settlement of legal and other professional fees with the remaining balances towards the administrative and operating expenses such as staff salary and remuneration.

The Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and placing of new shares.

The Board considers that placing of new Shares would be a suboptimal fund-raising means as it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company. Debt financing will increase the gearing of the Group and the Company will incur interest expenses.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market

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demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

Assuming all the Rights Shares have been taken up and no change in the number of Consolidated Shares in issue on or before the Record Date, the gross proceeds from the Rights Issue will be up to approximately HK\$73.8 million and the net proceeds from the Rights Issue after deducting the expenses are estimated to be up to approximately HK\$69 million.

In the scenario that no Qualifying Shareholders has taken up any entitled Rights Shares and the Placing Agent has not been able to procure any places to take up any Rights Shares, the minimum gross proceeds from the Rights Issue will be HK\$27 million and the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$24 million.

The Company intends to apply the net proceeds as to (i) approximately 65% for capital injection of FW Securities, which would then utilize such proceeds to provide relevant margin financing services to its customers; (ii) approximately 20% for repayment of loan and interest; and (iii) the remaining balance for general working capital of the Group.

As at the Latest Practicable Date, there is no indication that the approval for the margin financing activities of FW Securities would not be granted. In the unlikely event that the approval for the margin financing activities of FW Securities is not obtained by 30 September 2022, the Company intends to utilize the relevant remaining net proceeds originally stipulated for the margin financing of FW Securities towards (i) as to 70% for repayment of loan; (ii) as to 20% for the money lending business of the Group; and (iii) as to 10% towards the brokerage business of the Group.

Taking into consideration of the current indebtedness and liquidity and the potential business return, the Company considers that applying 65% of the proceeds for developing its margin financing business is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

LETTER FROM THE BOARD

GENERAL

The register of members of the Company will be closed from 9 February 2022 to 11 February 2022 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. The EGM will be held to consider and, if thought fit, pass the resolution(s) to approve, among other thing, the Share Consolidation and the Rights Issue.

Mr. Yu Qingrui, being common director of both the Company and Central Wealth Group Holdings Limited, the holding company of the Placing Agent, was considered to be interested in the transactions contemplated under the Placing Agreement, and has abstained from voting on the relevant Board resolutions relating to the Share Consolidation, the Rights Issue and the transactions contemplated thereunder. Apart from the aforesaid, none of the Directors has any material interest in the transactions and none of them is required to abstain from voting on the Board resolutions approving the Share Consolidation, the Rights Issue and the transactions contemplated thereunder.

No Shareholder is involved or interested in or has a material interest in the Share Consolidation and the transactions contemplated thereunder, no Shareholder is required to abstain from voting on the resolution to approve the Share Consolidation at the EGM.

As at the Latest Practicable Date, there are no controlling Shareholders and the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Directors (including Mr. Siu Yun Fat who has resigned on 31 December 2021 but excluding the independent non-executive Directors) hold an aggregate of 7,724,678 Shares, representing approximately 0.71% of the issued share capital of the Company.

The 7,724,678 Existing Shares are owned (a) as to 1,614,457 Shares by Mr. Cai Linzhan; (b) as to 3,440,000 Shares by Mr. Siu Yun Fat; and (c) as to 2,670,221 Shares by Mr. Yu Qingrui. Mr. Siu Yun Fact has resigned as an executive Director on 31 December 2021. As at the Latest Practicable Date, the chief executive of the Company and his associates do not hold any Shares of the Company.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM in respect of the Rights Issue. Please refer to the letter from the Independent Board Committee in this circular for further details.

Veda Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue. Please refer to the letter from Veda Capital in this circular for further details.

LETTER FROM THE BOARD

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

The Shares will be dealt on an ex-rights basis from 25 February 2022. Dealings in the nil-paid rights are expected to take place from 9 March 2022 to 16 March 2022 (both days inclusive). If the conditions of the Rights Issue (please refer to the section headed “Conditions of the Rights Issue” in this circular) are not fulfilled, the Rights Issue will not proceed.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional.

The Rights Issue will proceed on a non-fully underwritten basis. There is no requirement for minimum level of subscription by the Qualifying Shareholders. Subject to the fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. Any Rights Shares which are not placed by the Placing Agent and not taken up by the Underwriter pursuant to the Underwriting Agreement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

RECOMMENDATION

The Directors consider that the terms of the Share Consolidation and the Rights Issue are fair and reasonable and 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 proposed resolutions approving the Share Consolidation, the Rights Issue and the transactions contemplated hereunder at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully
For and on behalf of the Board
Liang Jian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



FUTURE WORLD HOLDINGS LIMITED

未來世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

31 January 2022

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON
THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON
THE RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS**

We have been appointed to form an independent board committee to consider and advise you on the terms of the Rights Issue and the voting recommendation on the relevant resolution, details of which are set out in the circular issued by the Company to the Shareholders dated 31 January 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 12 to 48 and pages 50 to 79 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the background of and reasons for the Rights Issue and having taken into consideration of the advice of the Independent Financial Adviser, in relation thereto as set out on pages 50 to 79 of the Circular, we concur with the view of the Independent Financial Adviser and consider that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution.

Yours faithfully,

For and on behalf of the Independent Board Committee of
Future World Holdings Limited

Chen Pei

Siu Siu Ling Robert

Tam Tak Wah

Zheng Zongjia

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.

VEDA | CAPITAL
智 略 資 本

Suites 1001-1002, 10/F., 299 QRC
299 Queen's Road Central, Hong Kong

31 January 2022

To: Independent Board Committee and the Independent Shareholders

Dear Sirs/Madams,

**PROPOSED RIGHTS ISSUE ON
THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON
THE RECORD DATE ON A NON-FULLY UNDERWRITTEN BASIS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 31 January 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 15 December 2021, conditional upon the Share Consolidation being approved by the Shareholders at the EGM and becoming effective, the Company proposes to conduct the Rights Issue to raise a gross proceed of up to approximately HK\$73.8 million by way of a rights issue of up to 82,044,138 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date), at the Subscription Price of HK\$0.9 per Rights Share on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date. The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A(1) of the Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, there are no controlling Shareholders and 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.

We, Veda Capital Limited, have been approved by the Independent Board Committee, comprising four independent non-executive Directors, namely Mr. Chen Pei; Mr. Siu Siu Ling, Robert; Mr. Tam Tak Wah and Mr. Zheng Zongjia, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue and to provide recommendations as to voting at the EGM.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any parties that could reasonably be regarded as relevant to our independence. During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, save for this appointment as the Independent Financial Adviser in respect of the Rights Issue, there were no other engagements between us and the Group. 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 party acting, or presumed to be acting, in concert with it. Accordingly, we are considered eligible to give independent advice on the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) information in relation of the Group, including but not limited to, the published financial reports of the Company for the six months ended 30 June 2021 and for the two financial years ended 31 December 2020; (ii) information provided by the Company; (iii) the Circular; and (iv) market information obtained from the website of the Stock Exchange. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business and financial information of the Group

Information of the Group

The Company is an investment holding company. The Group are principally engaged in (i) high technology business (the “**High Technology Business**”); (ii) property investment; (iii) provision of financing services; (iv) securities trading and investment; (v) investment in film industry; (vi) trading business and related services; and (vii) licensing of e-commerce platform.

Business and financial performance of the Group

Set out below is a summary of the unaudited consolidated financial information of the Group for the six months ended 30 June 2020 and 2021 as extracted from the interim reports of the Company for the six months ended 30 June 2021:

For the six months ended 30 June 2021

	For the six months ended		YOY changes %
	30 June 2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	
Revenue	35,682	91,408	(60.96)
Profit/(loss) attributable to the Shareholders	4,053	(43,187)	Turnaround from loss to profit

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 30 June		YOY changes %
	2021	2020	
	<i>HK\$'000</i>	<i>HK\$'000</i>	
	(unaudited)	(unaudited)	
Current assets	158,741	382,285	(58.48)
Current liabilities	507,915	522,894	2.86
Total assets	1,431,786	1,447,880	(1.11)
Total liabilities	507,915	522,894	2.86
Net current liabilities	(349,174)	(140,609)	148.33
Net asset attributable to the Shareholders	913,108	919,334	(0.68)

The Group recorded revenue for the six months ended 30 June 2021 in the amount of approximately HK\$35.68 million, representing a decrease of approximately 60.96% as compared to that for the six months ended 30 June 2020 in the amount of approximately HK\$91.41 million. As advised by the Company, the decrease in revenue was mainly due to the decrease in sales of artificial intelligence products and application solutions under the High Technology Business for the six months ended 30 June 2021.

The Group recorded a profit attributable to the Shareholders for the six months ended 30 June 2021 in the amount of approximately HK\$4.05 million as compared to a loss attributable to the Shareholders for the six months ended 30 June 2020 in the amount of approximately HK\$43.19 million. As advised by the Company, the turnaround from loss to profit was mainly due to, among others, (i) decrease in share-based payment expenses relating to share option from approximately HK\$17.50 million to approximately HK\$1.51 million; (ii) revaluation profit of approximately HK\$13.20 million arising from change in fair value of investment properties as compared to revaluation loss of approximately HK\$3.10 million for the six months ended 30 June 2020; (iii) decrease in net realized loss on investment at fair value through profit and loss of approximately HK\$11.39 million; and (iv) decrease of credit loss allowances on loan and interest receivables of approximately HK\$5.22 million.

The Group's unaudited total assets as at 30 June 2021 amounted to approximately HK\$1,431.79 million. The Group's unaudited net asset value attributable to the Shareholders amounted to approximately HK\$913.11 million as at 30 June 2021, representing a decrease of approximately 0.68% as compared to that of approximately HK\$919.33 million as at 30 June 2020. The Group recorded net current liabilities as at 30 June 2021 in the amount of approximately HK\$349.17 million, representing an increase of approximately 148.33% as compared to that as at 30 June 2020 in the amount of approximately HK\$140.61 million. The Group's current liabilities mainly comprise of, including but not limited to, borrowings (repayable within one year or on demand) of approximately HK\$421.82 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the consolidated financial information of the Group for the two financial years ended 31 December 2019 and 2020 respectively which were extracted from the annual reports of the Company for the financial year ended 31 December 2019 and 2020 respectively:

For the financial year ended 31 December 2020

	For the years ended		YOY changes
	31 December		
	2020	2019	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited)	
Revenue	234,659	80,916	190.00
Loss attributable to the Shareholders	(38,003)	(53,991)	loss making
	As at 31 December		YOY changes
	2020		
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(audited)	(audited)	
Current assets	154,417	355,242	(56.53)
Current liabilities	533,162	500,770	6.47
Total assets	1,491,896	1,436,729	3.84
Total liabilities	533,162	500,770	6.47
Net current liabilities	(378,745)	(145,528)	160.26
Net asset attributable to the Shareholders	944,955	934,201	1.15

The Group recorded revenue for the financial year ended 31 December 2020 in the amount of approximately HK\$234.66 million, representing an increase of approximately 190.00% as compared to that for the financial year ended 31 December 2019 in the amount of approximately HK\$80.92 million. As advised by the Company, the increase in revenue was mainly due to, among others, having strategic co-operation with Harbin Institute of Technology Robot Group in 2019, the Company made significant progress in increasing the sales of the business of intelligent robotics and related services and artificial intelligence products and application solutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group recorded a loss attributable to the Shareholders for the financial year ended 31 December 2020 in the amount of approximately HK\$38.00 million as compared to a loss attributable to the Shareholders for the financial year ended 31 December 2019 in the amount of approximately HK\$53.99 million. As advised by the Company, the decrease in loss attributable to the Shareholders was mainly due to, among others, (i) the Group recorded a profit of approximately HK\$21.82 million from the High Technology Business; (ii) decrease in fair value loss of investment of approximately HK\$24.67 million; (iii) provision for credit loss allowances on loan and interest receivables of approximately HK\$1.43 million; and (iv) realized loss on investment at fair value through profit or loss of approximately HK\$13.07 million and there was no such item in the financial year ended 31 December 2019.

