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

**If you have sold or transferred** all your shares in Wealthking Investments Limited, you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**华科资本**  
WEALTHKING INVESTMENTS

**WEALTHKING INVESTMENTS LIMITED**

**華科資本有限公司**

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

**(Stock Code: 1140)**

- (1) CONNECTED TRANSACTION: LOAN CAPITALISATION INVOLVING  
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;**
- (2) CONNECTED TRANSACTION: SUBSCRIPTION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE;**
- (3) SUBSCRIPTION INVOLVING ISSUE OF NEW SHARES UNDER  
SPECIFIC MANDATE;**
- (4) PROPOSED REFRESHMENT OF GENERAL MANDATE;  
AND**
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**首控集團**  
CHINA FIRST CAPITAL GROUP

**FIRST CAPITAL INTERNATIONAL FINANCE LIMITED**

A letter from the Board is set out on pages 7 to 34 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 22 March 2022 at 41/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong (or any adjournment or postponement thereof) is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for the EGM is enclosed with this circular. As set out in the section headed “*Special Arrangements for the EGM*” of this circular, the EGM will be a hybrid meeting. **Shareholders shall not attend the EGM in person. Any shareholder who does attempt to attend the EGM in person will be denied entry to the venue of the EGM.** All registered shareholders will be able to join the EGM via the e-Meeting System. As Shareholders will not be permitted to attend the EGM in person, they will be able to exercise their voting rights in one of the following ways: (1) attend the EGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or (2) appoint the Chairman of the EGM as your proxy to attend and vote on your behalf via the e-Meeting System.

Whether or not you intend to attend the EGM via e-Meeting System, you are requested to complete the form of proxy and return it to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM (i.e. at or before 11:00 a.m. on 20 March 2022 (Hong Kong time)) or any adjournment thereof (as the case may be). The completion and return of a form of proxy will not preclude you from attending and voting at the EGM via e-Meeting System.

To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

2 March 2022

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## SPECIAL ARRANGEMENTS FOR THE EGM

Due to the recent development of the COVID-19 pandemic and in view of the latest Prevention and Control of Disease (Prohibition on Gathering) Regulation (Cap. 599G, laws of Hong Kong) and Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Cap. 599F, laws of Hong Kong) (together, the “**Regulations**”), the Board hereby announces that the EGM will be a hybrid meeting. The venue of the EGM will be at 41/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong. **Shareholders shall not attend the EGM in person. Any shareholder who does attempt to attend the EGM in person will be denied entry to the venue of the EGM.** All registered shareholders will be able to join the EGM via the e-Meeting System. The e-Meeting System can be accessed from any location with access to the internet via smartphone, tablet device or computer.

The live broadcast can broaden the reach of the EGM to Shareholders who do not wish to attend physically due to concerns on attending events under the current COVID-19 situation, or for other overseas Shareholders who are unable to attend in person.

Through the e-Meeting System, our registered shareholders/proxies or corporate representatives will be able to view the live video broadcast and participate in voting and submitting questions online. Login details and information have been included in our letters to those parties regarding the e-Meeting System and will be posted to the Shareholders seven business days before the EGM.

### **How to attend and vote**

As Shareholders will not be permitted to attend the EGM in person, they will be able to exercise their voting rights in one of the following ways:

- (1) attend the EGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or
- (2) appoint the Chairman of the EGM as your proxy to attend and vote on your behalf via the e-Meeting System.

Your proxy’s authority and instruction will be revoked if you attend and vote via the e-Meeting System.

If you are a non-registered shareholder, you may instruct your banks, brokers or other custodians to appoint a proxy to attend and vote via the e-Meeting System for the EGM on your behalf if you wish.

Online e-Voting system will be used at the EGM to enhance the efficiency in the poll counting process. This is a full paperless EGM process that facilitates easy and intuitive voting procedures for shareholders.

**Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to adopt further changes to the EGM arrangements at short notice. Shareholders are advised to check the websites of the Company (<http://www.wealthking.com.hk>) and HKEX ([www.hkexnews.hk](http://www.hkexnews.hk)) for the latest announcement and information relating to the EGM.**

## DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 18 August 2021 in which the Shareholders had approved, among other matters, the Existing General Mandate
“Announcement”	the announcement of the Company dated 31 December 2021, in relation to, inter alia, the Loan Capitalisation, the Subscriptions and the proposed Refreshment of General Mandate
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Capitalisation Shares”	1,521,739,130 new Shares to be allotted and issued by the Company to Chunda or its nominee pursuant to the Loan Capitalisation Agreement
“Capitalised Amount”	HK\$1,400 million out of the outstanding principal amount of the Shareholder Loan
“Chunda”	Chunda International Capital Management Co., Ltd, a company incorporated in the British Virgin Islands, and is wholly owned by Dr. Liu as at the Latest Practicable Date
“Company”	Wealthking Investments Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	the completion of the Loan Capitalisation and Subscriptions pursuant to the terms and conditions of the Loan Capitalisation Agreement, Subscription Agreement A and Subscription Agreement B
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Dr. Liu”	Dr. Liu Zhiwei, the executive Director, Chairman of the Board, the chief executive officer and a Substantial Shareholder of the Company

## DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving (i) the Loan Capitalisation, the Subscription Agreements, and the transactions contemplated under the respective agreements (including the grant of new Shares under Specific Mandate) and (ii) the grant of the New General Mandate
“EGM Notice”	the notice of the EGM which is set out on pages EGM-1 to EGM-5 of this circular
“Existing General Mandate”	the general mandate granted at the AGM to the Directors to allot, issue and deal with up to 580,188,000 new Shares, being 20% of the total number of issued Shares on the date of the AGM
“Group”	the Company and its subsidiaries
“HIBOR”	Hong Kong Interbank Offered Rate
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, to advise the Independent Shareholders on (i) the Loan Capitalisation, the Subscription Agreement A, and the transactions contemplated under the respective agreements (including the grant of new Shares under Specific Mandate) and (ii) the grant of the New General Mandate
“Independent Financial Adviser”	First Capital International Finance Limited, a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Capitalisation Agreement, the Subscription Agreement A and transactions contemplated under the respective agreements and the proposed grant of the New General Mandate

## DEFINITIONS

“Independent Shareholder(s)”	(a) in respect of Loan Capitalisation and Subscription A, Shareholders other than those who are required under the Listing Rules to abstain from voting at the EGM for the resolution(s) approving in respect of the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated under the respective agreements (including the issue of new Shares under Specific Mandate); and (b) in respect of refreshment of general mandate, Shareholders other than any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executives of the Company and all their respective associates who are required under the Listing Rules to abstain from voting at the EGM for the resolution(s) approving the grant of the New General Mandate
“Issue Price”	the issue price of HK\$0.92 per Capitalisation Share
“Latest Practicable Date”	28 February 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Capitalisation”	the subscription of the 1,521,739,130 new Shares at the Issue Price by Chunda in accordance with the terms and conditions of the Loan Capitalisation Agreement by capitalising the Capitalised Amount
“Loan Capitalisation Agreement”	the conditional loan capitalisation agreement dated 31 December 2021 entered into between the Company and Chunda in relation to the Loan Capitalisation
“New General Mandate”	the general mandate proposed to be granted to the Directors at the EGM to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of the EGM
“Previous Subscription Announcements”	the announcements of the Company dated 26 October 2021 and 25 November 2021 in respect of the subscription of Shares under the Existing General Mandate
“Professional Investor”	means a professional investor within the meaning of section 5 of the Securities and Futures (Professional Investor) Rules (Cap. 571D, laws of Hong Kong)

## DEFINITIONS

“Refreshment of General Mandate”	the proposed refreshment of the Existing General Mandate by way of granting the New General Mandate
“Share(s)”	ordinary share(s) of HK\$0.1 each in the capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Shareholder Loan”	the loan bearing an interest rate of 2.5% per annum and amounting to HK\$1,500 million owing by the Company to Chunda pursuant to the shareholder loan agreement dated 10 December 2021
“Specific Mandate”	the specific mandate to be granted to the Directors by (i) the Independent Shareholders at the EGM to allot and issue the Capitalisation Shares and the Subscription Shares A to Subscriber A pursuant to the Loan Capitalisation Agreement and the Subscription Agreement A; and (ii) the Shareholders at the EGM to allot and issue the Subscription Shares B to Subscriber B pursuant to the Subscription Agreement B
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber A”	Bright Victory International Limited, a company incorporated in the British Virgin Islands, and a Substantial Shareholder of the Company
“Subscriber B”	Mr. Wang Delian (王德廉), the subscriber of Subscription Shares B under the Subscription Agreement B, a Professional Investor and the independent third party
“Subscribers”	collectively, Subscriber A and Subscriber B
“Subscription A”	the subscription of the Subscription Shares A by Subscriber A pursuant to the terms and conditions of the Subscription Agreement A
“Subscription Agreement A”	the conditional subscription agreement dated 31 December 2021 entered into between the Company and Subscriber A in relation to the Subscription A
“Subscription Agreement B”	the conditional subscription agreement dated 31 December 2021 entered into between the Company and Subscriber B in relation to the Subscription B
“Subscription Agreements”	collectively, the Subscription Agreement A and the Subscription Agreement B

## DEFINITIONS

“Subscription B”	the subscription of the Subscription Shares B by Subscriber B pursuant to the terms and conditions of the Subscription Agreement B
“Subscription Price”	the subscription price of HK\$0.92 per Subscription Share
“Subscription Shares”	a total of 1,630,434,783 new Shares to be allotted and issued by the Company to the Subscribers pursuant to the Subscription Agreements
“Subscription Shares A”	978,260,870 new Shares to be allotted and issued to Subscriber A by the Company pursuant to Subscription Agreement A
“Subscription Shares B”	652,173,913 new Shares to be allotted and issued to Subscriber B by the Company pursuant to Subscription Agreement B
“Subscriptions”	collectively, Subscription A and Subscription B
“Substantial Shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs
“TMT”	technology, media and telecom
“US\$”	United States dollar(s), the lawful currency of the United States of America



LETTER FROM THE BOARD



华科资本  
WEALTHKING INVESTMENTS

**WEALTHKING INVESTMENTS LIMITED**

**華科資本有限公司**

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

**(Stock Code: 1140)**

*Executive Director:*

LIU Zhiwei (*Chairman and Chief Executive Officer*)

*Non-executive Directors:*

FU Weigang

WANG Shibin

*Independent non-executive Directors:*

HE Jia

WANG Xiaojun

CHEN Yuming

*Registered office:*

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

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

41st Floor, One Exchange Square

8 Connaught Place, Central

Hong Kong

2 March 2022

*To the Shareholders*

Dear Sir/Madam,

- (1) CONNECTED TRANSACTION: LOAN CAPITALISATION INVOLVING  
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;**
- (2) CONNECTED TRANSACTION: SUBSCRIPTION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE;**
- (3) SUBSCRIPTION INVOLVING ISSUE OF NEW SHARES UNDER  
SPECIFIC MANDATE;**
- (4) PROPOSED REFRESHMENT OF GENERAL MANDATE;  
AND**
- (5) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to (i) the Loan Capitalisation Agreement, the Subscription Agreements and the transactions contemplated thereunder under the respective agreements (including the grant of the Specific Mandate), and (ii) the proposed grant of the New General Mandate.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with (i) further details of the Loan Capitalisation; (ii) further details of the Subscription A; (iii) further details of the Subscription B; (iv) a letter of advice from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser in relation to the terms of the Loan Capitalisation Agreement, the Subscription Agreement A, the transactions contemplated under the respective agreements and the proposed grant of the New General Mandate; (vi) the proposed grant of the New General Mandate; (vii) a notice to convene the EGM; and (viii) other information as required under the Listing Rules.

### LOAN CAPITALISATION

#### THE LOAN CAPITALISATION AGREEMENT

The principal terms of the Loan Capitalisation Agreement are set out below:

- Date:** 31 December 2021 (after trading hours)
- Parties:** (a) the Company (as issuer); and  
(b) Chunda (for itself or its nominee as the subscriber)

As at the Latest Practicable Date, Dr. Liu is the ultimate beneficial owner of and wholly owns Chunda. Dr. Liu is an executive Director, the Chairman of the Board, the chief executive officer and a Substantial Shareholder of the Company, who owns 431,066,000 Shares, representing approximately 10.61% of the issued share capital of the Company. Thus, each of Chunda and Dr. Liu is a connected person of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Chunda and Dr. Liu are third parties independent to the Subscribers.

#### Capitalisation Shares

The Company has conditionally agreed to allot and issue, and Chunda has conditionally agreed, by itself or its nominee, to subscribe for, the Capitalisation Shares at the Issue Price for the capitalisation of the Shareholder Loan. The aggregate consideration for the allotment and issue of the Capitalisation Shares of HK\$1,400 million will be settled by way of set off against the Capitalised Amount at completion of Loan Capitalisation. As at the Latest Practicable Date, the outstanding principal amount of the Shareholder Loan was HK\$1,500 million. Upon completion of the Loan Capitalisation, the outstanding principal amount of Shareholder Loan will be HK\$100 million.

Assuming there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the Completion, the Capitalisation Shares represent (i) approximately 37.47% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 23.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and Subscription Shares A (assuming Subscription B does not proceed); and (iii) approximately 21.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Subscription Shares.

## LETTER FROM THE BOARD

The nominal value of the Capitalisation Shares (with a par value of HK\$0.1 each) is HK\$152,173,913.

The Capitalisation Shares are not subject to any lock-up or other disposal restrictions under the Loan Capitalisation Agreement.

### Issue Price

The Issue Price of HK\$0.92 per Capitalisation Share, is the same as the Subscription Price, which represents:

- (a) a premium of approximately 15.00% to the closing price per Share of HK\$0.80 as quoted on the Stock Exchange on 31 December 2021, being the date of the Loan Capitalisation Agreement;
- (b) a premium of approximately 21.37% to the average closing price per Share of HK\$0.758 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;
- (c) a premium of approximately 25.00% to the average closing price per Share of HK\$0.736 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement;
- (d) a discount of approximately 31.75% over the unaudited net asset value per Share of approximately HK\$1.348 per Share as at 30 November 2021, with reference to the announcement of the Company dated 14 December 2021 in relation to the net asset value of the Company;
- (e) a discount of approximately 31.34% over the unaudited net asset value per Share of approximately HK\$1.340 per Share as at 31 December 2021, with reference to the announcement of the Company dated 14 January 2022 in relation to the net asset value of the Company; and
- (f) a premium of approximately 35.29% to the closing price of Shares of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net Issue Price, after deduction of all relevant fees and expenses, is estimated to be approximately HK\$0.92 per Issue Share.

The Issue Price was arrived at after an arm's length negotiation between the Company and Chunda with reference to the recent trading performance of the Shares, the net asset value, the business prospects and financial position of the Group and the current market conditions. In reaching the Issue Price, the management had discussed with Dr. Liu (who negotiated on behalf of Chunda as the sole shareholder), and after having considered (i) the share price performance with the range of the average closing price of the last six months immediately before the date of the Loan Capitalisation Agreement (the "**Review Period**") was between HK\$0.64 and HK\$0.84 per Share, (ii) the then last published net asset value of approximately HK\$1.348 per Share as at 30 November 2021, and (iii) the improvement in the business and

## LETTER FROM THE BOARD

financial position of the Group for the year 2021 and more investment opportunities following the recovery of the economic environment and stock markets from the impact of COVID-19, the Company and Chunda agreed to set the Issue Price at the premium to the average closing price for the last five consecutive trading days immediately prior to the Loan Capitalisation Agreement but below the net asset value. The Directors (excluding the independent non-executive Directors) are aware that the Shares had been consistently traded at a discount to the net asset value per Share during the Review Period, and consider that it would be appropriate to make reference to the prevailing market price of the Shares which should have reflected the fair market value of the Shares traded on the Stock Exchange.

The Directors (other than the independent non-executive Directors, who shall provide their views in the letter from the Independent Board Committee to be set out in this circular, and also excluding Dr. Liu who has material interest or conflict of role in the Loan Capitalisation and Subscription A) consider that the Issue Price and the terms of the Loan Capitalisation Agreement are fair, reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the Loan Capitalisation Agreement**

Completion of Loan Capitalisation is conditional upon satisfaction of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Capitalisation Shares and the Subscription Shares A, and the Listing Committee of the Exchange not having withdrawn or revoked such listing and permission on or before the Completion;
- (b) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Loan Capitalisation Agreement to the date of the Completion, save for any temporary trading halt or suspension in trading for no longer than three consecutive trading days (or such longer period as Chunda may agree in writing), and there being no indication from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time before or after the Completion, whether in connection with any of the transactions contemplated by the Loan Capitalisation Agreement or otherwise;
- (c) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the EGM to be held and convened of resolution(s) to approve, among others, (i) the Loan Capitalisation Agreement and the transactions contemplated thereunder; (ii) the Subscription Agreement A and the transactions contemplated thereunder; and (iii) the grant of specific mandate relating to the allotment and issue of the Capitalisation Shares and the Subscription Shares A;
- (d) the Company having obtained from or made to (as the case may be) all relevant authorities all applicable approvals and filings in connection with the Loan Capitalisation;

## LETTER FROM THE BOARD

- (e) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to the completion under the Loan Capitalisation Agreement;
- (f) there shall not be in effect any applicable laws restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby and by the other transaction documents;
- (g) no action shall have been commenced by or before any governmental authority against any party hereto, seeking to restrain or materially and adversely alter the transactions contemplated hereby and by the other transaction documents which, in the reasonable, good faith determination of Chunda, is likely to render it impossible or unlawful to consummate such transactions; and
- (h) completion of the transactions under the Subscription Agreement A having occurred simultaneously.

Conditions (a), (c), (g) and (h) above are not waivable by any party of the Loan Capitalisation Agreement. Conditions (b), (d), (e) and (f) can be waived by Chunda at any time before completion of the Loan Capitalisation by notice in writing to the Company.

If the above conditions are not fulfilled by 31 March 2022 or such other date as the parties to the Loan Capitalisation Agreement may agree, the Loan Capitalisation Agreement will terminate and all rights and obligations under the Loan Capitalisation Agreement will cease save for any rights and obligations accrued before the termination.

### **Completion of the Loan Capitalisation**

Completion of the Loan Capitalisation will take place within seven (7) business days after the satisfaction (or waiver, where applicable) of all of the conditions, or such later date as may be agreed between the Company and Chunda in writing.

The Loan Capitalisation Agreement and the Subscription Agreement A are inter-conditional and hence completion of the Loan Capitalisation Agreement and the Subscription Agreement A shall take place simultaneously.

### **Ranking of the Capitalisation Shares**

The Capitalisation Shares, when allotted and issued, shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment and issue of the Capitalisation Shares.

## LETTER FROM THE BOARD

### THE SUBSCRIPTIONS

#### SUBSCRIPTION AGREEMENTS

Principal terms of the Subscription Agreements are as follows:

##### Subscription Agreement A

Date:	31 December 2021
Issuer:	the Company
Subscriber:	Subscriber A
Number of Subscription Shares:	978,260,870 new Shares
Subscription Price:	HK\$0.92 per Subscription Share

##### Subscriber A

As at the Latest Practicable Date, Subscriber A is a Substantial Shareholder of the Company, who directly holds 464,000,000 Shares, representing approximately 11.42% of the issued share capital of the Company. Based on information provided to the Company, the ultimate beneficial owner of Subscriber A is Mr. Wu Gang. Mr. Wu Gang is a PRC resident and is experienced in equity investment and management. Thus, Subscriber A and Mr. Wu Gang are the connected persons of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber A and Mr. Wu Gang are third parties independent to Chunda, Dr. Liu and Subscriber B.

##### Subscription Agreement B

Date:	31 December 2021
Issuer:	the Company
Subscriber:	Subscriber B
Number of Subscription Shares:	652,173,913 new Shares
Subscription Price:	HK\$0.92 per Subscription Share

## LETTER FROM THE BOARD

### Subscriber B

As at the Latest Practicable Date, based on the information provided to the Company, Subscriber B is a PRC resident and a Professional Investor with over 10 years of experience in private equity investment and securities investment sectors.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber B, is a third party independent of the Company and its connected persons, and he is also third party independent to Chunda, Dr. Liu and Subscriber A.

### Subscription Shares

Pursuant to the terms of the Subscription Agreements, the Company has conditionally agreed to allot and issue, and the Subscribers have conditionally agreed to subscribe for an aggregate of 1,630,434,783 Subscription Shares (as to 978,260,870 Subscription Shares to Subscriber A and 652,173,913 Subscription Shares to Subscriber B) at HK\$0.92 per Subscription Share.

The Subscription Shares A represent (i) approximately 24.09% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 14.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and Subscription Shares A (assuming Subscription B does not proceed); and (iii) approximately 13.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Subscription Shares (assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares and Subscription Shares).

The Subscription Shares B represent (i) approximately 16.06% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 13.84% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares B (assuming Loan Capitalisation and Subscription A does not proceed); and (iii) approximately 9.04% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and Subscription Shares (assuming there will be no change in the total number of issued Shares of the Company between the Latest Practicable Date and the allotment and issue of the Capitalisation Shares and Subscription Shares).

The aggregated nominal value of the Subscription Shares (with a par value of HK\$0.1 each) is HK\$163,043,478.3.

The Subscription Shares are not subject to any lock-up or other disposal restrictions under the respective Subscription Agreements.

## LETTER FROM THE BOARD

### Subscription Price

The Subscription Price of HK\$0.92 per Subscription Share is the same as the Issue Price under the Loan Capitalisation Agreement:

- (a) a premium of approximately 15.00% to the closing price per Share of HK\$0.80 as quoted on the Stock Exchange on 31 December 2021, being the date of the Subscription Agreements;
- (b) a premium of approximately 21.37% to the average closing price per Share of HK\$0.758 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreements;
- (c) a premium of approximately 25.00% to the average closing price per Share of HK\$0.736 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Subscription Agreements;
- (d) a discount of approximately 31.75% over the unaudited net asset value per Share of approximately HK\$1.348 per Share as at 30 November 2021, with reference to the announcement of the Company dated 14 December 2021 in relation to the net asset value of the Company;
- (e) a discount of approximately 31.34% over the unaudited net asset value per Share of approximately HK\$1.340 per Share as at 31 December 2021, with reference to the announcement of the Company dated 14 January 2022 in relation to the net asset value of the Company; and
- (f) a premium of approximately 35.29% to the closing price of Shares of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net Subscription Price, after deduction of all relevant fees and expenses, is estimated to be approximately HK\$0.92 per Subscription Share.

The Subscription Price was arrived at after an arm's length negotiations between the Company and the Subscribers with reference to the recent trading performance of the Shares, the net asset value, the business prospects and financial position of the Group and the current market conditions. The management had discussed with Subscriber A and Subscriber B respectively and they have considered the investment strategies and business development of the Group and are willing to support the Company through the Subscriptions, which provide additional investment funding to the Company for its long-term growth. In negotiating the terms of the Subscription Agreements, including the Subscription Price and the number of Subscription Shares to be subscribed, the Subscribers have compared the prevailing market price with the net asset value in the last three months before entering into the Subscription Agreements. In view of the historical discount of Share price to the net asset value per Share, Subscribers would not be interested in the Subscriptions if the Subscription Price was set at a close to the net asset value per Share. For the long-term development of the Group and to introduce the Subscribers as the strategic partners of the Group, it was agreed to set the



## LETTER FROM THE BOARD

Subscription Price at a premium of approximately 15% to the closing price at the date of Subscription Agreements but at a discount to the net asset value per Share as at 30 November 2021.

The Directors (other than the independent non-executive Directors, who shall provide their views in the letter from the Independent Board Committee as set out in this circular, and excluding Dr. Liu who has material interest or conflict of role in the Loan Capitalisation and Subscription A) consider that the Subscription Price and the terms of the Subscription Agreement A are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the terms of the Subscription Agreement B are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent to the Subscription Agreements**

Completion is conditional upon satisfaction of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listing and permission on or before the Completion;
- (b) the Shares remaining listed and traded on the Main Board of the Stock Exchange at all times from the date of the Subscription Agreements to the date of the Completion, save for any temporary trading halt or suspension in trading for no longer than three consecutive trading days (or such longer period as the Subscribers may agree in writing), and there being no indication from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time before or after the Completion, whether in connection with any of the transactions contemplated by the Subscription Agreements or otherwise;
- (c)
  - (1) in respect of the Subscription Agreement A, the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules in the EGM to be held and convened of resolution(s) to approve (i) the Loan Capitalisation Agreement and the transactions contemplated thereunder; (ii) the Subscription Agreement A and the transactions contemplated thereunder; and (iii) the grant of specific mandate relating to the allotment and issue of the Capitalisation Shares and the Subscription Shares A;
  - (2) in respect of the Subscription Agreement B, the passing by the Shareholders in the EGM to be held and convened of resolution(s) to approve the Subscription Agreement B and the transactions contemplated thereunder, including the grant of specific mandate relating to the allotment and issue of the Subscription Shares B;

## LETTER FROM THE BOARD

- (d) each of the Company's representations, warranties and undertakings under the Subscription Agreements remaining true, complete and accurate and not misleading at the Completion as if repeated at the Completion and at all times between the date of the Subscription Agreement and the Completion;
- (e) the Company having obtained from or made to (as the case may be) all relevant authorities all applicable approvals and filings in connection with the Subscriptions;
- (f) the Company having duly performed and observed all of the obligations, undertakings, covenants and agreements required to be performed and observed by it prior to the Completion under the Subscription Agreements;
- (g) there shall not be in effect any applicable laws restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated hereby and by the other transaction documents;
- (h) no action shall have been commenced by or before any governmental authority against any party hereto, seeking to restrain or materially and adversely alter the transactions contemplated hereby and by the other transaction documents which, in the reasonable, good faith determination of the Subscribers, is likely to render it impossible or unlawful to consummate such transactions; and
- (i) the Subscribers' representations, warranties and undertakings under the Subscription Agreements remaining true, complete and accurate and not misleading in all material respects at the date of the Completion as if repeated at the date of the Completion and at all times between the date of the Subscription Agreements and the date of the Completion.