The Group's audited total assets as at 31 December 2020 amounted to approximately HK\$1,491.90 million. The Group's audited net asset value attributable to the Shareholders amounted to approximately HK\$944.96 million as at 31 December 2020, representing an increase of approximately 1.15% as compared to that of approximately HK\$934.20 million as at 31 December 2019. The Group recorded net current liabilities as at 31 December 2020 in the amount of approximately HK\$378.75 million, representing an increase of approximately 160.26% as compared to that as at 31 December 2019 in the amount of approximately HK\$145.53 million. The Group's current liabilities mainly comprise of, including but not limited to, borrowings (repayable within one year or on demand) of approximately HK\$448.72 million.

Having considered (i) the latest net current liabilities position, involving mainly borrowings, of the Group; and (ii) the gearing ratios of the Group (calculated as total borrowings divided by total equity) at approximately 45.92% and approximately 47.07% as at 30 June 2021 and as at 31 December 2020 respectively, the Group could be exposed to higher risks of financial difficulties in the events of, *inter alia*, economic downturns and/or bank interests increase, we are of the view that it is reasonable, and in the interests of the Shareholders, for the Group to improve its financial position.

2. Reasons for the Rights Issue and use of proceeds

The Board has estimated that the minimum and maximum net proceeds from the Rights Issue after deducting the costs and expenses are estimated to be approximately HK\$24 million and HK\$69 million respectively. As stated in the Board Letter, the Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 65% for capital injection of FW Securities, which would then utilize such proceeds to provide relevant margin financing services to its customers; (ii) approximately 20% for repayment of loans and interests; and (iii) the remaining balance for general working capital of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors are optimistic to the securities market development in Hong Kong and have resolved to continue its securities brokerage business from year 2020. In particular, the Bond Connect allows investors from the PRC and overseas to trade in each other's bond markets through a market infrastructure linkage in Hong Kong. It is expected that the continuous return of Chinese concept stocks to Hong Kong will attract PRC and international capital to flow into Hong Kong, driving the prospects for Hong Kong stocks to be bright. Moreover, the diversification of the Group's business may also broaden the Group's revenue bases and therefore, would be in the interests of the Group.

In 2020, the Group has set up FW Securities, currently a wholly owned subsidiary of the Company, which has obtained relevant licenses to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the SFO (collectively, the "SFO Licenses") to further develop the securities brokerage business with margin financing. The Group considers that providing margin financing services may assist the development of its securities brokerage business as it is contemplated that the customers will be more willing to utilize the services of the Group. The business model of FW Securities, in addition to the securities brokerage, will involve providing securities margin financing services to its individual and corporate customers covering the stocks listed in the Stock Exchange and unlisted and listed bonds. In order to provide margin financing services to the securities trading customers, it is necessary for the licensed corporation to have sufficient funds to meet the expected margin financing needs for its customers and the financial requirements under the licensing requirements of the SFO. We also noted from the Board Letter that FW Securities' current paid up share capital amounts HK\$5 million and would have to increase its paid up share capital to a minimum of HK\$10 million as required under the Securities and Futures (Financial Resources) Rules. FW Securities would not carry out margin financing activities in the event that the Rights Issue is not materialised.

Additional to the above, the Company also intends to utilize (i) part of the proceeds to repay the bank borrowings of the Group details of which stated in the section headed "Reasons for the Rights Issues" in the Board Letter; and (ii) up to HK\$1.5 million for settlement of legal and other professional fees and administrative and operating expenses such as staff salary and remuneration.

In the course of our discussions with the Company, we were given to understand that FW Securities was established in 2020 with the intention to operate in the securities brokerage business. We noted from the document provided by the Company, FW Securities obtained the SFO Licenses on 30 June 2020 and has since been operating and generating revenue for the Group. The Company has applied to the Securities and Futures Commission for the approval to provide margin services and is expected to commence to provide such margin services to its customers once obtained the relevant approval in the first quarter of 2022. We understand that in operating the business and/or service of margin financing, where the Group, as the broker, offer and/or provision of loans with margin ratio to its customers for investment purposes and would require strong financial capability (including but not limited to, a minimum paid up share capital) to satisfy the relevant financial requirement as set out under the SFO. In return, by providing margin financing services, the Group will then be able to receive interest revenue from its customers. As advised by the Company, there is no indication that the approval for the margin financing activities of FW Securities would not be granted as at the Latest Practicable Date; however, in the unlikely

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

event that the approval for the margin financing activities of the FW Securities is not obtained by 30 September 2022, the Company intends to utilize the relevant remaining net proceeds originally stipulated for the margin financing of FW Securities towards (i) as to 70% for repayment of loan; (ii) as to 20% for the money lending business of the group; and (iii) as to 10% towards the brokerage business of the Group.

In relation to the securities market in Hong Kong and the Bond Connect as mentioned in the Board Letter, we also have researched and noticed from the Market Statistics 2020 of the Stock Exchange (www.hkex.com.hk) that (i) market capitalisation and total turnover of the securities market in Hong Kong have both increased notably in 2020 year end as compared to 2019 year end; and (ii) the total trading volume of Bond Connect increased by approximately 83% in 2020 as compared to 2019.

Given the above operational and market information, together with the fact that the Company has not conducted any other equity fund raising activities during the past 12 months immediately preceding the Last Trading Day, we are of the view that the proposed Rights Issue is reasonable and could serve as one effective method for the Group to secure imminent funding for the development of its security brokerage business by providing added financial services in margin financing to its customers and to repay its loans and interests. Moreover, having considered (i) the increasing market capitalisation and turnover of the securities market in Hong Kong; and (ii) the offering of add-on margin brokerage services to its existing brokerage customers would provide opportunities for the Company to generate revenue which can be ultimately used for repaying its outstanding loans and interests and improving its financial position; and (iii) approximately 20% of the net proceeds of the Rights Issues is expected to be used to improve its financial position, we are of the view that approximately 65% of the net proceeds from the Rights Issue to be applied on developing the margin financing business is fair and reasonable.

Financing alternatives considered by the Company

As mentioned in the Board Letter, we understand that the Board has considered various means of fund raising such as debt financing and equity fund raising such as placing of new Shares and open offer, before resolving to the Rights Issue.

With reference to the Group's interim report for the six months ended 30 June 2021, we noted the Group recorded a pledged bank deposits and cash and bank balance in the amount of approximately HK\$17.8 million and was in the position of net current liabilities in the amount of approximately HK\$349.2 million as at 30 June 2021. Accordingly, as advised by the Company, any debt financing to be conducted by the Company can be considered as adding further pressure on the financial position of the Company which will also result in additional interest burden and higher gearing ratio of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As for other equity fund raising, such as placing of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company.

In comparison, equity fund raising such as a rights issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation. However, in comparing to fund raising by way of an open offer, the proposed Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand).

Having considered that (i) the Group has an imminent funding needs for its existing and/or upcoming business operations in light of its latest position of net current liabilities and gearing ratio of the Group; (ii) the Group has a clear and precise plan on the uses of the proceeds from the Rights Issue; (iii) FW Securities has the SFO Licenses to operate its securities brokerage business and is in the process of obtaining the approval to provide value-added margin financing services; (iv) the fund raised from the Rights Issue and the development of the business of FW Securities may strengthen capital and financial position of the Group and/or added revenue source for the Group without increasing its finance costs; (v) the trading activities in the Hong Kong securities market has been increasing notably from 2019 to 2020; and (vi) the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and given that it offers relatively more flexibility and the opportunity to participate in the growth of the Company, we are of the view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Rights Issue

Conditional upon the Share Consolidation being approved by the Shareholders at the EGM and becoming effective, the Company proposes to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Record Date. A summary of the major terms of the Rights Issue is as follows:

Basis of the Rights Issue	:	three (3) Rights Shares for the every two (2) Consolidated Shares held on the Record Date
Subscription Price	:	HK\$0.9 per Rights Share

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Number of Consolidated Shares in issue upon the Share Consolidation having become effective : 54,696,092 Consolidated Shares
- Number of Rights Shares : up to 82,044,138 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) not less than 30,000,000 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date)
- Status of the Rights Shares : the Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respect with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which may be declared, made or paid, the record date of which is after the date of allotment and issue of the Rights Shares in their fully-paid form
- Gross proceeds : up to approximately HK\$73.8 million and not less than approximately HK\$27 million before costs and expenses
- Fractions of the Rights Shares : the Company will not provisionally allot fractions of Rights Shares
- Odd lots matching services : the Placing Agent has been appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share

Please refer to the section headed “3. PROPOSED RIGHTS ISSUE ON A NON-FULLY UNDERWRITTEN BASIS” in the Board Letter for more details of the terms of the proposed Rights Issue.

It should also be noted that the Rights Issue will be conditional upon the Underwriting Agreement becoming unconditional. Please refer to the sub-section headed “Conditions of the Underwriting Agreement” in the Board Letter for details of the conditions for the Underwriting Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Subscription Price

The Subscription Price is HK\$0.9 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 33.82% to the theoretical closing price of HK\$1.36 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 36.26% to the theoretical average closing price of HK\$1.412 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0706 per 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 18.18% to the theoretical closing price of HK\$1.1 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price HK\$0.055 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (iv) a discount of approximately 16.97% to the theoretical ex-rights price of HK\$1.084 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$1.084 per Share based on the closing price of HK\$0.068 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.23% of the theoretical diluted price of HK\$1.084 per Consolidated Share to the benchmarked price of HK\$1.412 per Consolidated Share (after taking into account the effect of the Share Consolidation); and
- (vi) a discount of approximately 94.64% to the unaudited consolidated net asset value per Consolidated Share (after taking into account the effect of the Share Consolidation) of approximately HK\$16.80 (the “NAV Price”) (based on the latest published consolidated net asset value of the Group of approximately HK\$918,704,000 as at 30 June 2021 as disclosed in the interim report of the Company for the six months ended 30 June 2021 and 54,696,092 Consolidated Share as at the Last Practicable Date).