Additional conditions precedent to the Subscription Agreement A:

- (j) the Listing Committee of the Exchange having granted the listing of, and permission to deal in, the Loan Capitalisation Shares and the Listing Committee of the Stock Exchange not having withdrawn or revoked such listing and permission on or before the Completion; and
- (k) completion of the transactions under the Loan Capitalisation Agreement having occurred simultaneously.

In respect of the Subscription Agreement A, conditions (a), (c)(1), (h), (j) and (k) above are not waivable by any party, conditions (b) and (d) to (g) above can be waived by Subscriber A at any time before Completion by notice in writing to the Company, and condition (i) above can be waived by the Company at any time before Completion by notice in writing to Subscriber A.

## LETTER FROM THE BOARD

In respect of the Subscription Agreement B, conditions (a), (c)(2) and (h) above are not waivable by any party, conditions (b) and (d) to (g) above can be waived by Subscriber B at any time before Completion by notice in writing to the Company, and condition (i) above can be waived by the Company at any time before Completion by notice in writing to Subscriber B.

If the above conditions are not fulfilled by 31 March 2022 or such other date as the parties to the Subscription Agreements may agree, the Subscription Agreements will terminate and all rights and obligations under the Subscription Agreements will cease save for any rights and obligations accrued before the termination.

### **The Company's undertaking in favour of Subscriber A**

Pursuant to the Subscription Agreement A, the Company has agreed to appoint a non-executive Director to be nominated by the Subscriber A to the Board upon Completion. Such appointment must fulfil the necessary requirements of the Listing Rules and also be subject to the approval of the Nomination Committee of the Company. As at the Latest Practicable Date, the Subscriber A had yet to nominate any candidate to the Board. Further announcement will be made by the Company upon such persons being appointed to the Board.

### **Completion of the Subscriptions**

Completion of the Subscriptions shall take place within seven (7) business days after the satisfaction (or waiver, where applicable) of all of the conditions, or such later date as agreed by the parties to the Subscription Agreements in writing.

The Subscription Agreement A and the Loan Capitalisation Agreement are inter-conditional and hence the completion of the Subscription Agreement A and the Loan Capitalisation Agreement shall take place simultaneously. For the avoidance of doubt, the Subscription Agreement B is not inter-conditional upon each of the Subscription Agreement A and the Loan Capitalisation Agreement.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, shall rank *pari passu* in all respects with the existing Shares in issue at the date of allotment and issue of the Subscription Shares.

## LETTER FROM THE BOARD

### EFFECT ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion and the issuance and allotment of Capitalisation Shares and Subscription Shares A (but assuming no completion of Subscription B); (iii) immediately after completion and the issuance and allotment of Subscription Shares B (but assuming no completion of Loan Capitalisation and Subscription A); and (iv) immediately after Completion and the issue and allotment of the Capitalisation Shares and Subscription Shares in full as contemplated under the Loan Capitalisation and Subscriptions:

Name of Shareholder	At the Latest Practicable Date		Immediately after completion of the Loan Capitalisation and the Subscription A (but assuming no completion of Subscription B)		Immediately after completion of the Subscription B (but assuming no completion of Loan Capitalisation and the Subscription A)		Immediately after Completion	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Non-Public/Connected Persons</b>								
Dr. Liu and his associates, including Chunda (Note 1)	431,066,000	10.61	1,952,805,130	29.76	431,066,000	9.15	1,952,805,130	27.07
Subscriber A (Note 2)	<u>464,000,000</u>	<u>11.42</u>	<u>1,442,260,870</u>	<u>21.98</u>	<u>464,000,000</u>	<u>9.84</u>	<u>1,442,260,870</u>	<u>19.99</u>
Sub-total:	<u>895,066,000</u>	<u>22.04</u>	<u>3,395,066,000</u>	<u>51.74</u>	<u>895,066,000</u>	<u>18.99</u>	<u>3,395,066,000</u>	<u>47.07</u>
<b>Public</b>								
Subscriber B	0	0.00	0	0.00	652,173,913	13.84	652,173,913	9.04
Other public Shareholders	<u>3,166,250,000</u>	<u>77.96</u>	<u>3,166,250,000</u>	<u>48.26</u>	<u>3,166,250,000</u>	<u>67.17</u>	<u>3,166,250,000</u>	<u>43.89</u>
Sub-total:	<u>3,166,250,000</u>	<u>77.96</u>	<u>3,166,250,000</u>	<u>48.26</u>	<u>3,818,423,913</u>	<u>81.01</u>	<u>3,818,423,913</u>	<u>52.93</u>
Total:	<u><u>4,061,316,000</u></u>	<u><u>100.00</u></u>	<u><u>6,561,316,000</u></u>	<u><u>100.00</u></u>	<u><u>4,713,489,913</u></u>	<u><u>100.00</u></u>	<u><u>7,213,489,913</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Dr. Liu is a connected person of the Company by virtue of him being an executive Director. Dr. Liu is also the ultimate beneficial owner of Chunda.
2. As at the Latest Practicable Date, Subscriber A holds 464,000,000 Shares, representing approximately 11.42% of the total issued Shares, and hence is a Substantial Shareholder of the Company. In this regard, Subscriber A is a connected person of the Company.

## LETTER FROM THE BOARD

Upon completion of the Loan Capitalisation and Subscriptions in the scenarios as set in the table above, none of the Shareholder or a group of Shareholders will hold more than 30%, and the Directors are not aware of any consequences which may arise under the Takeovers Code as a result of completion of Loan Capitalisation and Subscriptions.

### FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD

The following is the equity fund raising activities conducted by the Company in the past twelve months immediately preceding the Latest Practicable Date:

Event and Date	Net proceeds raised	Proposed use of the net proceeds	Actual use of the net proceeds as of the Latest Practicable Date
Issue and allotment of 580,188,000 Shares on 25 November 2021 (date of announcement: 26 October 2021)	HK\$359.66 million	For future investment	100% of net proceeds were used for investment, including (i) approximately 35.34% was used for debt investments; (ii) approximately 8.94% was used for private equity investment in an investment holding company with the investment portfolio including debt investment and equity investment in various sectors, landed properties and other assets; and (iii) approximately 55.72% was used as private equity investment of interests in fintech sector.
Issue and allotment of 580,188,000 Shares on 3 September 2021 (date of announcement: 13 August 2021)	HK\$382.87 million	For future investment and general working capital	100% of net proceeds were used for investment, including (i) approximately 13.73% was used for debt investments; and (ii) approximately 86.27% was used for a private equity investment in an investment holding company with the investment portfolio including debt investment and equity investment in various sectors, landed properties and other assets.

Save as disclosed above, the Company has not conducted any equity fund raising activity within the 12-month period prior to the Latest Practicable Date.

## LETTER FROM THE BOARD

### INFORMATION ON THE COMPANY AND THE SUBSCRIBERS

#### **The Company**

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in investment in a diversified portfolio of investments in listed and unlisted enterprises thereby to achieve earnings in the form of medium to long term capital appreciation.

#### **Chunda**

As at the Latest Practicable Date, Chunda is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Dr. Liu is beneficial owner of and wholly owns Chunda and also is an executive Director, the Chairman of the Board, the chief executive officer of the Company and a Substantial Shareholder of the Company, who owns 431,066,000 Shares, representing approximately 10.61% of the issued share capital of the Company.

#### **Subscriber A**

As at the Latest Practicable Date, Subscriber A is a Substantial Shareholder of the Company, who directly holds 464,000,000 Shares, representing approximately 11.42% of the issued share capital of the Company. Based on information provided to the Company, Subscriber A is a wholly-owned subsidiary of Tongchuangjiuding Investment Management Group Co., Ltd., which is a limited liability company incorporated in the PRC, and the shares of which are listed on the National Equities Exchange and Quotations (Stock Code: 430719). The ultimate beneficial owner of Tongchuangjiuding Investment Management Group Co., Ltd. is Mr. Wu Gang. Mr. Wu Gang is a PRC resident and is experienced in equity investment and management. Thus, Subscriber A and Mr. Wu Gang are the connected persons of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber A, Tongchuangjiuding Investment Management Group Co., Ltd. and Mr. Wu Gang are third parties independent to Chunda, Dr. Liu and Subscriber B.

#### **Subscriber B**

As at the Latest Practicable Date, based on the information provided to the Company, Subscriber B is a PRC resident and a Professional Investor with over 10 years of experience in private equity investment and securities investment sectors. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber B, is a third party independent of the Company and its connected persons, and he is also third party independent to Chunda, Dr. Liu and Subscriber A.

## LETTER FROM THE BOARD

### REASONS FOR THE LOAN CAPITALISATION AND THE SUBSCRIPTIONS

The Company considers that the Loan Capitalisation is conducive to strengthening the financial position of the Group and beneficial to the Company and its Shareholders as a whole as it allows the Company to settle substantial portion of the Shareholder Loan, without utilising the existing financial resources of the Group which could in lieu be retained for other suitable investment opportunities with positive return prospect. In addition, upon completion of the Loan Capitalisation, the Company would no longer be liable for payment of the accrued interest expenses attributable to the Capitalised Amount, which is expected to amount over HK\$30 million, and thus, achieve cost-saving favourable to the Company and the Shareholders as whole. The Loan Capitalisation could also immediately reduce the gearing ratio of the Group and hence improve its financial position. As Dr. Liu wished to maintain his status as the single largest Shareholder, after considering the potential dilution of shareholding of the Company upon completion of the Subscriptions, Dr. Liu has agreed with the Company on the Loan Capitalisation shortly after drawdown.

Pursuant to the shareholder loan agreement dated 10 December 2021 entered into between Chunda and the Company, the Shareholder Loan is an unsecured loan bearing an interest rate of 2.5% per annum, and the principal amount is HK\$1,500 million. The purpose of the Shareholder Loan is for future investment of the Group. The maturity date is one year from date of drawing the Shareholder Loan.

The Group has fully utilised the Shareholder Loan for fund investments which were made separately in different investment portfolios. The details of the fund investments are as follows:

- (i) approximately 26.67% has been used as fund investment in Ninth Eternity Asia Fund LP for investment portfolios relating to technology and high-end manufacturing growth in Greater China. The General Partner is Ninth Eternity HK Limited, which has exclusive power and authority for the management of the partnership as well as discretionary authority for the management of the assets and investments of the partnership under the partnership agreement of the fund. The fund size is HK\$3,000 million, and the Company's investment represent around 13.33% of the fund size. As the fund management team has substantial experience of over 10 years and excellent investment performance track record in generating significant returns, the Company considers that the aforesaid fund investment in Ninth Eternity Asia Fund LP will create mid-term capital returns to the Company;
- (ii) approximately 26.67% has been used as fund investment in Ninth Eternity Asia Fund II LP for investment portfolios relating to consumer goods, internet services and biomedical related industries in Greater China. The General Partner is Fleming Capital Holdings Limited, which has exclusive power and authority for the management of the partnership as well as discretionary authority for the management of the assets and investments of the partnership under the partnership agreement of the fund. The fund size is HK\$3,000 million, and the Company's investment represent around 13.33% of the fund size. As the fund management team consists of experienced professionals in investment and banking industries who have

## LETTER FROM THE BOARD

excellent track record in generating substantial returns, the Company considers that the aforesaid fund investment in Ninth Eternity Asia Fund II LP will create mid-term capital returns to the Company;

- (iii) approximately 19.99% has been used as fund investment in Ninth Eternity Asia Fund LP for investment portfolios relating to projects of courier services and lithium iron phosphate in China. The General Partner is Ninth Eternity HK Limited, which has exclusive power and authority for the management of the partnership as well as discretionary authority for the management of the assets and investments of the partnership under the partnership agreement of the fund. The fund size is HK\$3,000 million, and the Company's investment represent around 10% of the fund size. As the fund management team has substantial experience of over 10 years and excellent investment performance track record in generating significant returns, the Company considers that the aforesaid fund investment in Ninth Eternity Asia Fund LP will create mid-term capital returns to the Company; and
- (iv) approximately 26.67% has been used as fund investment in Ninth Eternity Asia Fund II LP for investment portfolios relating to projects of electric car services in China, car-hailing services and international e-commerce platform. The General Partner is Fleming Capital Holdings Limited, which has exclusive power and authority for the management of the partnership as well as discretionary authority for the management of the assets and investments of the partnership under the partnership agreement of the fund. The fund size is HK\$3,000 million, and the Company's investment represent around 13.33% of the fund size. As the fund management team consists of experienced professionals in investment and banking industries who have excellent track record in generating substantial returns, the Company considers that the aforesaid fund investment in Ninth Eternity Asia Fund II LP will create mid-term capital returns to the Company.

The Directors consider that the utilisation of the Shareholder Loan for the fund investments is in line with the Group's investment strategy. The Group's investment strategy is comprised of three pillars, namely (i) core-holding-centered private equity investment, being equity acquisitions in private companies in the sectors of medical and health, environment and industrials and TMT as long-term investments, (ii) portfolio management in secondary market, debt investment and others as mid- to long-term investments, and (iii) trading and others in the secondary market as short-term investments. The fund investments by utilising the Shareholder Loan are related to the potential growth investment opportunities and are expected to contribute mid- to long-term returns to the Group.

Upon completion of the Loan Capitalisation, the outstanding principal amount of the Shareholder Loan owing to Chunda will amount to HK\$100 million, and the Company intends to utilise its internal resources to settle such remaining balance of HK\$100 million. In the event that the Shareholder Loan was fully capitalised, Dr. Liu and his associate, i.e. Chunda, would hold more than 30% of the voting rights of the Company, which might in turn trigger a mandatory general offer under the Takeovers Code unless the obligation was otherwise waived.



## LETTER FROM THE BOARD

As at the Latest Practicable Date, apart from the Shareholder Loan, the Company had banking facilities in a total balance of around HK\$127,500,000 which would become due within one year from the date of the circular. The interest rates range from 8% per annum to HIBOR plus 2.2%. The Company plans to utilise its internal resource to repay and/or settle the full principal amount and accrued interest of the banking facilities on maturity date.

The Directors, after due and careful enquiry and consideration, are of the opinion that, in the absence of unforeseeable circumstances, after considering the Company's operations and despite the fact that there are currently no other fundraising plans apart from the Loan Capitalisation and the Subscriptions, the Company has sufficient working capital for its requirements for at least twelve months from the date of this circular.

With respect to the Subscriptions, it is considered that the proposed fundraising by way of Subscriptions can provide the Company with a definite amount of share capital and strengthen the Group's financial position. The intended use of proceeds from the Subscriptions is consistent with the investment strategy of the Group which can enrich the investment portfolio. For Subscription A, Subscriber A, who is also a Substantial Shareholder of the Company, is intended to be a long-term strategic partner to the Company with continued capital support to fund the investment plans of the Group, bringing strategic value to the Company. It also shows the confidence and support of Subscriber A as the Substantial Shareholder towards the long-term development of the Group. Subscriber B is a Professional Investor, who has more than 10 years of investment experience in private equity investment and securities investment and has extensively participated in investment in mainland China and overseas markets, and he also focuses on art business markets. It is considered that the introduction of Subscriber B will enable the Company to leverage Subscriber B's connection in the market with high-quality investors.

It is further considered that the Issue Price and Subscription Price represents a premium of over the recent prevailing market price which can reflect the continuing support and solid confidence given to the Company towards the long-term and sustainable growth of the Group.

In view of above, the Directors (excluding the independent non-executive Directors who will give their opinion in the letter from the Independent Board Committee as set out in this circular, and excluding Dr. Liu who had abstained from voting at the Board resolutions approving (a) Loan Capitalisation Agreement in respect of himself and (b) Subscription Agreement A which is inter-conditional with the Loan Capitalisation Agreement) consider that the terms of Loan Capitalisation Agreement (including the Issue Price) and Subscription Agreement A (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-execution Directors) consider that the terms of the Subscription Agreement B (including the Subscription Price) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Before entering of the Loan Capitalisation Agreement and Subscription Agreements, the Company has explored alternative financing methods, such as rights issue, open offer, placing of new shares and bank financing. However, given the recent prevailing Share price performance and trading volume, as well as the uncertainty in the market economics due to

## LETTER FROM THE BOARD

the continuation of COVID-19 and the Sino-US trade tensions, the Company found it difficult to ascertain market demand and to have certainty in successful equity fund raising, and is also difficult to procure an underwriter for rights issue/open offer or a placing agent for share placement. Rights issue and open offer generally requires more legal documentations preparation and additional administrative procedures which are relatively more time consuming and less cost effective. Also, the Company had considered bank borrowing and approached the financial institutions, where required the security of properties and other assets which is not feasible given the business nature of the Group and it will incur additional interest burden to the Group and may not be beneficial to the Company and the Shareholders as a whole.

The Board would also like to advise the Shareholders that, referring to the Previous Subscription Announcements, the Group had fully utilised the proceeds from the previous subscription of Shares under the Existing General Mandate for investment projects in line with the investment strategy. The Company has seized the opportunities amidst the challenges of a complex and volatile market environment during the year, and the overall performance of the investment portfolio has been solid. The Group will continuously explore investment opportunities emerging from the process of socio-economic transformation, and will also fully utilise the strengths as a cross-border investment company and continue to move forward towards the strategic goal of building a professional, market-oriented and international investment platform to bring excellent returns for the Shareholders.

### USE OF PROCEEDS

Upon Completion, the aggregate gross proceeds of the Subscriptions will amount to HK\$1,500 million and the aggregate net proceeds, after the deduction of all relevant fees and expenses, will be approximately HK\$1,499 million, representing a net Subscription Price of approximately HK\$0.92 per Subscription Share.

With respect to the Subscriptions, the estimated net proceeds (after deducting all relevant fees and expenses) will be as followings:

- (1) approximately HK\$899 million if only Subscription A is completed;
- (2) approximately HK\$599 million if only Subscription B is completed; and
- (3) a total of approximately HK\$1,499 million if both Subscriptions are completed.

The Company intends to use the net proceeds from the Subscriptions in the following manners:

- Approximately 90% of the net proceeds will be used to capture potential investment opportunities in accordance with the Group's investment strategy which is comprised of three pillars, namely core-holding-centered private equity, portfolio management and trading and others, with returns generated from interests, dividends and capital appreciation. The Company aims to invest in the sectors, such as medical and health, environment and industrials, TMT as well as certain debt and other instruments.

## LETTER FROM THE BOARD

The Company is an investment company and its principal business is restricted to making investments. Accordingly, net proceeds of the Subscriptions will be and can only be used for making investments and for general working capital purposes.

As at the Latest Practicable Date, the Group has identified around fourteen investment opportunities in private equity companies and private equity funds in sectors such as artificial intelligence, big data, intelligence manufacturing, fintech, e-commerce, healthcare, new energy, games and collectibles and financial services. These potential investment opportunities are long-term core investments in companies and mid- or short-term investments in the secondary market and debt market which are expected to contribute mid- and short-term returns to the Group.

The factors considered by the Company in assessing the investment opportunities include the Group's investment strategy, market trends and future prospects. For market trends, the Company recognises that the development of new generation of technologies represented by artificial intelligence, blockchain and big data is deeply integrated with the real economy and will become a new engine for the economic development worldwide. With a deep understanding of future economic development trends, the Company has continued to optimise its investment allocation and formulated an investment roadmap around the digital economy. For future prospects, the Company will adhere to the 14th Five-Year-Plan of China, which includes the construction of a "dual circulation" development pattern, comprehensive reforms and developments based on its market advantages and domestic demand potential. Leveraging on Hong Kong's strategic position as an intersection of internal and external circulation, the Company will fully utilise its strengths as a cross-border investment company and continue to search for investment opportunities in line with its investment strategy.

The procedures of the Company to decide and confirm the investments are as follows: (i) selecting potential investment opportunities based on the above factors; (ii) conducting research and preparing reports to the management and/or the Board for approval; (iii) performing due diligence and valuation prior to investment; and (iv) keeping track of the investment projects by monitoring the progress from before investment to the exit of the projects and preparing internal documentation for compliance with internal control and risk assessment measures. Further, core members of the management team will be designated to sit on the board of directors of the investee companies to monitor the operation of high-value and/or high-risk projects for risk control purposes.

The Group has commenced evaluation of potential investment targets and negotiation with investee companies, but none of the investments have been confirmed. Furthermore, the investments may be closed before the Company receives the proceeds from the Subscriptions, and hence the Group will continue to explore suitable investment opportunities actively.

- Approximately 10% of the net proceeds will be used for general working capital of the Group, such as staff cost and office rent.

## **LETTER FROM THE BOARD**

Subject to market conditions and final investment decisions, it is expected that the proceeds will be used within six months. The Company will disclose the use of proceeds from the Subscriptions in the annual report for the year ending 31 March 2022. Should any of the above constitute notifiable and/or connected transaction of the Company, the Company will comply with the applicable requirement(s) under the Listing Rules.

### **SPECIFIC MANDATE**

The Capitalisation Shares and the Subscription Shares A will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Independent Shareholders at the EGM. The Subscription Shares B will be allotted and issued pursuant to the Specific Mandate proposed to be sought from the Shareholders at the EGM.

### **APPLICATION FOR LISTING**

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

### **LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Dr. Liu is an executive Director, the Chairman of the Board and the chief executive officer of the Company. He is also a Substantial Shareholder of the Company, who owns 431,066,000 Shares, representing approximately 10.61% of the issued share capital of the Company, and the sole shareholder of Chunda. Thus, each of Dr. Liu and his associate, i.e. Chunda, is a connected person of the Company and the Loan Capitalisation constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Subscriber A is a Substantial Shareholder of the Company, who directly holds 464,000,000 Shares, representing approximately 11.42% of the issued share capital of the Company. Thus, Subscriber A is a connected person of the Company, and the Subscription A constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

Given that the Loan Capitalisation and the Subscription A are inter-conditional, each of Dr. Liu and the Subscriber A has material interest in the Loan Capitalisation and the Subscription A. As such, Dr. Liu and Subscriber A and their respective associates will abstain from voting for the resolutions to approve the Loan Capitalisation Agreement and the Subscription Agreement A (including the grant of specific mandate) and the transactions contemplated thereunder at the EGM.

In addition, Dr. Liu, being an executive Director, the Chairman of the Board and the chief executive officer of the Company, has abstained from voting on the Board resolutions approving the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated under the respective agreements.

## **LETTER FROM THE BOARD**

Save as disclosed above, (i) no other Director has a material interest in the Loan Capitalisation Agreement, the Subscription Agreements and the transactions contemplated under the respective agreements, or is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Loan Capitalisation Agreement, the Subscription Agreements and the transactions contemplated under the respective agreements (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the aforesaid matters.

### **PROPOSED REFRESHMENT OF GENERAL MANDATE**

The Board proposes to refresh the general mandate for the Directors to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of passing of the relevant resolutions at the EGM.

During the period from the grant of the Existing General Mandate to the Latest Practicable Date, all the Existing General Mandate, i.e. 580,188,000 Shares, has been utilised as a result of the issue and allotment of new shares for subscription under Existing General Mandate, details of which were set out in the Previous Subscription Announcements.

#### **Existing General Mandate**

At the AGM, Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue not more than 580,188,000 Shares, being 20% of the total number of issued Shares as at the date of passing of the resolution at the AGM.

During the period from the grant of the Existing General Mandate to the Latest Practicable Date, all the Existing General Mandate has been fully utilised as a result of the issue and allotment of new shares for subscription under Existing General Mandate, details of which were set out in the Previous Subscription Announcements.

#### **Proposed grant of New General Mandate**

As at the Latest Practicable Date, the Existing General Mandate has been fully utilised. The Company will convene the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot and issue Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolution at the EGM; and
- (ii) the New General Mandate be extended to Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM. The Company has not refreshed the Existing General Mandate since the AGM.

## LETTER FROM THE BOARD

The New General Mandate proposed will last until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

As at the Latest Practicable Date, the Company had an aggregate of 4,061,316,000 Shares in issue. On the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company will be allowed under the New General Mandate to allot and issue up to 812,263,200 Shares, representing 20% of the aggregate number of the issued Shares as at the Latest Practicable Date.

### **Reasons for the grant of the New General Mandate**

The Company is an investment company and its principal business is restricted to making investments. The principal investment objective of the Group is to achieve earnings in the form of medium to long term capital appreciation through investing in a diversified portfolio of global investments in listed and unlisted enterprises.