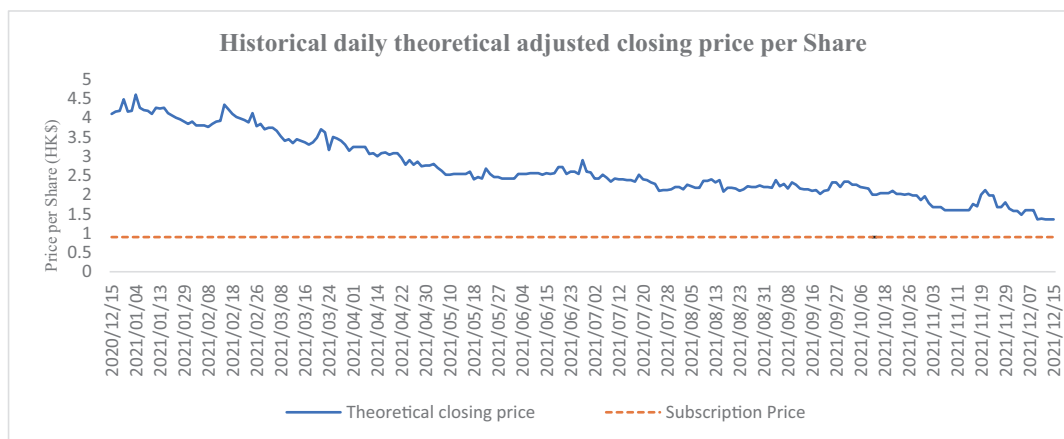
LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.84.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter with reference to, amongst other factors, (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; and (iii) the funding and capital needs of the Company for its business plans and prospect set out in the section headed "Reasons for the Rights Issue" in the Board Letter.

Historical price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily theoretical closing price of the Shares as quoted on the Stock Exchange from 15 December 2020 up to and including the Last Trading Day (the "**Review Period**") (being a period of approximately one year prior to and including the Last Trading Day), to illustrate the general trend of the closing prices and the level of movement of the Shares and compared with the Subscription Shares during the Review Period.



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

Having taken into the account of the Share Consolidation, the theoretical closing prices of the Consolidated Share during the Review Period ranged from HK\$1.36 per Consolidated Share (the "**Lowest Theoretical Closing Price**") to HK\$4.60 per Consolidated Share and with the average theoretical closing price of approximately HK\$2.75 per Consolidated Share (the "**Average Theoretical Closing Price**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the above that during the Review Period, the Consolidated Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.90 represents (i) a discount of approximately 33.82% to the Lowest Theoretical Closing Price; and (ii) a discount of approximately 67.27% to the Average Theoretical Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the Lowest Theoretical Closing Price and to the Average Theoretical Closing Price.

Liquidity of the Shares

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

	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month	Percentage of average daily trading volume to total number of Shares (approx. %)
			<i>(Note 1)</i>	<i>(Note 2)</i>
2020				
December (from the beginning of the Review Period)	35,391,143	12	2,949,262	0.31
2021				
January	21,689,142	20	1,084,457	0.11
February	18,156,515	18	1,008,695	0.11
March	16,068,989	23	698,652	0.07
April	105,094,855	19	5,531,308	0.59
May	15,873,997	20	793,700	0.08
June	34,717,814	21	1,653,229	0.17
July	61,467,838	21	2,927,040	0.29
August	24,610,773	22	1,118,672	0.11
September	11,215,235	21	534,059	0.05
October	7,057,572	18	392,087	0.04
November	94,108,035	22	4,277,638	0.39
December (up to the Last Trading Day)	67,230,300	11	6,111,845	0.56

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

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Notes:

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

As illustrated in the table above, the percentage of average daily trading volume of Shares during the Review Period ranged from approximately 0.04% to approximately 0.59% of the total number of issued Shares for each of their respective month/period. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it appears to be reasonable for the Subscription Price to be set at a discount to the prevailing theoretical closing prices of the Consolidated Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Comparison with other rights issue transactions

As part of our analysis, to further assess the fairness and reasonableness of the Subscription Price, we have also conducted research for sample rights issues transactions based on (i) rights issues conducted by companies listed on the Stock Exchange; and (ii) rights issues that have issued prospectus for rights issue from 15 March 2021 up to and including the Last Trading Day (being approximately nine-months period prior and including the Last Trading Day) (the “**Comparable Period**”) whether they have not, or with both, placing/underwriting arrangement which could help us to understand the latest trends of, including but not limited to, the relevant placing and underwriting commissions. Accordingly, we have identified an exhaustive list of 46 right issues samples (the “**Comparables**”) for comparison during the Comparable Period. The Comparable Period is considered to be adequate and appropriate given that such period contained sufficient samples and reflected recent and general market practices for rights issue transactions prior to the Last Trading Day.

While the subject companies among the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company, we are of the view that they can provide a reasonable reference to how the market generally perceive rights issue transactions. The following table sets forth the relevant details of the Comparables.

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Date of prospectus	Company name (stock code)	Basis of entitlement	Premium/(discount) of the Subscription Price over/to the theoretical ex-rights price per share based on the consolidated net assets value per share					Theoretical dilution effect (%)	Underwriting/ placing	Placing commission (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)
			the theoretical closing price on the last trading day (%)	the share based closing price on the last trading day (%)	the consolidated net assets value per share (Note 1) (%)	Theoretical dilution effect (%)	Underwriting/ placing					
17/3/2021	Bossini International Holdings Limited (592)	1/2	(23.40)	(16.86)	177.00	(8.47)	N/A	Nil	Nil	33.33		
19/3/2021	Sinolink Worldwide Holdings Limited (1168)	4/5	(42.86)	(31.37)	(83.65)	(20.09)	N/A	Nil	Nil	44.44		
23/3/2021	Roma Group Limited (8072)	3/1	(31.32)	(10.07)	(94.13)	(23.63)	Underwriting	-	2.50	75.00		
26/3/2021	Espirit Holdings Limited (330)	1/2	(25.00)	(18.21)	(48.98)	(8.68)	Underwriting	-	1.625	33.33		
30/3/2021	Beaver Group (Holding) Company Limited (8275)	3/2	(34.38)	(17.32)	(69.82)	(20.63)	Placing	3.5	-	60.00		
15/4/2021	Kaisa Group Holdings Ltd. (1638)	1/7	(25.13)	(22.70)	(52.98)	(3.44)	Underwriting	-	2.5	12.50		
23/4/2021	Enterprise Development Holdings Limited (1808)	1/2	(49.15)	(39.09)	(18.37)	(16.38)	Underwriting	-	1.0	33.33		
26/4/2021	Qingdao Holdings International Limited (499)	1/1	(18.80)	(10.30)	(27.00)	(9.40)	Underwriting	-	4.5	50.00		
12/5/2021	Noble Engineering Group Holdings Limited (8445)	1/2	(33.80)	(25.30)	(74.70)	(11.90)	Placing	5.0	-	33.33		
14/5/2021	Golden Power Group Holdings Limited (3919)	1/2	(21.40)	(15.40)	(70.90)	(7.10)	Underwriting	-	7.07	33.33		
21/5/2021	China Ecotourism Group Limited (1371)	2/1	(30.07)	(12.28)	13.64	(23.93)	N/A	Nil	Nil	66.67		
31/5/2021	Ta Yang Group Holdings Limited (1991)	1/2	(22.22)	(16.02)	(56.15)	(7.39)	N/A	Nil	Nil	33.33		
2/6/2021	Great Wall Belt & Road Holdings Limited (524)	1/4	(18.90)	(15.70)	650.00	(4.90)	N/A	Nil	Nil	20.00		
3/6/2021	Coolpad Group Limited (2369)	1/2	(41.10)	(31.70)	52.90	(13.70)	Underwriting	-	2.5	33.33		
8/6/2021	PFC Device Inc. (8231)	1/2	(20.00)	(14.29)	(64.22)	(7.79)	N/A	Nil	Nil	33.33		
16/6/2021	China Internet Investment Finance Holdings Limited (810)	1/2	(51.22)	(41.18)	(77.79)	(18.11)	Underwriting	-	2.5	33.33		
17/6/2021	China Best Group Holding Limited (370)	1/2	(45.21)	(37.89)	(81.48)	(15.93)	Placing	1.5	-	33.33		
24/6/2021	Sandmartin International Holdings Limited (482)	1/2	(16.00)	(11.21)	854.55	(5.33)	Placing	2.0	-	33.33		
25/6/2021	China Investment Development Limited (204)	1/2	(10.31)	(7.12)	325.53	(3.86)	Underwriting	-	2.5	33.33		
29/6/2021	Merdeka Financial Group Limited (8163)	5/2	(21.05)	(6.83)	N/A	(18.00)	Underwriting	-	2.0	71.43		
6/7/2021	China Demeter Financial Investment Limited (8120)	3/1	(17.36)	(4.99)	(86.11)	(15.29)	both	2.0	0.0	75.00		
7/7/2021	Vision Fame International Holding Limited (1315)	1/4	(60.78)	(55.36)	(15.25)	(11.81)	Placing	2.0	-	20.00		
9/7/2021	Lai Sun Garment (International) Limited (191)	1/2	(65.00)	(55.40)	(95.90)	(21.70)	Underwriting	-	1.0	33.33		
29/7/2021	Cool Link (Holdings) Limited (8491)	1/2	(39.30)	(30.90)	(60.60)	(13.43)	Underwriting	-	2.5	33.33		
2/8/2021	State Energy Group International Assets Holdings Limited (918)	3/1	(22.20)	(7.40)	(42.40)	(19.00)	both	1.0	1.0	75.00		
6/8/2021	CBK Holdings Limited (8428)	3/2	(22.73)	(10.53)	0.00	(13.64)	Placing	3.0	-	60.00		
17/8/2021	Global Strategic Group Limited (8007)	4/1	(20.79)	(4.76)	N/A	(17.56)	Underwriting	-	3.0	80.00		
18/8/2021	China Environmental Energy Investment Limited (986)	1/1	(5.66)	(2.91)	(79.81)	(2.83)	Placing	2.5	-	50.00		
23/8/2021	Tongda Group Holdings Limited (698)	1/2	(49.01)	(40.51)	(77.45)	(16.84)	Underwriting	-	3.0	33.33		
23/8/2021	LKS Holding Group Limited (1867)	1/5	(9.84)	(8.33)	109.32	(1.64)	Underwriting	-	1.5	16.67		
24/8/2021	AL Group Limited (8360)	3/1	(27.03)	(8.47)	N/A	(20.27)	Underwriting	-	1.5	75.00		
10/9/2021	Lai Sun Development Limited (488)	1/2	(50.00)	(40.00)	(94.00)	(16.60)	Underwriting	-	2.0	33.33		
13/9/2021	China Baoli Technologies Holdings Limited (164)	1/2	(29.82)	(21.57)	N/A	(10.34)	Underwriting	-	3.5	33.33		
24/9/2021	Luen Wong Group Holdings Limited (8217)	2/1	(18.80)	(7.10)	5.60	(12.50)	Placing	2.5	-	66.67		
29/9/2021	Sun Entertainment Group Limited (8082)	4/5	(52.50)	(38.10)	185.70	(24.10)	N/A	Nil	Nil	44.44		
8/10/2021	Worldgate Global Logistics Ltd (8292)	3/1	(17.90)	(5.20)	(79.80)	(13.40)	Placing	1.0	-	75.00		
22/10/2021	China Properties Investment Holdings Limited (736)	1/1	(4.10)	(2.10)	(90.40)	(2.00)	Placing	2.5	-	50.00		
1/11/2021	Link-Asia International MedTech Group Limited (1143)	1/2	(7.83)	(5.35)	(61.55)	(6.93)	Underwriting	-	3.0	33.33		