In assessing the needs for the grant of the New General Mandate, the Board has considered the followings:

*(i) The Existing General Mandate has been fully utilised*

As a result of the subscription of Shares as disclosed in the Previous Subscription Announcements, the Existing General Mandate has almost been fully utilised.

As the next annual general meeting of the Company will not be held until August 2022, the Company will no longer have the flexibility to promptly meet fund raising opportunities for about six months.

The grant of the New General Mandate will enable this flexibility to be reinstated. Given the current economic condition, the Company believes that it is important for the Company to have the option to raise funding at short notice if the opportunity presents itself.

*(ii) Existing financial performance and cash position of the Group*

As set out in the interim report of the Company for the six months ended 30 September 2021 (the “**Interim Report**”), the Group had bank and cash balances of approximately HK\$127.29 million. Based on the Interim Report, the cash flow of the Group was mainly driven by investing and financing activities, including distribution and disposal of investments, drawdown of borrowings and proceeds from issue of shares, etc.

## LETTER FROM THE BOARD

During 2021, the Company had upgraded its investment strategy and raised funds for investment activities from subscriptions and the Shareholder Loan. For details of the subscriptions and the Shareholder Loan, please refer to the sections headed “FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD” and “REASONS FOR THE LOAN CAPITALISATION AND THE SUBSCRIPTIONS” at pages 19 and 21 of this circular, respectively. As at 31 January 2022, the cash position of the Group was around HK\$173 million. Upon completion of the Loan Capitalisation and the Subscriptions, the estimated cash position of the Group is HK\$1,673 million. Although the cash position of the Group would be improved, the Directors considered that if the New General Mandate is granted, it is in the interests of the Company to raise additional capital to strengthen the cash flow position of the Group in the long run for capturing more suitable investment opportunities in a timely manner.

### *(iii) Potential investment opportunities*

The Group’s principal business is restricted to making investments only. The Group will from time to time search for investment opportunities and those prime investment projects will generally close within a short period of time or after they obtain sufficient funds. The Group had in the past experienced insufficiency of funds in meeting potential investment opportunities. In those cases, the Group identified and/or became aware of prime investment opportunities in pre-IPO and IPO projects, equity acquisitions in private companies and private fund investments in the sectors of medical and health, artificial intelligence, TMT, new energy and financial services and immediately started fund-raising in order to capture those opportunities. The Group was not able to grasp the investment opportunities in a timely manner as they were taken by other investors with readily available funds, or the investment window was closed shortly approximately 3 to 17 days due to tight investment timeframe. As such, given the Existing General Mandate has been fully utilised, the grant of New General Mandate will empower the Group to issue new Shares under refreshed limit and provide the Group with the ability and flexibility to capture such prospective investment opportunities as and when they arise for future growth and create better return for Shareholders. In respect of the issue of Shares utilising New General Mandate, as at the Latest Practicable Date, the Group has not identified any investment targets.

### *(iv) Alternative financing methods*

The Directors have considered alternative financing methods including but not limited to rights issue, open offer, placing of new shares, bank financing and the possibility of disposal/realisation of investments in order to meet the financial requirements and/or investment opportunities of the Group.

Given the uncertainty in the market economics due to the continuation of COVID-19 and the Sino-US trade tensions, the Company found it difficult to ascertain market demand and to have certainty in successful equity fund raising. Although open offer and rights issue allow existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fund-raising size

## LETTER FROM THE BOARD

could not be assured by the Company if conducted on a non-underwritten basis. Even if the Company is successful in procuring an underwriter, the high underwriting commission, which is within the range of 2% to 2.5% will generally be a burden on the Group and may not be beneficial to the Company and the Shareholders as a whole. Also, open offer and rights issue generally require preparation of legal documentation and fulfilment of additional administrative procedures, which are more time consuming and less cost effective.

The Company has also considered bank financing and approached financial institutions. As bank financing requires the security of properties and incurs additional interest burden on the Group, and it may also involve lengthy due diligence and negotiations, it is not the optimal financial method under prevailing market conditions. In contrast, the New General Mandate will allow the Company to have sufficient flexibility to grasp appropriate fund raising opportunities when they arise, and to avoid the uncertainties that specific mandate may not be obtained in a timely manner.

The Company has considered disposing investments for financing but chose not to do so because the investments are of great potential with reference to existing and future national policies development and market trends, which are expected to generate mid- to long-term returns.

In summary, taking into consideration that (i) the Existing General Mandate has been fully utilised and the next annual general meeting of the Company will not be held until six months later; (ii) the need to maintain sufficient cash flow position of the Group for capturing suitable investment opportunities in a timely manner; and (iii) issuance of new Shares under the general mandate is less costly and time-consuming than using alternative financing methods and enables the Company to capture any capital raising in a timely manner, the Directors consider that the Refreshment of the General Mandate is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no concrete plan or agreement with any party to issue Shares by utilising the New General Mandate and had no other fundraising plan apart from Loan Capitalisation and the Subscriptions.



## LETTER FROM THE BOARD

### Potential dilution to shareholdings of the Shareholders

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion; and (iii) immediately after Completion and full utilisation of the New General Mandate:

Name of Shareholder	At the		Immediately after		Immediately after	
	Latest Practicable Date		Completion (Note 3)		Completion and	
	No. of Shares	%	No. of Shares	%	full utilisation of the New General Mandate (Note 4)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Non-Public/Connected Persons</b>						
Dr. Liu and his associates, including Chunda (Note 1)	431,066,000	10.61	1,952,805,130	27.07	1,952,805,130	24.33
Subscriber A (Note 2)	<u>464,000,000</u>	<u>11.42</u>	<u>1,442,260,870</u>	<u>19.99</u>	<u>1,442,260,870</u>	<u>17.97</u>
Sub-total:	<u>895,066,000</u>	<u>22.04</u>	<u>3,395,066,000</u>	<u>47.07</u>	<u>3,395,066,000</u>	<u>42.30</u>
<b>Public</b>						
Subscriber B	0	0.00	652,173,913	9.04	652,173,913	8.13
Other public Shareholders	<u>3,166,250,000</u>	<u>77.96</u>	<u>3,166,250,000</u>	<u>43.89</u>	<u>3,166,250,000</u>	<u>39.45</u>
Sub-total:	<u>3,166,250,000</u>	<u>77.96</u>	<u>3,818,423,913</u>	<u>52.93</u>	<u>3,818,423,913</u>	<u>47.58</u>
<b>Maximum number of Shares to be issued under the New General Mandate</b>						
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>812,263,200</u>	<u>10.12</u>
Total:	<u><u>4,061,316,000</u></u>	<u><u>100.00</u></u>	<u><u>7,213,489,913</u></u>	<u><u>100.00</u></u>	<u><u>8,025,753,113</u></u>	<u><u>100.00</u></u>

*Notes:*

1. Dr. Liu is a connected person of the Company by virtue of him being an executive Director. Dr. Liu is also the ultimate beneficial owner of Chunda.
2. As at the Latest Practicable Date, Subscriber A holds 464,000,000 Shares, representing approximately 11.42% of the total issued Shares, and hence is a Substantial Shareholder of the Company. In this regard, Subscriber A is a connected person of the Company.
3. It is calculated based on the assumption that Loan Capitalisation, Subscription A and Subscription B have been completed.
4. It is calculated based on the assumption that the grant of New General Mandate has been approved by the Shareholders at the EGM and the New General Mandate is fully utilised, and Loan Capitalisation, Subscription A and Subscription B have been completed.

## LETTER FROM THE BOARD

As at the date of the AGM, the shareholding of the existing public Shareholders was approximately 73.24%. Following completion of the subscriptions of Shares in September 2021 (details of which were set out in announcements of the Company dated 13 August 2021 and 3 September 2021) and November 2021 (details of which were set out in Previous Subscription Announcements), the shareholding of the existing public Shareholders was approximately 85.20%. As at the Latest Practicable Date, the shareholding of the existing public Shareholders was approximately 77.96%. Assuming the Completion of the Loan Capitalisation and the Subscriptions have taken place, the shareholding of the existing public Shareholders would be diluted from approximately 77.96% as at the Latest Practicable Date to approximately 43.89%. Immediately after full utilisation of the New General Mandate and completion of the allotment and issue of Capitalisation Shares and Subscription Shares under Specific Mandate, the shareholding of the existing public Shareholders (excluding Subscriber B) will decrease from approximately 77.96% to 39.45%, representing a dilution effect of approximately 38.51%. Having considered that (i) the New General Mandate allows the Company to raise capital by allotment and issue of new Shares before the next annual general meeting of the Company; (ii) the New General Mandate provides more flexibility for financing of the Group as well as to capture quality potential investments when such opportunities arise; and (iii) issuance of new Shares under the New General Mandate is less time consuming and costly than using alternative financing methods and it may also require a substantial discount in the offer price to attract Shareholders and potential investor in open offer or rights issue, the Directors consider that the advantages of the grant of New General Mandate outweigh to a reasonable extent the aggregated dilution impact on the shareholding of the public shareholders.

### **Listing Rules implications**

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate will be subject to Independent Shareholders' approval at a general meeting of the Company. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the grant of the New General Mandate.

As at the Latest Practicable Date, the Company had no controlling Shareholder. Dr. Liu, the executive Director, chairman of the Board, the chief executive officer of the Company and a Substantial Shareholder and his associates are required to abstain from voting at the EGM. To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save for the aforesaid, no Shareholder is required to abstain from voting on the proposed resolution on the grant of the New General Mandate at the EGM.

The Board has established the Independent Board Committee comprising all the independent non-executive Directors, namely Professor He Jia, Mr. Wang Xiaojun and Mr. Chen Yuming to consider and, if appropriate, make a recommendation to the Independent Shareholders (i) as to whether the Refreshment of General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

## LETTER FROM THE BOARD

### EGM

A notice convening the EGM to be held at 11:00 a.m. on Tuesday, 22 March 2022 at 41/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong (or any adjournment or postponement thereof) is set out at pages EGM-1 to EGM-5 of this circular.

A proxy form for use at the EGM is enclosed with this circular. As set out in the section headed “*Special Arrangements for the EGM*” of this circular, the EGM will be a hybrid meeting. **Shareholders shall not attend the EGM in person. Any shareholder who does attempt to attend the EGM in person will be denied entry to the venue of the EGM.** All registered shareholders will be able to join the EGM via the e-Meeting System to consider and, if thought fit, approve, among other things, (i) the Loan Capitalisation Agreement, the Subscription Agreements and the transactions contemplated under the respective agreements (including the grant of the Specific Mandate); and (ii) the grant of the New General Mandate.

Given that the Loan Capitalisation and the Subscription A are inter-conditional, each of Dr. Liu and Subscriber A has material interest in the Loan Capitalisation and the Subscription A. As at the Latest Practicable Date, Dr. Liu and his associates control or are entitled to exercise control over the voting right in respect of a total of 431,066,000 Shares (representing approximately 10.61% of the issued capital of the Company) and are required to abstain from voting for the resolutions to approve the Loan Capitalisation Agreement and the Subscription Agreement A (including the grant of specific mandate) and the transactions contemplated thereunder. As at the Latest Practicable Date, Subscriber A and its associates control or are entitled to exercise control over the voting right in respect of a total of 464,000,000 Shares (representing approximately 11.42% of the issued share capital of the Company) and are required to abstain from voting for the resolutions to approve the Loan Capitalisation Agreement and the Subscription Agreement A (including the grant of specific mandate) and the transactions contemplated thereunder.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate will be subject to Independent Shareholders’ approval at a general meeting of the Company. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the grant of the New General Mandate. As at the Latest Practicable Date, the Company had no controlling Shareholder. As at the Latest Practicable Date, Dr. Liu and his associates control or are entitled to exercise control over the voting right in respect of a total of 431,066,000 Shares (representing approximately 10.61% of the issued capital of the Company) and are required to abstain from voting at the EGM under the Listing Rules. To the best of the Director’s knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save for the aforesaid, no Shareholder is required to abstain from voting on the proposed resolution on the grant of the New General Mandate at the EGM.

A notice convening the EGM is set out on pages EGM-1 to EGM-5 of this circular. Whether or not you intend to attend the EGM via e-Meeting System, you are requested to complete and return the accompanying form of proxy in accordance with the instructions

## LETTER FROM THE BOARD

printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the EGM (i.e. at or before 11:00 a.m. on 20 March 2022 (Hong Kong time)) or any adjournment thereof (as the case may be). The completion and return of the form of proxy will not preclude you from attending and voting at the EGM via e-Meeting System or any adjournment thereof should you so wish.

### RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 35 of this circular which contains its recommendation to the Independent Shareholders on the terms of the Loan Capitalisation Agreement, the Subscription Agreement A, and transactions contemplated under the respective agreements and the proposed grant of the New General Mandate. Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 37 to 74 of this circular which contains its advices to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Loan Capitalisation Agreement, the Subscription Agreement A, the transactions contemplated under the respective agreements and the proposed grant of the New General Mandate.

The Directors consider that the terms of the Loan Capitalisation Agreement, the Subscription Agreement A, the Subscription Agreement B are fair and reasonable, and the transactions contemplated under the respective agreements are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend (a) the Independent Shareholders to consider, and if thought fit, approve (i) the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder; and (ii) the grant of specific mandate relating to the allotment and issue of the Capitalisation Shares and the Subscription Shares A; and (b) the Shareholders to consider, and if thought fit, approve (i) the Subscription Agreement B and the transactions contemplated thereunder; and (ii) the grant of specific mandate relating to the allotment and issue of the Subscription Shares B.

### ADDITIONAL INFORMATION

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

Yours faithfully,

By order of the Board

**Wealthking Investments Limited**

**Liu Zhiwei**

*Executive Director, Chairman and Chief Executive Officer*



华科资本  
WEALTHKING INVESTMENTS

**WEALTHKING INVESTMENTS LIMITED**

**華科資本有限公司**

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

**(Stock Code: 1140)**

2 March 2022

*To the Independent Shareholders*

- (1) CONNECTED TRANSACTION: LOAN CAPITALISATION INVOLVING  
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;  
AND  
(2) CONNECTED TRANSACTION: SUBSCRIPTION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company to the Shareholders dated 2 March 2022 (the “**Circular**”), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings as defined in the Circular.

The Independent Board Committee has been established to advise the Independent Shareholders on whether the terms and conditions of (i) the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated under the respective agreements (including the grant of the Specific Mandate); and (ii) the proposed grant of the New General Mandate 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.

We wish to draw your attention to the letter from the Board as set out on pages 7 to 34 of the Circular and the letter of advice from First Capital International Finance Limited, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders, as set out on pages 37 to 74 of this circular in relation to (i) the terms of the Loan Capitalisation Agreement, the Subscription Agreement A and transactions contemplated under the respective agreements; and (ii) the proposed grant of the New General Mandate.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Having taken into consideration the factors and reasons as stated in the letter from the Board, and the opinion as stated in the letter of advice from the Independent Financial Adviser, we consider that, while the entering into of the Loan Capitalisation Agreement, the Subscription Agreement A, and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, (i) the terms of the Loan Capitalisation Agreement, the Subscription Agreement A and transactions contemplated under the respective agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole; and (ii) the proposed grant of the New General Mandate are in the interests of the Company and the Shareholders as a whole.

Yours faithfully,  
Independent Board Committee  
**Wealthking Investments Limited**

**Professor He Jia**  
*Independent*  
*Non-Executive Director*

**Mr. Wang Xiaojun**  
*Independent*  
*Non-Executive Director*

**Mr. Chen Yuming**  
*Independent*  
*Non-Executive Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of the letter of advice from First Capital International Finance Limited, the Independent Financial Adviser, prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation, the Subscription A and Refreshment of General Mandate and the transactions contemplated thereunder.*



### FIRST CAPITAL INTERNATIONAL FINANCE LIMITED

Unit 4513, 45th Floor  
The Center  
99 Queen's Road Central  
Hong Kong

2 March 2022

*To: The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

- (1) CONNECTED TRANSACTION: LOAN CAPITALISATION INVOLVING  
ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;**  
**(2) CONNECTED TRANSACTION: SUBSCRIPTION INVOLVING ISSUE OF  
NEW SHARES UNDER SPECIFIC MANDATE;**  
**AND**  
**(3) PROPOSED REFRESHMENT OF GENERAL MANDATE**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Loan Capitalisation, the Subscription A and the transactions contemplated thereunder; and (ii) the grant of the New General Mandate, details of which are set out in the “Letter from the Board” in this circular dated 2 March 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter (the “**Letter**”) forms part. Unless the context otherwise requires, capitalised terms used in this Letter shall have the same meanings ascribed to them in this Circular.

Reference is made to the Announcement, in relation to, among other matters, the connected transactions in relation to the Loan Capitalisation and the Subscription A. On 31 December 2021 (after trading hours), the Company and Chunda entered into the Loan Capitalisation Agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Chunda has conditionally agreed, by itself or its nominee, to subscribe for the 1,521,739,130 Capitalisation Shares at the Issue Price of HK\$0.92 per Capitalisation Share for the capitalisation of the Capitalised Amount. On the same day, the Company entered into the Subscription Agreement A with Subscriber A, pursuant to which the Company has conditionally agreed to allot and issue, and Subscriber A has conditionally agreed to subscribe

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

for 978,260,870 new Subscription Shares A, at the Subscription Price of HK\$0.92 per Subscription Share. The Loan Capitalisation and the Subscription A are inter-conditional with each other and shall take place simultaneously.

Furthermore, on the same day, the Company entered into the Subscription Agreement B with Subscriber B, pursuant to which the Company has conditionally agreed to allot and issue, and Subscriber B has conditionally agreed to subscribe for 652,173,913 new Subscription Shares B, at the Subscription Price of HK\$0.92 per Subscription Share.

During the period from the grant of the Existing General Mandate to the Latest Practicable Date, all the Existing General Mandate has been fully utilised as a result of the issue and allotment of new shares for subscription under Existing General Mandate, details of which were set out in the Previous Subscription Announcements. As set out in the Letter from the Board, the Board proposes to refresh the Existing General Mandate for the Directors to (i) allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolutions at the EGM and (ii) extend the New General Mandate to the Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Chunda is wholly owned by Dr. Liu who is an executive Director, the Chairman of the Board and the chief executive officer of the Company. Dr. Liu is also a Substantial Shareholder of the Company, who owns 431,066,000 Shares, representing approximately 10.61% of the issued share capital of the Company, and the sole shareholder of Chunda. Thus, each of Dr. Liu and his associate, i.e. Chunda, is a connected person of the Company and the Loan Capitalisation constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As at the Latest Practicable Date, Subscriber A is a Substantial Shareholder of the Company, who directly holds 464,000,000 Shares, representing approximately 11.42% of the issued share capital of the Company. Thus, Subscriber A is a connected person of the Company, and the Subscription A constitutes a non-exempt connected transaction of the Company under Chapter 14A of the Listing Rules and therefore is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As Subscriber B is a third party independent of the Company and its connected persons and a third party independent of Chunda, Dr. Liu and Subscriber A, the Subscription B is not within the scope of our advice in this Letter.

Given that the Loan Capitalisation and the Subscription A are inter-conditional, each of Dr. Liu and the Subscriber A has material interest in the Loan Capitalisation and the Subscription A. As such, Dr. Liu and Subscriber A and their respective associates will abstain from voting for the resolutions to approve the Loan Capitalisation Agreement and the Subscription Agreement A and the transactions contemplated thereunder (including the grant of specific mandate) at the EGM. Save as disclosed above, to the best of the Directors'



## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Loan Capitalisation Agreement and the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) approving the aforesaid matters.

As at the Latest Practicable Date, the Company had an aggregate of 4,061,316,000 Shares in issue. Subject to the passing of the ordinary resolution for the approval of the grant of New General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company will be allowed under the New General Mandate to allot and issue up to 812,263,200 new Shares, representing 20% of the aggregate number of the issued Shares as at the Latest Practicable Date.

Pursuant to Rule 13.36(4) of the Listing Rules, the grant of the New General Mandate will be subject to Independent Shareholders' approval at a general meeting of the Company. Any controlling Shareholders and their respective associates, or where there is no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolutions to approve the grant of the New General Mandate. As at the Latest Practicable Date, the Company has no controlling Shareholder. Dr. Liu, the executive Director, chairman of the Board, the chief executive officer of the Company and a substantial Shareholder and his associates are required to abstain from voting at the EGM. To the best of the Director's knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, save for the aforesaid, no Shareholder is required to abstain from voting on the proposed resolution on the grant of the New General Mandate at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, namely Professor He Jia, Mr. Wang Xiaojun and Mr. Chen Yuming, has been established to advise the Independent Shareholders in respect of (i) the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate); and (ii) the proposed grant of the New General Mandate.

None of the members of the Independent Board Committee has any interest or involvement in the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate), and the proposed grant of the New General Mandate. Having obtained and considered the advice from the Independent Financial Adviser, the view and recommendation of the Independent Board Committee in respect of the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate), and the proposed grant of the New General Mandate are set out in the Letter from the Independent Board Committee in this Circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We, First Capital International Finance Limited (“**First Capital**”), has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to:

- (a) whether the Loan Capitalisation and the Subscription A are in the ordinary and usual course of business of the Group;
- (b) whether the terms of the Loan Capitalisation Agreement, the Subscription Agreement A and the New General Mandate are on normal commercial terms and are fair and reasonable;
- (c) whether the Loan Capitalisation Agreement, the Subscription Agreement A and the grant of the New General Mandate are in the interests of the Company and the Shareholders as a whole; and
- (d) the voting on the relevant resolutions in respect of the Loan Capitalisation Agreement, the Subscription Agreement A and the grant of the New General Mandate.

Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

### **INDEPENDENCE OF FIRST CAPITAL**

Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate), and the proposed grant of the New General Mandate, as at the Latest Practicable Date, First Capital did not have any other relationship with or any interests in the Company, its Directors or senior management, its financial or other professional advisers, Chunda, Subscriber A, Dr. Liu or any parties that could reasonably be regarded as relevant to our independence. In the last two years, save for the appointment as the Independent Financial Adviser in connection with the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate), and the proposed grant of the New General Mandate, there was no engagement between the Group and First Capital. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we have received or will receive any fees or benefits from the Group. Accordingly, we are considered eligible to act as the Independent Financial Adviser and to give independent advice on (i) the Loan Capitalisation Agreement, the Subscription Agreement A and the transactions contemplated thereunder (including the grant of the Specific Mandate), and (ii) the proposed grant of the New General Mandate under Rule 13.84 of the Listing Rules.

### **BASIS OF OUR ADVICE**

In formulating our advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Circular, provided and made to us by the Directors and management of the Company

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(collectively, the “**Management**”), the Company, and its advisers. We have reviewed, amongst other things, (i) the Loan Capitalisation Agreement; (ii) the shareholder loan agreement dated 10 December 2021 in relation to the Shareholder Loan (the “**Shareholder Loan Agreement**”); (iii) the Subscription Agreement A; (iv) the Announcement; (v) the Previous Subscription Announcements; (vi) the announcement of the Company dated 13 August 2021 in relation to the issue and allotment of new Shares for subscription under general mandate; (vii) the annual report of the Company for the year ended 31 March 2021 (the “**2020/2021 Annual Report**”); and (viii) the interim report of the Company for the six months ended 30 September 2021 (the “**2021/2022 Interim Report**”) and other information, representations and opinions as contained or referred to in this Circular and those provided by the Management, the Company and its advisers.

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Circular or this Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information and facts supplied and the representations made and opinions expressed by them are not misleading in any material respect.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for us to formulate our advice as set out in this Letter. We have assumed that all statements, information, facts, representations and opinions contained or referred to in this Circular and/or those provided to us by the Management, the Company, and its advisers, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so in all material respect up to the date of the EGM.

We have also assumed that all the statements, information, facts, representations and opinions contained or referred to in this Circular and/or provided to us have been reasonably made after due enquiries and careful consideration and there are no other facts not contained in this Circular, the omission of which would make any such statement contained in this Circular misleading. We have no reason to suspect that any material information or facts have been omitted or withheld nor to doubt the truth, accuracy or completeness of the information and facts contained in this Circular or provided to us, or the reasonableness of the opinions expressed by the Management, the Company, and its advisers, which have been provided to us. We have also sought and received confirmation from the Directors that no material information and facts have been omitted from the information and facts provided to us and the representations made and opinions expressed by them are not misleading or deceptive in any material respect.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this Letter.

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the businesses, affairs, operations, financial position or future prospects of the Group.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context.

This Letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the Loan Capitalisation, the Subscription A and the transaction contemplated thereunder and the grant of the New General Mandate. Except for its inclusion in this Circular, this Letter is not to be quoted or referred to, in whole or in part, nor shall this Letter be used for any other purposes, without our prior written consent.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### A. LOAN CAPITALISATION AND SUBSCRIPTION A

#### 1. Background information of the Group

The Group is principally engaged in investment in a diversified portfolio of investments in listed and unlisted enterprises thereby to achieve earnings in the form of medium to long term capital appreciation.

The following table summarises the financial performance of the Group the two years ended 31 March 2020 and 2021 and the six months ended 30 September 2020 and 2021, extracted from the 2020/2021 Annual Report and 2021/2022 Interim Report, respectively.