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Date of prospectus	Company name (stock code)	Basis of entitlement	Premium/(discount) of the Subscription Price over/to the theoretical ex-rights price per share based on the consolidated net assets value per share (adjusted)					Theoretical dilution effect (%)	Underwriting/placing	Placing commission (%)	Underwriting commission (%)	Maximum dilution (Note 2) (%)
			the closing price on the last trading day (%)	the closing price on the last trading day (%)	the closing price on the last trading day (%)	the closing price on the last trading day (%)	the closing price on the last trading day (%)					
9/11/2021	P.B Group Limited (8331)	1/1	(36.40)	(22.20)	(75.00)	(18.20)	both	1.0	0.0	50.00		
12/11/2021	Great Wall Terroir Holdings Limited (524)	1/5	(23.70)	(20.50)	150.00	(8.17)	N/A	Nil	Nil	16.67		
22/11/2021	Champion Technology Holdings Limited (92)	3/1	8.70	334.78	11.10	(3.84)	Underwriting	-	2.5	75.00		
				(Note 3)								
24/11/2021	Daisho Microline Holdings Limited (567)	1/1	(44.44)	(28.57)	(15.18)	(22.22)	Underwriting	-	2.0	50.00		
26/11/2021	Xinyi Electric Storage Holdings Limited (8328)	1/10	(8.07)	(7.39)	405.50	(1.28)	N/A	Nil	Nil	9.09		
				(Note 3)								
6/12/2021	Deson Development International Holdings Limited (262)	1/2	(7.41)	(5.06)	(93.90)	(2.53)	Underwriting	-	3.5	33.33		
6/12/2021	CIFI Holdings (Group) Co. Ltd. (884)	1/20	(2.91)	(2.77)	(8.79)	(0.20)	N/A	Nil	Nil	4.76		
15/12/2021	Xinyang Maojian Group Limited (362)	1/2	(4.00)	(6.98)	140.00	(3.30)	Underwriting	-	3.5	33.33		
	Maximum		8.70	(2.10)	140.00	(0.20)		5.0	7.07	80.00		
	Minimum		(65.00)	(55.40)	(95.90)	(24.10)		1.0	0.0	4.76		
	Average		(26.53)	(18.74)	(41.82)	(12.10)		2.3	2.4	42.61		
	The Company (572)	3/2	(33.82)	(16.97)	(94.62)	(23.23)	both	3.5	5.0	60.00		

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

Notes:

- (1) The net assets value per share for each of the Comparables was extracted from their respective latest financial reports/results of the Comparables. Net assets value per share was calculated based on the reported net assets value of the Comparable divided by the number of their respective issued shares as at the date of the relevant announcement of the Comparables.
- (2) Maximum dilution effect of each rights issue is calculated as: (number of rights shares and (if any) bonus shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the rights shares under the basis of entitlement + number of rights shares and (if any) bonus shares to be issued under the basis of entitlement) x 100%. Taking the Company's case as an example, for a rights issue with basis of 3 Rights Shares for every 2 Consolidation Shares taken up, the maximum dilution effect is calculated as $(3/(3+2)) \times 100 = 60.0\%$.
- (3) These figures were considered as outliers and were not included in their respective analysis. An outlier is identified if it is more than 1.5 times interquartile range below the first quartile or above the third quartile.
- (4) These comparables recorded net liabilities position as at their respective latest financial results/reports.

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As illustrated from the Comparables, we noted that:

- (i) the subscription prices to the theoretical closing prices on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a discount of approximately 65.00% to a premium of approximately 8.70% (the “**Comparable LTD Range**”), with an average discount of approximately 26.53% (the “**Comparable LTD Average**”). The discount of the Subscription Price to the theoretical closing price per Consolidated Share on the Last Trading Day of approximately 33.82% (the “**LTD Discount**”) is within the Comparable LTD Range; and
- (ii) the subscription prices to the theoretical ex-rights prices per share based on the respective last trading day prior to the rights issue announcements of the Comparables ranged from a discount of approximately 2.10% to a discount of approximately 55.40% (the “**Comparable TERP Range**”), with an average discount of approximately 18.74% (the “**Comparable TERP Average**”). The discount of the Subscription Price to the theoretical ex-rights price per Consolidated Share on the Last Trading Day of approximately 16.97% (the “**TERP Discount**”) is within the Comparable TERP Range; and
- (iii) the subscription prices to the consolidated net assets value per (adjusted) share based on the respective last practicable day of the Comparables, excluding outliers to decrease variability of the Comparable, ranged from a discount of approximately 95.90% to a premium of approximately 140.00% with an average discount of approximately 41.82% (the “**Comparable NAV Average**”). The discount of the Subscription Price to the consolidated net assets per Consolidated Share of approximately 94.62% is within the said range but is noticeably higher than the Comparable NAV Average. Given that, (a) the adjusted closing prices per Consolidated Share, as illustrated under the section headed “Historical price performance” during the Review Period, displayed a declining trend and were trading significantly lower than the NAV Price; (b) the Average Theoretical Closing Price also represented a deep discount of approximately 83.63% to the NAV Price; (c) the net proceeds from the Rights Issue could cater the Group’s financial needs in business development and/or financial position improvement; (d) a deep discount to the NAV per Share served to encourage participation of the Rights Issue and such discount provided an opportunity for Qualifying Shareholders to lower his/her overall investment costs per Share (should they choose to take up the assured entitlement under the Rights Issue) to maintain shareholdings and benefit from the Company’s future growth, we consider that such discount is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Shareholders and the Company as a whole; and

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- (iv) the theoretical dilution effect represented by the Comparables ranged from approximately 24.10% to approximately 0.20%, with an average of approximately 12.10%. Due to the facts that (i) the theoretical dilution effect represented by the Rights Issue of approximately 23.23% falls within the range of the Comparables; (ii) the net proceeds from the Rights Issue would improve the Group's overall liquidity position; and (iii) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rate shareholding interests in the Company, we consider that the theoretical dilution effect represented by the Rights Issue is acceptable so far as the Independent Shareholders are concerned.

Having considered that (i) the Consolidated Shares have been traded above the Subscription Price during the Review Period; (ii) the trading liquidity of the Shares were generally thin during the Review Period; (iii) the Subscription Price represents a discount of approximately 67.27% to the Average Theoretical Closing Price and such discount could enhance the attractiveness of the Rights Issues for Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company; (iv) the LTD Discount and the TERP Discount are within the Comparable LTD Range and Comparable TERP Range respectively; (v) the discount of the Subscription Price to the consolidated net assets per Consolidated Share is more favorable than the Comparable NAV Average; and (vi) the theoretical dilution effect represented by the Rights Issue is considered as acceptable, we are of the view that the Subscription Price is on normal commercial terms and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Procedures in respect of the Unsubscribed Rights Shares and the Unsubscribed Arrangement

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company in the Rights Issue must make compensatory arrangement to dispose Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the No Action Shareholders to whom they were offered by way of the Rights Issue.

We understand that the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realized will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, acquire for all (or as many as possible) of those Unsubscribed Rights Shares. Any unsold Unsubscribed Rights Shares will form the Unsold Rights Shares and will be dealt with in accordance with the terms of the Underwriting Agreement.

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Placing Agreement for the Unsubscribed Rights Shares

Details of the Placing Agreement are summarised as follows:

- Date : 15 December 2021
- Issuer : the Company
- Placing Agent : Central Wealth Securities Investment Limited
- Commission and expenses : subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 3.5% of the amount which is equal to the Subscription Price multiplied by the number of Unsubscribed Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement
- Placing price of the Unsubscribed Rights Shares : the placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares during the process of placement
- Ranking of the Unsubscribed Rights Shares : Unsubscribed Rights Shares (when allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue
- Placees : the Unsubscribed Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies)
- for the avoidance of doubt, no placee shall become a substantial Shareholder

For further details, please refer to the sub-section headed “Placing Agreement for the Unsubscribed Rights Shares” of the Board Letter.

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Rights Shares that are not accepted by the Qualifying Shareholders, together with the Rights Shares that the Non-Qualifying Shareholders are entitled to under the Rights Issue, will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. Any premium over the Subscription Price (if any) will be distributed to the relevant No Action Shareholders on a pro-rata basis.

If all the Unsubscribed Rights Shares are successfully placed, the underwriting obligations of the Underwriter under the Underwriting Agreement will be terminated forthwith. If and only if there remain any Unsubscribed Right Shares after the placing, the Underwriter will be obliged to take up such amount of the Unsubscribed Rights Shares up to the Underwritten Shares at the Subscription Price.

The Underwriting Agreement

Details of the Underwriting Agreement are summarised as follows:

Date	:	15 December 2021
Issuer	:	the Company
Underwriter	:	Po Tai Securities (Hong Kong) Limited
Number of Underwritten Shares and the underwriting arrangement	:	the actual amount of Rights Shares to be underwritten by the Underwriter will depend on the level of subscriptions by the Qualifying Shareholders, and the results of the placing pursuant to the Unsubscribed Arrangement under the Placing Agreement

the minimum Rights Shares to be underwritten by the Underwriter together with the Rights Shares to be placed by the Placing Agent and the Rights Shares to be taken up by the Qualifying Shareholders shall be 30,000,000 Rights Shares

the Underwriter shall have no obligation to underwrite further Rights Shares in the event that the Rights Shares to be placed by the Placing Agent together the Rights Shares to be taken up by the Qualifying Shareholders shall be more than 30,000,000 Rights Shares

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for the avoidance of doubt, the Underwriter may procure for subscription of additional untaken Rights Shares at its discretion

Commission and expenses : 5% (the “**FW Underwriting Commission Rate**”) of the aggregate Subscription Price in respect of the actual number of Underwritten Shares underwritten, subscribed for or procured subscription for by the Underwriter pursuant to the Underwriting Agreement, provided that the minimum commission payable shall be HK\$1,350,000

On 28 January 2022, the Company and the Underwriter entered into a supplemental letter pursuant to which the Underwriter agrees to waive the minimum underwriting commission and there shall be no minimum underwriting commission payable by the Company.

As stated in the Board Letter, the terms of the Underwriting Agreement were determined after arm’s length negotiations between the Company and the Underwriter, taking into account the following factors: (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; and (iii) the funding and capital needs of the Company for its business plans and prospect. The Directors are of the view that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Rights Issue will be conditional upon the Underwriting Agreement becoming unconditional. For further details, please refer to the section headed “THE UNDERWRITING AGREEMENT” of the Board Letter.

Information on the Placing Agent and the Underwriter

As stated in the Board Letter, the Placing Agent is a corporate licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO.

As stated in the Board Letter, the Underwriter is a corporate licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.

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To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of the Announcement, the Placing Agent and its ultimate beneficial owner(s) and the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

Please refer to the sections headed “INFORMATION ON THE PLACING AGENT” and “INFORMATIN ON THE UNDERWRITER” in the Board Letter for more information on the Placing Agent and the Underwriter respectively.

In light of the above, we have reviewed from the website of the Securities Futures and Commissions and noted that both the Placing Agent and Underwriter have the license required to carry out Type 1 (dealing in securities) regulated activity under the SFO and to facilitate the Rights Issue pursuant to the terms and conditions of the Placing Agreement and Underwriting Agreement in respectively.