	<b>For the six months ended</b>		<b>For the year ended</b>	
	<b>30 September</b>		<b>31 March</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Dividend income	2,629	551	1,065	3,078
Interest revenue	<u>46,323</u>	<u>47,720</u>	<u>109,457</u>	<u>178,738</u>
<b>Total Revenue</b>	<b><u>48,952</u></b>	<b><u>48,721</u></b>	<b><u>110,522</u></b>	<b><u>181,816</u></b>
Gross sales proceeds from disposal/redemption of investments	<u>176,515</u>	<u>386,693</u>	<u>513,736</u>	<u>170,348</u>
<b>Turnover</b>	<b><u>225,467</u></b>	<b><u>434,964</u></b>	<b><u>624,258</u></b>	<b><u>352,164</u></b>
<b>Profit/(loss) before tax</b>	<b><u>192,681</u></b>	<b><u>462,773</u></b>	<b><u>376,669</u></b>	<b><u>(1,366,617)</u></b>
<b>Profit/(loss) for the year/period attributable to Shareholders</b>	<b><u>196,794</u></b>	<b><u>425,413</u></b>	<b><u>372,556</u></b>	<b><u>(1,372,674)</u></b>
	<b>As at</b>		<b>As at 31 March</b>	
	<b>30 September</b>		<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)		(audited)	(audited)
<b>Total asset</b>	<b><u>5,627,065</u></b>	<b><u>5,368,288</u></b>	<b><u>5,368,288</u></b>	<b><u>4,775,088</u></b>
<b>Total liabilities</b>	<b><u>506,063</u></b>	<b><u>841,109</u></b>	<b><u>841,109</u></b>	<b><u>660,643</u></b>
<b>Total equity</b>	<b><u>5,121,002</u></b>	<b><u>4,527,179</u></b>	<b><u>4,527,179</u></b>	<b><u>4,114,445</u></b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*For the six months ended 30 September 2020 and 2021*

With reference to the 2021/2022 Interim Report, the turnover of the Group amounted to approximately HK\$225.5 million for the six months ended 30 September 2021, representing a decrease of approximately 48.2% as compared to that of approximately HK\$435.0 million for the six months ended 30 September 2020. The decrease was mainly due to the decrease in revenue from gross sales proceeds from disposal of investments.

The total assets of the Group amounted to approximately HK\$5,627.1 million as at 30 September 2021, representing an increase of approximately 4.8% as compared to that of approximately HK\$5,368.3 million as at 31 March 2021. The total liabilities of the Group amounted to approximately HK\$506.1 million as at 30 September 2021, representing a decrease of approximately 39.8% as compared to that of approximately HK\$841.1 million as at 31 March 2021. The decrease was mainly due to the settlement of the accounts payable in relation to the payment of consideration for the purchase of an investment which was settled during the period.

*For the year ended 31 March 2020 and 2021*

With reference to the 2020/2021 Annual Report, the turnover of the Group increased by approximately 77.3% from approximately HK\$352.2 million for the year ended 31 March 2020 to approximately HK\$624.3 million for the year ended 31 March 2021. The increase in turnover of approximately HK\$272.1 million was mainly attributable to the increase in the gross sales proceeds from disposal and redemption of investments. The Company recorded a net profit of approximately HK\$372.6 million for the year ended 31 March 2021 as compared to a net loss for the year ended 31 March 2020 of approximately HK\$1,372.7 million. The significant loss for the year ended 31 March 2020 was primarily due to the provision for expected credit losses amounted to approximately HK\$667.0 million, and the share of results of investments accounted for using equity method amounted to a loss of approximately HK\$444.1 million mainly as a result of the decrease in the fair value and the recognition of loss on investments due to the impact of COVID-19 pandemic. The net change in unrealised loss of financial assets at fair value through profit or loss of approximately HK\$320.8 million and the net realised loss on disposal/distribution of investments of approximately HK\$11.4 million also contributed to the loss for the year ended 31 March 2020. The loss was partially offset by the net change in unrealised gain on financial liabilities at fair value through profit or loss of approximately HK\$89.97 million.

The total assets of the Group amounted to approximately HK\$5,368.2 million as at 31 March 2021, representing an increase of approximately 12.4% as compared to that of approximately HK\$4,775.1 million as at 31 March 2020. The increase was mainly due to the increase in investments at fair value through profit or loss accounts and loans receivables and offset partly by the decrease in debt investments, prepayment, deposits and other receivables and bank and cash balances. The total liabilities of the Group amounted to approximately HK\$841.1 million as at 31 March 2021, representing an increase of approximately 27.3% as compared to that as at 31 March 2020. The increase was mainly due to the increase in accounts payable.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 2. Loan Capitalisation

The principal terms of the Loan Capitalisation Agreement are set out below:

Date: 31 December 2021 (after trading hours)

Parties: (a) the Company (as issuer); and  
(b) Chunda (for itself or its nominee as the subscriber)

As at the Latest Practicable Date, Chunda is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Dr. Liu is the beneficial owner of, and wholly owns, Chunda, and is also an executive Director, the Chairman of the Board, the chief executive officer of the Company and a Substantial Shareholder of the Company, who owns 431,066,000 Shares, representing approximately 10.61% of the issued share capital of the Company. Thus, each of Chunda and Dr. Liu is a connected person of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Chunda and Dr. Liu are third parties independent of the Subscribers.

#### *Capitalisation Shares*

The Company has conditionally agreed to allot and issue, and Chunda has conditionally agreed, by itself or its nominee, to subscribe for, the Capitalisation Shares at the Issue Price for the capitalisation of the Capitalised Amount. The aggregate consideration for the allotment and issue of the Capitalisation Shares of HK\$1,400 million will be settled by way of set off against the Capitalised Amount at completion of the Loan Capitalisation. As at the Latest Practicable Date, the outstanding principal amount of the Shareholder Loan was HK\$1,500 million. Upon completion of the Loan Capitalisation, the outstanding principal amount of Shareholder Loan will be HK\$100 million.

Assuming there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the Completion, the Capitalisation Shares represent:

- (a) approximately 37.47% of the issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 23.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and Subscription Shares A (assuming Subscription B does not proceed); and
- (c) approximately 21.10% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Subscription Shares.

The nominal value of the Capitalisation Shares (with a par value of HK\$0.1 each) is HK\$152,173,913.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Capitalisation Shares are not subject to any lock-up or other disposal restrictions under the Loan Capitalisation Agreement.

### *Issue Price*

The Issue Price of HK\$0.92 per Capitalisation Share is the same as the Subscription Price under the Subscription Agreement A, and the net Issue Price, after deduction of all relevant fees and expenses, is estimated to be approximately HK\$0.92 per Issue Share.

The Issue Price was arrived at after arm's length negotiation between the Company and Chunda with reference to the recent trading performance of the Shares, the net asset value, the business prospects and financial position of the Group and the current market conditions. In reaching the Issue Price, the management had discussed with Dr. Liu (who negotiated on behalf of Chunda as the sole shareholder), and after having considered (i) the share price performance with the range of the average closing price of the last six months immediately before the date of the Loan Capitalisation Agreement (the "**Review Period**") was between HK\$0.64 and HK\$0.84 per Share, and (ii) the then last published net asset value of approximately HK\$1.348 per Share as at 30 November 2021, and (iii) the improvement in the business and financial position of the Group for the year 2021 and more investment opportunities following the recovery of the economic environment and stock markets from the impact of COVID-19, the Company and Chunda agreed to set the Issue Price at the premium to the average closing price for the last five consecutive trading days immediately prior to the Loan Capitalisation Agreement but below the net asset value. The Directors (excluding the independent non-executive Directors) are aware that the Shares had been consistently traded at a discount to the net asset value per Share during the Review Period, and consider that it would be appropriate to make reference to the prevailing market price of the Shares which should have reflected the fair market value of the Shares traded on the Stock Exchange.

### *Conditions precedent to the Loan Capitalisation Agreement*

Details of the conditions precedent to the Loan Capitalisation Agreement are set out in the Letter from the Board. It is provided that completion of the Loan Capitalisation Agreement and the Subscription Agreement A shall occur simultaneously.

If the conditions precedent to the Loan Capitalisation Agreement are not fulfilled, or waived (as the case may be), by 31 March 2022 or such other date as the parties to the Loan Capitalisation Agreement may agree, the Loan Capitalisation Agreement will terminate and all rights and obligations under the Loan Capitalisation Agreement will cease save for any rights and obligations accrued before the termination.

The Directors (other than the independent non-executive Directors, who shall provide their views in the letter from the independent Board Committee as set out in this circular, and also excluding Dr. Liu who has material interest or conflict of role in the Loan Capitalisation and Subscription A) consider that the Issue Price and the terms of the Loan Capitalisation Agreement are fair, reasonable and are in the interests of the Company and the Shareholders as a whole.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 3. Subscription A

Date: 31 December 2021

Issuer: the Company

Subscriber: Bright Victory International Limited, being Subscriber A

Subscriber A is a company incorporated in the British Virgin Islands with limited liability and is an investment holding company. Subscriber A is a Substantial Shareholder of the Company, who directly holds 464,000,000 Shares, representing approximately 11.42% of the issued share capital of the Company. Based on information provided to the Company, Subscriber A is a wholly-owned subsidiary of Tongchuangjiuding Investment Management Group Co., Ltd., which is a limited liability company incorporated in the PRC, and the shares of which are listed on the National Equities Exchange and Quotations (stock code: 430719). The ultimate beneficial owner of Tongchuangjiuding Investment Management Group Co., Ltd. is Mr. Wu Gang. Mr. Wu Gang is a PRC resident and is experienced in equity investment and management. Thus, Subscriber A and Mr. Wu Gang are the connected persons of the Company. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Subscriber A, Tongchuangjiuding Investment Management Group Co., Ltd. and Mr. Wu Gang are third parties independent of Chunda, Dr. Liu and Subscriber B.

#### *Subscription Shares*

Pursuant to the terms of the Subscription Agreement A, the Company has conditionally agreed to allot and issue, and the Subscriber A has conditionally agreed to subscribe for 978,260,870 Subscription Shares A at HK\$0.92 per Subscription Share.

Assuming there will be no change in the total issued share capital of the Company between the Latest Practicable Date and the Completion, the 978,260,870 Subscription Shares A represent:

- (a) approximately 24.09% of the issued share capital of the Company as at the Latest Practicable Date;
- (b) approximately 14.91% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and Subscription Shares A (assuming Subscription B does not proceed); and
- (c) approximately 13.56% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Subscription Shares.

The nominal value of the 978,260,870 Subscription Shares A (with a par value of HK\$0.1 each) is HK\$97,826,087.

The Subscription Shares are not subject to any lock-up or other disposal restrictions under the respective Subscription Agreements.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Subscription Price*

The Subscription Price of HK\$0.92 per Subscription Share is the same as the Issue Price under the Loan Capitalisation Agreement and the net Subscription Price, after deduction of all relevant fees and expenses, is estimated to be approximately HK\$0.92 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber A with reference to the recent trading performance of the Shares, the net asset value, the business prospects and financial position of the Group and the current market conditions. The management had discussed with Subscriber A and Subscriber B respectively and they have considered the investment strategies and business development of the Group and are willing to support the Company through the Subscriptions, which provide additional investment funding to the Company for its long-term growth. In negotiating the terms of the Subscription Agreements, including the Subscription Price and the number of Subscription Shares to be subscribed, the Subscribers have compared the prevailing market price with the net asset value in the last three months before entering into the Subscription Agreements. In view of the historical discount of Share price to the net asset value per Share, Subscribers would not be interested in the Subscriptions if the Subscription Price was set at a close to the net asset value per Share. For the long-term development of the Group and to introduce the Subscribers as the strategic partners of the Group, it was agreed to set the Subscription Price at a premium of approximately 15% to the closing price at the date of Subscription Agreements but at a discount to the net asset value per Share as at 30 November 2021.

### *Conditions precedent to the Subscription Agreement A*

Details of the conditions precedent to the Subscription Agreement A are set out in the Letter from the Board. It is provided that completion of the Subscription Agreement A and the Loan Capitalisation Agreement shall occur simultaneously.

If the conditions precedent to the Subscription Agreement A are not fulfilled, or waived (as the case may be), by 31 March 2022 or such other date as the parties to the Subscription Agreement A may agree, the Subscription Agreement A will terminate and all rights and obligations under the Subscription Agreement A will cease save for any rights and obligations accrued before the termination.