Placing commission and underwriting commission

As mentioned previously, the Placing Agent has been appointed to, on a best effort basis, procure, acquires for all (or as many as possible) of those Unsubscribed Rights Shares. Pursuant to the Placing Agreement, the Company shall pay to the Placing Agent a placing commission of 3.5% (the “**FW Placing Commission**”) of the amount which is equal to the Subscription Price multiplied by the number of Unsubscribed Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

With reference to the Comparables, we noticed that there are 13 Comparables that were involved in arrangement with placing agent(s), and the Placing Commission falls within the placing commissions of the Comparable ranging from 1.0% to 5.0%. Moreover, we were given to understand that the Company had sought for placing services from a total of four placing agents. Given the Share price of the Company had shown a decreasing trend in the past six months, which renders difficulty for the Company to pursue potential placing agents and among the replies from those placing agents, the Placing Commission with the Placing Agent was the best available offer in respect of the Rights Issue. Considering that (i) there is a lack of willing placing agents in the market to participate in the Rights Issue; and (ii) the discounts represented by the Subscription Price as discussed in the previous sections are insufficient to motivate the uninterested Shareholders which resulted in the need for the Placing Agent to procure its services to place the Unsubscribed Rights Shares; (iii) the FW Placing Commission may provide the Placing Agent more incentives to identify interested investors to place the Consolidated Shares given that the placing arrangement of the Rights Issue is on a best effort base and that the funding needs of the Group as elaborated in the section of benefits and reasons under “2. Reasons for

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the Rights Issue and use of proceeds” in this letter; and (iv) the FW Placing Commission falls within the range of the placing commissions of the Comparables, we are of the view that the Placing Commission is fair and reasonable.

Meanwhile, in addition to the Placing Agreement (on a best effort basis), any unsold Unsubscribed Rights Shares will form the Unsold Rights Shares and will be dealt with in accordance with the terms of the Underwriting Agreement. The actual amount of Rights Shares to be taken by the Underwriter will be depended on the level of subscriptions by the Qualifying Shareholders, and the results of the placing pursuant to the Unsubscribed Arrangement under the Placing Agreement.

We had made enquiry with the Company on the basis of the FW Underwriting Commission Rate and were given to understand that, similar to its process in identifying potential placing agents, the Company had sought for underwriting services from a total of four underwriters. Given the Share price of the Company had shown a decreasing trend in the past six months, which renders difficulty for the Company to pursue potential underwriters and among the replies from those underwriters, the FW Underwriting Commission Rate with the Underwriter was the best available offer in respect of the Rights Issue.

To further help us to assess the reasonableness of the FW Underwriting Commission Rate, we have made references to our Comparables, and within the Comparable Period, identified 26 Comparables with underwriting arrangement, details of which are summarized as below,

	Date of prospectus	Company name (stock code)	Underwriting commission rate (%)	References (Note 1)
1	23/3/2021	Roma Group Limited (8072)	2.5	2.5% of the subscription price in respect multiplied by the number of underwritten shares
2	26/3/2021	Esprit Holdings Limited (330)	1.625	1.625% of the subscription price multiplied by the number of underwritten shares
3	15/4/2021	Kaisa Group Holdings Ltd (1638)	2.5	2.5% of the subscription price multiplied by the number of underwritten shares
4	23/4/2021	Enterprise Development Holdings Limited (1808)	1.0	1.0% of the subscription price multiplied by such number of rights shares actually procured by the underwriter(Note 2)

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	Date of prospectus	Company name (stock code)	Underwriting commission rate (%)	References (Note 1)
5	26/4/2021	Qingdao Holdings International Limited (499)	4.5	4.5% of the subscription price multiplied by the number of underwritten shares (Note 2)
6	14/5/2021	Golden Power Group Holdings Limited (3919)	7.07	HK\$2.8 million, representing approximately 7.07% of the subscription price multiplied by the number of rights shares
7	3/6/2021	Coolpad Group Limited (2369)	2.5	2.5% of the subscription price multiplied by the number of underwritten shares
8	16/6/2021	China Internet Investment Finance Holdings Limited (810)	2.5	2.5% of the subscription price multiplied by the number of underwritten shares
9	25/6/2021	China Investment Development Limited (204)	2.5	2.5% of the subscription price multiplied by the number of rights shares actually subscribed for through the underwriter (Note 2)
10	29/6/2021	Merdeka Financial Group Limited (8163)	2.0	2.0% of the subscription price multiplied by the number of underwritten shares
11	6/7/2021	China Demeter Financial Investment Limited (8120)	nil	No underwriting commission
12	9/7/2021	Lai Sun Garment (International) Limited (191)	1.0	1.0% of the subscription price multiplied by the number of rights shares actually subscribed for by the underwriter (Note 2)
13	29/7/2021	Cool Link (Holdings) Limited (8491)	2.5	2.5% of the subscription price multiplied by the number of rights shares actually subscribed for through the underwriter (Note 2)
14	2/8/2021	State Energy Group International Assets Holdings Limited (918)	1.0	1.0% of the subscription price multiplied by the number of underwritten shares

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	Date of prospectus	Company name (stock code)	Underwriting commission rate (%)	References (Note 1)
15	17/8/2021	Global Strategic Group Limited (8007)	3.0	3.0% of the subscription price multiplied by the number of underwritten shares (Note 2)
16	23/8/2021	Tongda Group Holdings Limited (698)	3.0	the higher of (i) 3% of the subscription price multiplied by the number of unsubscribed rights shares; or (ii) HK\$600,000 (Note 2)
17	23/8/2021	LKS Holding Group Limited (1867)	1.5	1.5% of the subscription price multiplied by the number of underwritten shares
18	24/8/2021	AL Group Limited (8360)	1.5	1.5% of the subscription price multiplied by the number of underwritten shares
19	10/9/2021	Lai Sun Development Limited (488)	2.0	2.0% of the subscription price multiplied by the number of underwritten shares
20	13/9/2021	China Baoli Technologies Holdings Limited (164)	3.5	3.5% of the subscription price multiplied by the actual number of rights shares procured by the underwriter (Note 2)
21	1/11/2021	Link-Asia International MedTech Group Limited (1143)	3.0	3.0% of the subscription price multiplied by the number of the rights shares being subscribed under the rights issue (Note 2)
22	9/11/2021	P.B Group Limited (8331)	Nil	No commission
23	22/11/2021	Champion Technology Holdings Limited (92)	2.5	2.5% of the subscription price multiplied by the number of underwritten shares
24	24/11/2021	Daisho Microline Holdings Limited (567)	2.0	2.0% of the subscription price multiplied by the number of underwritten shares
25	6/12/2021	Deson Development International Holdings Limited (262)	3.5	3.5% of the subscription price multiplied by the actual number of underwritten shares (Note 2)

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Date of prospectus	Company name (stock code)	Underwriting commission rate (%)	References (Note 1)	
26	15/12/2021	Xinyang Maojian Group Limited (362)	3.5	3.5% of the subscription price multiplied by the number of the rights shares actually procured by the underwriter (Note 2)
		Maximum	7.07	
		Minimum	Nil	
		Average	2.4	
		The Company (572)	5.0	5% of the Subscription Price multiplied by the actual number of the Underwritten Shares underwritten

Notes

1. *With reference to the respective Comparables' prospectus.*
2. *The underwriting commissions of these 11 Comparables were subject to the actual shares to be taken by the respective underwriter.*

Based on the above, we noted that 11 out of the above 26 Comparables, their underwriting commission rates were calculated based on their actual shares to be taken under the respective rights issue, and 13 out of the above 26 Comparables, their underwriting commission rates were calculated based on their respective underwritten shares under their respective underwriting agreement regardless of whether or not the rights shares are taken up by their qualifying shareholders. As illustrated from the Comparables, the FW Underwriting Commission Rate falls within the range of the underwriting commissions among the Comparables during the Comparable Period which ranged from nil to approximately 7.07% but lies above the average of approximately 2.4%. However, it should also be noted that since the Unsubscribed Rights Shares will first be placed to independent placee(s) by the Placing Agent on a best effort basis, the arrangement under the Underwriting Agreement may serve to secure the Company the minimum gross proceeds of HK\$27 million from the Rights Issue in the event that market interests and the acceptance level of the Rights Shares is low.

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Despite of the fact that the FW Underwriting Commission Rate is higher than the average underwriting commission rate as illustrated in the Comparable, having considered that (i) the FW Underwriting Commission Rate is based on actual shares underwritten by the Underwriter, with no minimum payment, and is the best available option to the Company; (ii) the FW Underwriting Commission Rate will encourage the Underwriter to underwrite the Unsubscribed Rights Shares which in return increase the amount of fund-raised for the Company in the event that market interest on the Rights Shares is low; and (iii) the underwriting under the Unsubscribed Arrangement provided a guaranteed minimum funding from the Rights Issue which can be applied in the development of the Group's existing and/or new business, we are of the view that the FW Underwriting Commission Rate (including the FW Underwriter's Fee) under the Underwriting Agreement is fair and reasonable.

6. Potential dilution effect on the Rights Issue

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

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed "SHAREHOLDING STRUCTURE" in the Board Letter.

Assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and all 82,044,138 Rights Shares have taken up: (i) all Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted by up to a maximum of approximately 60.00%, which fall within the range of the Comparables.

Assuming there are no other changes in the shareholding structure of the Company before the completion of the Rights Issue and only 30,000,000 Rights Shares have taken up: (i) the Shareholders have taken up 30,000,000 entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted from approximately 99.29% to approximately 64.12%.

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Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is within the range of that of the Comparables; (iv) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (v) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be beneficial to the long term development of the Group, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

7. Financial effects of the Rights Issue

Gearing ratio

The gearing ratio of the Group (being a ratio of total interest-bearing debts, including borrowings and convertible bonds of approximately HK\$421.82 million to the net assets of approximately HK\$918.70 million) was approximately 45.92% as at 30 June 2021. Since part of the net proceeds are intended to be utilised for (i) capital injection of FW Securities; (ii) the repayment of the Group's indebtedness; and (iii) general working capital of the Group, the gearing ratio of the Group will be improved as a result of the Rights Issue.

Liquidity

As part of the net proceeds from the Rights Issue will be applied as general working capital of the Group, the Group's liquidity position would be improved upon completion of the Rights Issue.

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

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RECOMMENDATION

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

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

Yours Faithfully,
For and on behalf of
Veda Capital Limited
Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 25 years of experience in corporate finance industry.

1. SUMMARY OF FINANCIAL INFORMATION

Financial information of the Group for each of the three years ended 31 December 2018, 2019 and 2020 respectively and for six months ended 30 June 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fw-holdings.com):

- annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 51 to 151):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltm20190425463.pdf>
- annual report of the Company for the year ended 31 December 2019 published on 27 April 2020 (pages 52 to 147)

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701126.pdf>
- annual report of the Company for the year ended 31 December 2020 published on 27 April 2021 (pages 61 to 161):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700943.pdf>
- interim report of the Company for the six months ended 30 June 2021 published on 23 September 2021 (pages 12 to 45):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0923/2021092300807.pdf>

2. INDEBTEDNESS

The following table set forth a breakdown of our indebtedness as at 30 November 2021, being the latest practicable date for the purpose of this indebtedness in this circular.

	As at 30 November 2021 HK\$'000
Bank borrowings <i>(note a)</i>	296,267
Other borrowings <i>(note b)</i>	111,563
Lease liabilities <i>(note c)</i>	6,298
Promissory note <i>(note d)</i>	<u>11,124</u>
	<u><u>425,252</u></u>

Notes:

- (a) As at 30 November 2021, the bank borrowings are secured by the investment properties of the Group with a net carrying amount of approximately HK\$668,000,000, and bear interest at range of HKD Prime Rate – 2.5% per annum, 2% per annum + HIBOR (1 month) and 2.5% per annum over HIBOR (1 week to 1 month) at 30 November 2021.

- (b) As at 30 November 2021, the other borrowings are secured by the pledges of financial assets at fair value through other comprehensive income of approximately HK\$75,079,000 and an investment property of the Group with a net carrying amount of HK\$285,000,000.
- (c) The Group entered into several lease agreements for leasing of office premises and staff quarter located in Hong Kong and the PRC and recognised right-of-use assets and lease liabilities for these leases. Such lease liabilities amounted to approximately HK\$6,298,000 as at 30 November 2021, which were classified as to HK\$1,806,000 as current liabilities and HK\$4,492,000 as non-current liabilities. The interest rates of the lease liabilities ranged from 1.8% to 4.9% per annum.
- (d) The Group issued a promissory note with a net carrying amount of approximately HK\$11,124,000, and bear fixed interest at 5% per annum as at 30 November 2021.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and other payables and accruals in the ordinary course of business, at the close of business on 30 November 2021, the Group did not have any debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade payables) or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, guarantees or material contingent liabilities.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that taking into account (i) the internal resources of the Group; (ii) the existing banking and other borrowing facilities available; (iii) estimated proceeds from the Rights Issue, and (iv) the existing cash and bank balances, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, so far as was known to the Directors, there are no material adverse change in the financial or trading position of the Group as at 31 December 2020, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in (i) high technology business; (ii) property investment; (iii) provision of financing services; (iv) securities trading and investment; (v) investment in film industry; (vi) trading business and related services and (vii) licensing of e-commerce platform. The Group will continue to explore opportunities in these core businesses so as to create long-term value for its shareholders.

From year 2019, the Group has embarked on new strategic initiatives and developed the business in relation to high technology and related services business. The high technology business mainly revolves around industrial robot system, intelligence hardware for service robots, new energy transportation and entertainment technology.

Whilst the high technology business segment of the Group has continued to contribute to the Group, in light the disruption in global supply chain as a result of the COVID-19 pandemic and the increasing geopolitical tension between China and other countries and sanctions having imposed on various high technology China enterprises, the Group is in the course of reviewing its high technology business and it is expected that the revenue contribution by the high technology business segment of the Group in the forthcoming years may be much less in comparison with those in the previous years. The Company will continue to review its business portfolio and will make necessary adjustments to fit in the trading and economic environment that is in the interests of the Company and the Shareholders as a whole. Save for the development of securities brokerage and margin financing of FW Securities, as at the Latest Practicable Date, there is no particular concrete plan on the part of the Company to downsize, cease, disposal of, or expand any of its existing business.

The Directors are optimistic to the securities market development in Hong Kong and have resolved to continue its securities brokerage business. The continuous return of Chinese concept stocks to Hong Kong will attract PRC and international capital to flow into Hong Kong, driving the prospects for Hong Kong stocks to be bright. The Group will seize this opportunity to develop the securities brokerage business. The Group obtained the licenses from the Securities and Futures Commission to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities through a wholly owned subsidiary Future World Securities Investment Limited (formerly known as Oriental Power Securities Investment Limited) (“**FW Securities**”). FW Securities aims at providing broader and more diversified services to customers. FW Securities targets to provide securities dealing and advising securities services to its customers. FW Securities will provide broker-dealer services covering the stocks and investment-linked instruments listed in the Stock Exchange. FW Securities may act as an underwriter or a sub-underwriter or a placing agent or a sub-placing agent for companies listed or to be listed on the Stock Exchange or shareholders of companies listed or to be listed on the Stock Exchange for their fund raising exercises such as IPOs, rights issues, open offers or placing of new and/or existing shares and debt securities. FW Securities will charge placing or underwriting commission at a rate determined by negotiation with clients which is generally in line with market practice.

For illustrative purposes, the financial information prepared in accordance with paragraph 4.29 of the Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by completion of the Rights Issue as if the Rights Issue had been completed on 30 June 2021. The statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial condition on the completion of the Rights Issue.

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

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2021. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net assets of the Group as at 30 June 2021 as extracted from the published interim report of the Company for the six months ended 30 June 2021 and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed on 30 June 2021. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the adjusted consolidated net tangible assets of the Group immediately after completion of the Rights Issue or any future date after completion of the Rights Issue.

	Unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2021 <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 June 2021 <i>HK\$'000</i>	Unaudited consolidated net tangible assets attributable to the owners of the Company per Share before the completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share immediately after the completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on maximum number of 82,044,138 Rights Shares to be issued	<u>913,108</u>	<u>69,454</u>	<u>982,562</u>	<u>18.28</u>	<u>7.87</u>

Notes:

- 1) The unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2021 were extracted and derived from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2021 (being the reporting line item “Equity attributable to the owners of the Company” in the condensed consolidated statement of financial position as at 30 June 2021) on which no audit nor review report has been issued for the interim report of the Company published on 27 August 2021.
- 2) The estimated net proceeds from the Rights Issue is approximately HK\$69,454,000 which is based on 82,044,138 Rights Shares to be issued at the Subscription Price of HK\$0.9 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$4,386,000.
- 3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is determined based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 of approximately HK\$913,108,000 as disclosed in note 1 above, divided by 49,946,092 Shares in issue (representing 998,921,858 Shares in issue as at 30 June 2021, with the assumption that the Share Consolidation had become effective on 30 June 2021).
- 4) Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 per Share immediately after completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue of approximately HK\$982,562,000 as set out in Note 2 above divided by 124,865,230 Shares which represents the sum of 49,946,092 Shares in issue and 74,919,138 Rights Shares to be issued, assuming that no outstanding share options of the Company will be exercised.
- 5) Assuming the Rights Issue was completed on 30 June 2021, the Group has net current liabilities of approximately HK\$279,720,000 as at 30 June 2021. This condition indicates a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have considered the followings when they prepared the Unaudited Pro Forma Financial Information:

The current liabilities of the Group include bank borrowings of approximately HK\$210,463,000, which have been classified as current liabilities as the related loan agreements contain a repayment on demand clause. According to the loan agreements, the loans are repayable by monthly instalments in 16-22 years. The Group regularly monitors its compliance with covenants and scheduled repayments of such bank borrowings and the directors of the Company do not consider that the banks will exercise their discretion to demand repayment so long as the Group continues to meet these requirements.

The Group would sell part of its financial assets at fair value through other comprehensive income in order to improve the Group’s financial position, liquidity and cash flows. In addition, the directors of the Company also consider several measures together with other measures in progress at the date of this circular which include taking stringent cost controls aiming at improving the working capital and cash flow position of the Group, equity fund raising and negotiating with certain bankers to obtain long-term banking facilities.

Taking into account of the above consideration and measures, the directors of the Company are satisfied that the Group will be able to meet its financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Unaudited Pro Forma Financial Information on a going concern basis.

Should the Group be unable to continue as going concern, adjustments would have to be made to the Unaudited Pro Forma Financial Information to write down the carrying amounts of assets to their realisable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Unaudited Pro Forma Financial Information.

- 6) Save as disclosed above, no other adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.
- 7) The unaudited consolidated net tangible assets attributable to the owners of the Company per Share before and immediately after the completion of the Rights Issue do not take into account the share allotment of 95,000,000 shares completed on 8 September 2021 which was not directly attributable to the Rights Issue.

B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information for the purpose in this circular.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF FUTURE WORLD HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Future World Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) consists of the unaudited pro forma statement of consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 and related notes as set out in Part A of Appendix II to the circular dated 31 January 2022 (the “**Circular**”) issued by the Company in connection with the proposed rights issue on the basis of three rights shares for every two consolidated shares of the Company (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Part A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group's consolidated net tangible assets attributable to owners of the Company as at 30 June 2021 as if the Rights Issue had taken place on 30 June 2021. As part of this process, information about the Group's condensed consolidated financial position as at 30 June 2021 has been extracted by the Directors from interim report of the Company for the six months ended 30 June 2021, dated 27 August 2021, on which no audit nor review report has been issued.

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 ("**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 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 Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plans and performs 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 Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 30 June 2021 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 5 to the Unaudited Pro Forma Financial Information, which indicates that the Group has pro forma net current liabilities of approximately HK\$279,720,000 as at 30 June 2021. This condition indicates a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Moore Stephens CPA Limited

Certified Public Accountants

Ng Ngai Yan

Practising Certificate Number: P07422

Hong Kong, 31 January 2022

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular 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 is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; and (iii) immediately after completion of the Rights Issue (assuming no other change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders) are set out as follows:

(i) As at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
12,474,000,000	ordinary Shares of HK\$0.02 each	249,480,000.00
<u>26,000,000</u>	preference Shares of HK\$0.02 each	<u>520,000.00</u>
<u>12,500,000,000</u>	Shares	<u>250,000,000.00</u>
 <i>Issued and fully paid:</i>		 <i>HK\$</i>
1,093,921,858	ordinary Shares of HK\$0.02 each	21,878,437.16
<u>–</u>	preference Shares of HK\$0.02 each	<u>–</u>
<u>1,093,921,858</u>	Shares	<u>21,878,437.16</u>

(ii) **Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue (assuming no change in the number of issued Shares)**

<i>Authorised:</i>		<i>HK\$</i>
623,700,000	ordinary Shares of HK\$0.4 each	249,480,000.00
<u>1,300,000</u>	preference Shares of HK\$0.4 each	<u>520,000.00</u>
<u>625,000,000</u>	Shares	<u>250,000,000.00</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
54,696,092	whole ordinary Shares of HK\$0.4 each	21,878,437.16
<u>–</u>	preference Shares of HK\$0.4 each	<u>–</u>
<u>54,696,092</u>	whole Shares	<u>21,878,437.16</u>

(iii) **Immediately after Completion (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders)**

<i>Authorised:</i>		<i>HK\$</i>
623,700,000	ordinary Shares of HK\$0.4 each	249,480,000.00
<u>1,300,000</u>	preference Shares of HK\$0.4 each	<u>520,000.00</u>
<u>625,000,000</u>	Shares	<u>250,000,000.00</u>

<i>Issued and fully paid:</i>		<i>HK\$</i>
54,696,092	whole ordinary Shares of HK\$0.4 each	21,878,437.16
82,044,138	Rights Shares to be allotted and issued under the Rights Issue whole Shares in issue immediately upon completion of Rights Issue	<u>32,817,655.20</u>
<u>136,740,230</u>		<u>54,696,092.00</u>

All the existing Shares in issue are fully-paid and rank *pari passu* in all respects including all rights as to dividends, voting and return of capital. The Rights Shares (when allotted, fully paid or credited as fully paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the Rights Shares in their fully paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Rights Shares.

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, save for the outstanding Share Options, the Company did not have any outstanding warrants, options or securities convertible into Shares.

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

As at the Latest Practicable Date, the Company was not aware of any restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVES IN THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

Long position in the Shares and underlying Shares

Name of Director	Capacity/ Nature of interest	Number of Shares and underlying Shares	Approximate percentage of the total issued share capital of the Company
Cai Linzhan	Beneficial owner	17,179,625 ^(note 1)	1.57%
Lau Fai Lawrence	Beneficial owner	9,900,000 ^(note 2)	0.91%
Siu Yun Fat	Beneficial owner	19,005,168 ^(note 3)	1.74%
Yu Qingrui	Beneficial owner	18,235,389 ^(note 4)	1.67%
Tam Tak Wah	Beneficial owner	13,367 ^(note 5)	0.001%

Notes:

1. Cai Linzhan is interested in 1,614,457 Shares and 15,565,168 share options which confer him the right to subscribe for 15,565,168 Shares.
2. Lau Fai Lawrence is interested in 9,900,000 share options which confer him the right to subscribe for 9,900,000 Shares.
3. Siu Yun Fat is interested in 3,440,000 Shares and 15,565,168 share options which confer him the right to subscribe for 15,565,168 Shares. Siu Yun Fat has resigned as an executive Director on 31 December 2021.
4. Yu Qingrui is interested in 2,670,221 Shares and 15,565,168 share options which confer him the right to subscribe for 15,565,168 Shares.
5. Tam Tak Wah is interested in 13,367 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares, underlying Shares or debentures of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Long position in the Shares

Name	Capacity/ Nature of interest	Number of Shares and underlying Shares	Approximate percentage of the total issued share capital of the Company
HRG Robotics International Limited ("HRG Robotics") <i>(Note 1)</i>	Beneficial owner	189,080,000	17.28%
Zhang Xiao Jun	Beneficial owner	60,000,000	5.48%

Notes:

- HRG Robotics is a company incorporated in Hong Kong in July 2017. HRG Robotics is wholly-owned by HIT Robot Group Shanghai Technology Service Co., Ltd.* (哈工大機器人集團上海科技服務有限公司), which in turn is wholly-owned by HIT Robot Group Co., Ltd.* (哈工大機器人集團股份有限公司)("HIT Robot"). HIT Robot was established in December 2014 as an enterprise jointly set up by Heilongjiang provincial government, the municipal government of Harbin and Harbin Institute of Technology. Based on the public record, HIT Robot is owned as to 30.01% by Harbin Industrial University Asset Investment Company Limited* (哈爾濱工業大學資產投資經營有限責任公司) which is wholly-owned by Harbin Industrial University* (哈爾濱工業大學), 20.30% by HIT Qifu Investment Co., Ltd.* (哈爾濱工大啟賦投資有限公司) and the remaining equity interest is held by 12 individual, corporate entities or partnerships, each of them holds less than 10% equity interest in HIT Robot. HIT Robot and its subsidiaries (the "HIT Robot Group") are principally engaged in the design, development, manufacturing and sales of robots and specializes in robotics industry and related businesses. Mr. Wang Fei, a former executive Director of the Company, is also the chairman of HIT Robot. Mr. Wang Fei is interested in approximately 59.99% of HIT Qifu Investment Co., Ltd.* (哈爾濱工大啟賦投資有限公司).

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

5. DIRECTORS' SERVICE CONTRACTS

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

6. COMPETING INTERESTS

As at the Latest Practicable Date, Mr. Yu Qingrui is a director of Central Wealth Group Holdings Limited (“**Central Wealth**”), the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 139), and holds 126,845,610 shares in Central Wealth respectively, representing approximately 0.79% of the issued share capital of Central Wealth whose principal activities are securities and futures dealing business, financial investment, property investments and money lending business. The Company and Central Wealth are separate listing entities run by separate and independent management. Mr. Yu Qingrui cannot personally control the Board and is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, Central Wealth.

As at the Latest Practicable Date, Mr. Tam Tak Wah held directorships in Kingbo Strike Limited (Stock Code: 1421) with its subsidiaries engaged in the businesses of securities trading and investment, provision of financing services and investment in properties, Mr. Siu Siu Ling, Robert held directorship in China Saite Group Company Limited (Stock Code: 153) and Finet Group Limited (Stock Code: 8317) and Mr. Liang Jian, Mr. Yu Zhenzhong and Mr. Chen Pei held directorships in companies, which are companies in association with the HIT Robot Group engaged in high technology business. The aforesaid companies have been operating under separate and independent managements. None of the above-mentioned Directors can personally control the Board and each of them is fully aware of, and has been discharging, his fiduciary duty to the Company and has acted and will continue to act in the best interest of the Company and its shareholders as a whole. Therefore, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of such companies.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates were considered to have interest in any business which competes or may compete, either directly or indirectly, with the business of the Group or have or may have any other conflicts of interest with the Group pursuant to the Listing Rules.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 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 were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

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

- (1) the conditional sale and purchase agreement dated 3 July 2019 and entered into between Weng Shiqing and Lin Zherui as vendors and Best Pacific Global Limited, a direct wholly-owned subsidiary of the Company as purchaser in respect of the acquisition of the entire issued share capital of Rich Power International Holdings Limited at the consideration of HK\$148,000,000;
- (2) the underwriting agreement dated 22 May 2020 and entered into between the Company as issuer and Central Wealth Securities Investment Limited as underwriter in relation to the underwriting arrangement in respect of the rights issue on the basis of one (1) rights share (after share consolidation of the issued and unissued shares on the basis of twenty (20) then existing Shares into one (1) consolidated share) for every two (2) consolidated shares held on the record date at the subscription price of HK\$0.18 per rights share with underwriting commission of 5% of the aggregate subscription price;
- (3) the placing agreement dated 22 May 2020 and entered into between the Company as issuer and Po Tai Securities (Hong Kong) Limited as placing agent in relation to the placing of unsubscribed rights shares at the subscription price of HK\$0.18 per rights share with placing commission at the rate of 3.5% of the shares successfully placed;

- (4) the supplemental agreement dated 7 October 2020 and entered into between Globally Finance Limited, a wholly-owned subsidiary of the Company, as lender and Central Wealth as borrower in relation to, among others, the extension of the loan facility in the principal amount of up to HK\$270,000,000 and the revision of interest rate from 8% per annum to 7% per annum;
- (5) the sale and purchase agreement dated 20 May 2021 and entered into between Lam Yan Bing as the vendor and Topsy Eagle Limited, a wholly owned subsidiary of the Group as the purchaser for the sale and purchase of the property located at G/F, No. 20 Kwun Chung Street, Kowloon, Hong Kong for an aggregate consideration of HK\$40,000,000 settled by cash and promissory notes;
- (6) the Underwriting Agreement; and
- (7) the Placing Agreement.

10. EXPERTS AND CONSENTS

The following is the qualification of the experts who have been named in this circular or has given opinions, letter or advice contained in this circular:

Name	Qualification
Veda Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO
Moore Stephens CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, the above experts had no shareholding, directly or indirectly, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, the above experts had no interest, direct or indirect, in the promotion of, or in any assets which since 31 December 2020, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

11. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Board of Directors*Executive Directors:*

Liang Jian
Yu Zhenzhong
Cai Linzhan
Lau Fai Lawrence
Yu Qingrui

Independent non-executive Directors:

Chen Pei
Siu Siu Ling, Robert
Tam Tak Wah
Zheng Zongjia

**Head office and principal place
of business in Hong Kong**

Unit 2218, 22/F,
The Metropolis Tower,
10 Metropolis Drive,
Hung Hom, Kowloon,
Hong Kong

Registered office

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

Underwriter

Po Tai Securities (Hong Kong) Limited

Placing Agent

Central Wealth Securities Investment Limited

**Legal advisers to the Company
as to Hong Kong laws**

Michael Li & Co.
19/F, Prosperity Tower
No. 39 Queen's Road Central
Central, Hong Kong

Auditors	Moore Stephens CPA Limited <i>Certified Public Accountants</i> 801-806 Silvercord, Tower 1 30 Canton Road, Tsimshatsui Kowloon, Hong Kong
Principal bankers	Public Bank (Hong Kong) Limited Public Bank Centre 120 Des Voeux Road, Central Hong Kong Shanghai Commercial Bank Limited Shanghai Commercial Bank Tower 12 Queen's Road Central Hong Kong Chong Hing Bank Limited Chong Hing Bank Centre, 24 Des Voeux Rd, Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central, Central Hong Kong
Hong Kong branch share registrar and transfer office	Computershare Hong Kong Investor Services Limited Shop 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong

Authorised representatives

Mr. Lau Fai Lawrence
Flat D, 7/F
Dominion Court
120 Waterloo Road
Kowloon Tong, Kowloon
Hong Kong

Mr. Lau Cheuk Pun
Flat F, 42/F, Tower 6
Grand Waterfront
Tokwawan, Kowloon
Hong Kong

Company secretary

Mr. Lau Cheuk Pun
*(member of Hong Kong Institute of Certified
Public Accountants)*

12. PARTICULARS OF THE DIRECTORS**Executive Directors**

Mr. Liang Jian (“**Mr. Liang**”), aged 41, is an executive Director, the Chairman of the Board and the Chief Executive Officer of the Company (“**CEO**”). He is the senior vice president of HRG and is in charge of the sales and marketing businesses. Mr. Liang has over 16 years of experience in marketing, investment, finance and management sectors. He was an executive Director of Asia Investment Finance Group Limited (stock code: 33) from 28 November 2018 to 18 December 2018, a company listed on the Main Board of the Stock Exchange. Mr. Liang obtained a bachelor degree of mechanical design manufacturing and its automation from Harbin Engineering University in 2003 and a master degree in business administration from Tongji University (同濟大學) in the PRC in 2010.

Mr. Yu Zhenzhong (“**Mr. Yu**”), aged 41, has been appointed as an executive Director and the Vice Chairman of the Board on 13 March 2019. He is the senior vice president of HRG and focuses on the research and development of robots and artificial intelligence equipment. Mr. Yu obtained a doctoral degree in mechanical and electronic engineering from HIT in 2011. He was awarded the Science and Technology Progress Award (中國商業聯合會科技進步獎) from the China General Chamber of Commerce in 2017, the Innovation Award (中國產學研合作創新獎) from the China Industry-University-Research Institute Collaboration Association in 2017 and 合肥市創新領軍人才稱號 in 2018, respectively.

Mr. Cai Linzhan (“**Mr. Cai**”), aged 34, has been appointed as an executive Director in June 2017. He was the CEO from 24 June 2017 to 5 October 2017 and from 24 December 2018 to 12 March 2019 respectively. He is also the Chief Strategy Officer (Film Production) of a wholly-owned subsidiary of the Company since August 2016. Mr. Cai graduated from a junior college program of International Economics and Trade (國際經濟與貿易) in South China Institute of Software Engineering, Guangzhou University (廣州大學華軟軟件學院) in 2009. He held management positions with various real estate companies and has many years of experience in property development. He is now serving as the deputy general manager of a real estate developer in the PRC.

Mr. Lau Fai Lawrence (“**Mr. Lau**”), aged 50, has been appointed as an executive Director in January 2014. He is currently a practicing certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom (“**ACCA**”). Mr. Lau graduated from The University of Hong Kong with a bachelor’s degree in business administration in 1994 and obtained a master’s degree in corporate finance from Hong Kong Polytechnic University in 2007. Mr. Lau is currently the company secretary of BBMG Corporation (stock code: 2009) and HM International Holdings Limited (stock code: 8416) and an independent non-executive director of Artini Holdings Limited (stock code: 789, formerly known as Primeview Holdings Limited), Titan Petrochemicals Group Limited (stock code: 1192), Renco Holdings Group Limited (stock code: 2323, formerly known as HKBridge Financial Holdings Limited) and China Engene International (Holdings) Limited (stock code: 1185), all companies listed on the Main Board of the Stock Exchange; and an independent non-executive director of Sinopharm Tech Holdings Limited (stock code: 8156), a company listed on GEM of the Stock Exchange. He was appointed an independent non-executive director of Tenwow International Holdings Limited (former stock code: 1219) on 26 November 2018, the company was listed on the Main Board of the Stock Exchange before its cancellation of listing on 13 November 2020. He was a non-executive director of Alltronics Holdings Limited (stock code: 833) between March 2017 and December 2018, a company listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238) from April to November 2019, a company listed on GEM of the Stock Exchange.

Mr. Yu Qingrui (“**Mr. Yu**”), aged 49, has been appointed as an executive Director in September 2014. Mr. Yu specialises in property investment and trading business in the PRC. After graduating from high-school in 1989, Mr. Yu joined the shipping and trading business in the PRC. He was the general manager of a shipping company before he became a private investor in 2003. In 2011, Mr. Yu joined a marketing and management firm in Shanghai and served as their property investment manager. He is currently an executive director of Central Wealth which has an interest in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

Independent non-executive Directors

Mr. Chen Pei (“**Mr. Chen**”), aged 37, has been appointed as an independent non-executive Director on 13 March 2019. He is currently serving as a non-independent director and the vice general manager of HGZN, and is responsible for corporate finance, financial audit, industrial integration and capital operation. He is currently pursuing an EMBA degree at the China Europe International Business School (中歐國際工商學院).

Mr. Siu Siu Ling, Robert (“**Mr. Siu**”), aged 69, has been appointed as an independent non-executive Director, a member of the audit committee and remuneration committee of the Board in November 2011. He has also been appointed as a member of the nomination committee of the Board in March 2012 and the chairman of the remuneration committee in June 2017. Mr. Siu is the sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. Mr. Siu holds a bachelor’s degree in laws from the University of London and a postgraduate certificate in laws from The University of Hong Kong. He also holds a Master of Laws from the University of Greenwich, United Kingdom. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance. Mr. Siu is currently an independent non-executive director of Kaisun Holdings Limited (stock code: 8203) and Finet Group Limited (stock code: 8317), both companies are listed on GEM of the Stock Exchange. He was also an independent non-executive director of Skyway Securities Group Limited (now known as CMBC Capital) (stock code: 1141).

Mr. Tam Tak Wah (“**Mr. Tam**”), aged 56, has been appointed as an independent non-executive Director, a member of the audit committee and remuneration committee of the Board in November 2011. He has also been appointed as a member of the nomination committee of the Board in March 2012, the chairman of the audit committee in February 2013 and the chairman of the nomination committee in June 2017 respectively. Mr. Tam is a fellow member of HKICPA. He has over 25 years of experience in accounting, corporate finance and corporate development. Mr. Tam is currently a non-executive director of Kingbo Strike Limited (stock code: 1421), a company listed on the Main Board of the Stock Exchange. He has resigned as an executive director of Golden Century International Holdings Group Limited. (stock code: 91) in May 2020, a company listed on the Main Board of the Stock Exchange.

Mr. Zheng Zongjia (“**Mr. Zheng**”), aged 58, has been appointed as an independent non-executive Director, a member of the audit committee, nomination committee and remuneration committee of the Board in March 2018. Mr. Zheng graduated from the Shantou Polytechnic (汕頭職業技術學院), Shantou, the PRC, specialising in Construction Engineering and Project Cost (建築工程和工程造價). Mr. Zheng has extensive experience in the field of real estate development in the PRC.

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 at Unit 2218, 22/F, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong.

Particulars of senior management of the Group

Mr. Jin Yunlong, aged 57, has been appointed as director of Hefei Hagong Welding Research Weida Automation Technology Co., Ltd. and Hefei Hagong Guangtai CNC Technology Co., Ltd., subsidiaries of the Company. Mr. Jin is responsible for the intelligent industrial welding robots and equipment business of the Group. Mr. Jin is an engineer and obtained a bachelor’s degree of automatic control from Harbin University of Science and Technology. He has over 30 years of experience in welding business and research. Mr. Jin is currently a standing director of China Electric Industry Association Welding Machine Branch and director of China Welding Association.

Mr. Leung King Chung, aged 45, has been appointed as an Executive Director of FW Securities, a wholly-owned subsidiary of the Company. He holds a bachelor’s degree in finance from State University of New York at Old Westbury. He has 10 years experienced in securities field. He had experienced in various position in different department as dealer, account executive, settlement and responsible officer. He holds licensed with SFC type 1 and type 4 regulated activities.

Mr. Qiao Junjie, aged 61, has been appointed a general manager of Hefei Hagong Weida Intelligent Equipment Co., Ltd., Hefei Hagong Welding Research Weida Automation Technology Co., Ltd. and Hefei Hagong Guangtai CNC Technology Co., Ltd., subsidiaries of the Company. Mr. Qiao graduated from Lanzhou University of Technology, majoring in welding technology and equipment, and is a senior welding engineer. He has over 30 years of experience in welding business.

13. EXPENSES

The expenses in connection with the Rights Issue, including professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK\$3 million to HK\$5 million and will be payable by the Company.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fw-holdings.com) for 14 days from the date of this circular:

- (a) the letter issued by the reporting accountants regarding the unaudited pro forma financial information as set out in appendix II to this circular;
- (b) the written consents referred to in the paragraph headed “EXPERTS AND CONSENTS” in this appendix;
- (c) the material contracts, referred in the paragraph headed “MATERIAL CONTRACTS” in this appendix;
- (d) the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 and the interim report for the six months ended 30 June 2021;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 50 to 79 of this circular.

NOTICE OF EGM



FUTURE WORLD HOLDINGS LIMITED

未來世界控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of Future World Holdings Limited (the “**Company**”) will be held at Unit 2218, 22/F, The Metropolis Tower, 10 Metropolis Drive, Hung Hom, Kowloon, Hong Kong at 11:00 a.m. on Monday, 21 February 2022 for the purpose of considering and, if thought fit, passing the following resolutions with or without amendments as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to the fulfillment of all the conditions (the “**Conditions**”) set out in the the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 21 January 2022, with effect from the second business day following the date on which this resolution is passed:
 - (a) every twenty (20) issued and unissued ordinary shares and preference shares of HK\$0.02 each in the share capital of the Company be consolidated into one (1) share of HK\$0.4 each (each a “**Consolidated Share**”) in the share capital of the Company (the “**Share Consolidation**”), so that the authorised share capital of the Company of HK\$250,000,000 divided into 12,474,000,000 ordinary shares of HK\$0.02 each and 26,000,000 preference shares of HK\$0.02 each becomes HK\$250,000,000 divided into 623,700,000 ordinary shares of HK\$0.40 each and 1,300,000 preference shares of HK\$0.40 each, be and is hereby approved;
 - (b) such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges as regards dividend, capital, redemption, attendance at meetings, voting, etc. and be subject to the restrictions in respect of the ordinary shares or the preference shares (as the case may be) contained in the articles of association of the Company;
 - (c) all fractional Consolidated Shares will be disregarded and will not be issued to the holders of the existing shares of HK\$0.02 each in the share capital of the Company but all fractional Consolidated Shares will be aggregated, sold and retained for the benefit of the Company, if possible and applicable; and

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- (d) any one of the directors of the Company (each a “**Director**”) be and is/are hereby authorised to do all such acts and things and execute all such documents (including under common seal of the Company, if necessary) which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Consolidation.”
2. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the circular of the Company dated 31 January 2022 (the “**Circular**”):
- (a) the issue by way of rights shares (the “**Rights Issue**”) of up to 82,044,138 new Consolidated Shares (the “**Rights Shares**” and each a “**Rights Share**”) at a subscription price of HK\$0.9 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on 14 February 2022 or such other date as may be determined by the Company for the determination of the entitlements under the Rights Issue (the “**Record Date**”) (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of three (3) Rights Shares for every two (2) Consolidated Share(s) of the Company then held on the Record Date and pursuant to the terms and conditions as set out in the circular issued by the Company dated 14 January 2022 of which this notice convening the EGM forms part, be and is hereby approved;
- (b) the underwriting agreement (the “**Underwriting Agreement**”) dated 15 December 2021 (as supplemented by the supplemental letter dated 28 January 2022) and entered into among the Company and Po Tai Securities (Hong Kong) Limited (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the placing agreement (the “**Placing Agreement**”) dated 15 December 2021 and entered into among the Company and Central Wealth Securities Investment Limited (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder, including the issue of Unsubscribed Rights Shares (as defined in the Circular), be and are hereby approved, confirmed and ratified;

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- (d) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than *pro rata* to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Non-Qualifying Shareholders as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (e) any one of the Directors be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Rights Issue and the Placing Agreement and the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Rights Issue, the Placing Agreement and the Underwriting Agreement and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

Yours faithfully

For and on behalf of the Board

Liang Jian

Chairman

Hong Kong, 31 January 2022

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Unit 2218, 22/F,

The Metropolis Tower,

10 Metropolis Drive,

Hung Hom, Kowloon,

Hong Kong

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Notes:

1. A shareholder entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.
2. The form of proxy in the case of an individual shall be signed by the appointor or his attorney and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
3. Where there are joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
5. If no name is inserted in the space for the name of your proxy on the form of proxy, the chairman of the EGM will act as your proxy.
6. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited Shop 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong, not less than 48 hours before the time for holding the EGM or any adjournment of such meeting.
7. Personal Information Collection Statement: Your supply of Personal Data to the Company and/or the Company's Registrars in Bermuda and Hong Kong in the form of proxy is on a voluntary basis. If you fail to provide sufficient information, we may not be able to process your appointment of proxy and instructions. "Personal Data" in this statement has the meaning defined under the Personal Data (Privacy) Ordinance, Chapter 486 of the Laws of Hong Kong (the "PDPO"), which may include but is not limited to the Personal Data you supplied to us in the form of proxy. Your Personal Data is collected for the purposes of processing and administration by the Company (or its Registrars in Bermuda and Hong Kong (as the case may be)) of proxies appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof) (the "Purposes"). The Personal Data may be retained for such period as may be necessary for our verification and record purposes. If you have provided Personal Data of individuals other than yourself in the form of proxy, you confirm that you have informed and sought the requisite consent from those individuals to the collection, use and disclosure of their Personal Data for the stated purposes. The Company may disclose or transfer the Personal Data to its subsidiaries, its Registrars, its agent, its contractor, and/or third party service provider who provides administrative, computer and other services to the Company for use in connection with the Purposes and to such parties who are authorised by law to request the Personal Data or are otherwise relevant for the Purposes and need to receive the Personal Data. You have the right to request access to and/or correction of your Personal Data respectively in accordance with the provisions of the PDPO.
8. The Chinese version of the notice is for reference only. Should there be any discrepancies, the English version will prevail.
9. As at the date of this notice, the Board comprises five executive Directors, namely Mr. Liang Jian, Mr. Yu Zhenzhong, Mr. Cai Linzhan, Mr. Lau Fai Lawrence and Mr. Yu Qingrui; and (ii) four independent non-executive Directors, namely Mr. Chen Pei, Mr. Siu Siu Ling, Robert, Mr. Tam Tak Wah and Mr. Zheng Zongjia.