### *The Company's undertaking in favour of Subscriber A*

Pursuant to the Subscription Agreement A, the Company has agreed to appoint a non-executive Director to be nominated by the Subscriber A to the Board upon Completion. Such appointment must fulfil the necessary requirements of the Listing Rules and also be subject to the approval of the Nomination Committee of the Company. As at the Latest Practicable Date, the Subscriber A had yet to nominate any candidate to Board. Further announcement will be made by the Company upon such persons being appointed to the Board.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors (other than the independent non-executive Directors, who shall provide their views in the letter from the Independent Board Committee as set out in this circular, and excluding Dr. Liu who has material interest or conflict of role in the Loan Capitalisation and Subscription A) consider that the Subscription Price and the terms of the Subscription Agreement A are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

#### **4. Reasons for the Loan Capitalisation and the Subscriptions**

The Company considers that the Loan Capitalisation is conducive to strengthening the financial position of the Group and beneficial to the Company and its Shareholders as a whole as it allows the Company to settle substantial portion of the Shareholder Loan, without utilising the existing financial resources of the Group which could in lieu be retained for other suitable investment opportunities with positive return prospects. In addition, upon completion of the Loan Capitalisation, the Company would no longer be liable for payment of the accrued interest expenses attributable to the Capitalised Amount, which is expected to amount over HK\$30 million, and thus, achieving cost-savings favourable to the Company and the Shareholders as a whole. The Loan Capitalisation could also immediately reduce the gearing ratio of the Group and hence improve its financial position. As Dr. Liu wished to maintain his status as the single largest Shareholder, after considering the potential dilution of shareholding of the Company upon completion of the Subscriptions, Dr. Liu has agreed with the Company on the Loan Capitalisation shortly after drawdown.

On 10 December 2021, the Company and Chunda entered into the Shareholder Loan Agreement for the provision of the Shareholder Loan by Chunda to the Company for future investment of the Group, pursuant to which Chunda granted loans of principal amount of HK\$1,500 million to the Company for a period of one year commencing from the date of the receipt of the Shareholder Loan by the Company at an interest rate of 2.5% per annum. We understood that the Shareholder Loan received by the Company from Chunda (as a connected person) under the Shareholder Loan Agreement constituted a connected transaction but was fully exempted under Rule 14A.90 of the Listing Rules, for the reasons that (1) the terms of the Shareholder Loan Agreement (including the interest rate) were on normal commercial terms or better and (2) the Shareholder Loan was not secured by the assets of the Group. The Shareholder Loan had been drawn down by the Company on 24 and 30 December 2021. As at the Latest Practicable Date, the proceeds from the Shareholder Loan had been fully utilised in making four investments in private equity funds. The Directors consider that the utilisation of the Shareholder Loan for the fund investments is in line with the Group's investment strategy. The Group's investment strategy comprised of three pillars, namely (i) core-holding-centered private equity investment, being equity acquisitions in private companies in the sectors such as medical and health, environment and industrials and TMT as long-term investments, (ii) portfolio management in secondary market, debt investment and others as mid- to long-term investments, and (iii) trading and others in the secondary market as short-term investments. The fund investments by utilising the Shareholder Loan are related to the potential growth investment opportunities and are expected to contribute mid- and long-term returns to the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at date of the Loan Capitalisation Agreement, the total outstanding principal amount under the Shareholders Loan amounted to HK\$1,500 million. The aggregate consideration for the allotment and issue of the Capitalisation Shares of HK\$1,400 million will be settled by way of set off against the Capitalised Amount at completion of the Loan Capitalisation. Upon completion of the Loan Capitalisation, the outstanding principal amount of the Shareholder Loan owing to Chunda will amount to HK\$100 million and the Company intends to utilise its internal resources to settle such remaining balance of HK\$100 million. In the event that the Shareholder Loan was fully capitalised, Dr. Liu and his associate, i.e. Chunda, would hold more than 30% of the voting rights of the Company, which might in turn trigger a mandatory general offer under the Takeovers Code unless the obligation was otherwise waived.

As set out in the Letter from the Board, with respect to the Loan Capitalisation, it is considered that the Loan Capitalisation allows the Company to settle the Capitalised Amount owing to Chunda, without utilising the existing financial resources of the Group, and hence the Company can reduce the gearing ratio and strengthen the financial position of the Group.

As at the Latest Practicable Date, apart from the Shareholder Loan, the Company had banking facilities in a total balance of around HK\$127,500,000 which would become due within one year from the date of the circular. The interest rates range from 8% per annum to HIBOR plus 2.2%. The Company plans to utilise its internal resource to repay and/or settle the full principal amount and accrued interest of the banking facilities on maturity date.

The Directors, after due and careful enquiry and consideration, are of the opinion that, in the absence of unforeseeable circumstances, after considering the Company's operations and despite the fact that there are currently no other fundraising plans apart from Loan Capitalisation and the Subscriptions, the Company has sufficient working capital for its requirements for at least twelve months from the date of this Circular.

With respect to the Subscriptions, it is considered that the proposed fund raising by way of the Subscriptions can provide the Company with a definite amount of share capital and strengthen the Group's financial position. The intended use of proceeds from the Subscriptions is consistent with the investment strategy of the Group which can enrich the investment portfolio. For Subscription A, Subscriber A, who is also a Substantial Shareholder of the Company, is intended to be a long-term strategic partner to the Company with continued capital support to fund the investment plans of the Group, bringing strategic value to the Company. It also shows the confidence and support of Subscriber A as the Substantial Shareholder towards the long-term development of the Group. Subscriber B is a Professional Investor, who has more than ten years of investment experience in private equity investment and securities investment and has extensively participated in investment in mainland China and overseas markets, and he also focuses on art business markets. It is considered that the introduction of Subscriber B will enable the Company to leverage Subscriber B's connection in the market with high-quality investors.

The Group is principally engaged in investment in a diversified portfolio of investments in listed and unlisted enterprises thereby to achieve earnings in the form of medium to long term capital appreciation. Although the global economy was able to reopen with the introduction of COVID-19 vaccines, the continued geopolitical tensions, inflationary pressures

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and the emergence of COVID-19 variants have caused the economic recovery of various countries to be slower than expected. As stated in the Chairman's Statement in the Company's 2021/2022 Interim Report, The Company has seized opportunities amidst the challenges of a complex and volatile market environment. With a prudent and proactive investment strategy and stringent risk management measures, the overall performance of the investment portfolio has been solid. The Group's investment strategy has been upgraded to a tri-engine driving investment strategy, which is the core-holding-centered private equity, investment portfolio management and trading and others, to build the investment portfolio that could cross market cycle and balance liquidity and risk-yield rate. Its investment strategy has been further extended from traditional private equity to capture more investment opportunities by deploying secondary markets and digital assets, participating in cornerstone placements, and continuously optimising asset allocation. The Group is also actively exploring diversified exit channels to accelerate capital recovery and enhance the liquidity of our overall asset portfolio. The new generation of technologies represented by artificial intelligence, blockchain and big data is deeply integrated with the real economy, and its development has accelerated under the pandemic, becoming a new engine for economic development worldwide. With a deep understanding of future economic development trends, the Board has continued to optimise its investment allocation and formulated an investment roadmap around the digital economy. In order to implement this investment roadmap, the Company has established a wholly-owned subsidiary, Block AI Company Limited, to fully focus on investments in the digital economy and advanced technology sectors, and to actively develop and reserve industry-leading projects to seize the opportunities of the digital development of the industry. Since 2021, the Company has raised a total of approximately HK\$742 million in the capital market through two subscriptions of new Shares under general mandate, further expanding the Company's shareholder resources and capital base and reserving funds for investment in new projects. In the future, the Company will further leverage its financing advantages as a listed company, form a virtuous circle through mutual promotion of capital raising and capital management, and comprehensively enhance its capital strength and competitiveness.

As an investment group, it is important that the Group maintains a strong cash flow position and liquidity for strengthening its financial position and sustaining market fluctuation in a volatile market. Furthermore, it is equally important that the Group has readily available funds to capture fleeting opportunities for premium investments in a timely manner.

We noted that the tenure of the Shareholder Loan is one year and it carries an interest rate of 2.5% per annum. We understood from the Management that the Shareholder Loan is on normal commercial terms or better and it is not secured by any assets of the Group. As disclosed in the 2021/2022 Interim Report, save for the Shareholder Loan, the Group had aggregate short-term borrowings of approximately HK\$417.1 million comprising (i) securities margin trading borrowing of approximately HK\$227.5 million from a securities company secured by certain listed securities of the Group and was repayable within one year; (ii) secured borrowing from bank of approximately HK\$45.0 million which was secured by the Group's pledged bank deposits and repayable within one year; (iii) unsecured other interest bearing borrowings of approximately HK\$70.9 million which were unsecured, interest bearing from 8% to 12% per annum and repayable within one year; and (iv) unsecured other non-interest bearing borrowings of approximately HK\$73.7 million which was repayable on demand. The Company plans to use its internal resources to settle the aforementioned short-

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term borrowings. The average effective interest rate of borrowings of the Group was 8.48% per annum and we understood from the Management that the range of the interest rates of the borrowings of the Group ranged between approximately 3.5% to 12.0% for the six months ended 30 September 2021. As such, the interest rate of the Shareholder Loan is lower than that of the usual debt financing that the Group can arrange. Furthermore, the Capitalised Amount of HK\$1,400 million represents approximately 176.6% higher than the total liabilities of the Group of approximately HK\$506.1 million as at 30 September 2021. Following the draw down of the Shareholder Loan and the completion of the November 2021 Subscription, the gearing ratio of the Group increased from approximately 8.1% as at 30 September 2021 to approximately 35.0%. For illustration purpose, if the Capitalised Amount of HK\$1,400 million out of the Shareholder Loan of HK\$1,500 million was held by the Group for the entire tenure, the Group would incur an additional interest expense of HK\$35.0 million, representing approximately 5.6% and 139.7% of the turnover and finance costs of the Group for the year ended 31 March 2021 respectively. As disclosed in the 2021/22 Interim Report, as at 30 September 2021, save for the Shareholder Loan which was drawn down in December 2021, the Company had other outstanding short-term borrowings and cash and bank balances of approximately HK\$417.1 million and HK\$127.3 million as at 30 September 2021 respectively and the November 2021 Subscription (as defined below) had been utilised, we believe that the Shareholder Loan is unlikely to be settled in short term in the absence of the Loan Capitalisation or other fund raising exercise. The Loan Capitalisation will allow the Group to ease its debt burden and improve the financial position without affecting the working capital of the Group and retain the cash balance which would otherwise be used in paying the interest expenses of HK\$35.0 million in respect of the Capitalised Amount. The Loan Capitalisation can reduce the Company's gearing ratio and strengthen its financial position and the size of the Capitalised Amount of HK\$1,400 million is approximately 235.7% higher than the other outstanding short-term borrowings of approximately HK\$417.1 million as at 30 September 2021. As such, it is beneficial for the Company to carry out the Loan Capitalisation to improve its financial position, its gearing ratio and reduce its interest expenses.

The Company is an investment company under Chapter 21 of the Listing Rules. In respect of the business nature, it has been the investment policy of the Group to invest in companies with high-growth potential in order to create value for the Shareholders. In a volatile market, it is important that the Group has readily available funds to capture opportunities for premium investments. With the proceeds from Subscription Agreements, the Company will be able to maintain a strong cash position in order to capture suitable investment opportunities in a timely manner. Based on the information provided by the Company and assuming Completion of the Loan Capitalisation and the Subscriptions, the Company has demonstrated that it has sufficient working capital for its requirements for the next twelve months.

In view of the foregoing, we concur with the Directors that, although the Loan Capitalisation and the Subscription A are not in the ordinary and usual course of business of the Group, it is incidental to the Group's development of its ordinary and usual course of business, and the Loan Capitalisation and the Subscription A are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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### 5. Fund raising exercises in the prior twelve-month period

Since 31 March 2021, the end of the previous financial year, the Company carried out the following major fund raising activities:

#### *(1) Issue of new Shares on 3 September 2021*

On 3 September 2021, the Company allotted and issued 580,188,000 new Shares at a subscription price of HK\$0.66 per Shares for a total cash consideration of approximately HK\$382.9 million pursuant to seven subscription agreements entered into with seven subscribers (the “**September 2021 Subscription**”). These new Shares were allotted and issued under the general mandate granted to the Directors at the annual general meeting of the Company held on 31 August 2020. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of these seven subscribers was a third party independent of the Company and its connected persons (within the meaning of the Listing Rules).

As stated in the announcement of the Company dated 13 August 2021, the Directors considered that it was in the interests of the Company to raise capital from the equity market in order to maintain the cash flow position of the Group and to enhance the capital and shareholders’ base of the Company for long-term development and further strengthen its financial position. The Directors (including the independent non-executive Directors) considered the terms of the September 2021 Subscription to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. We understood from the Management that the net proceeds from the September 2021 Subscription were used for investments in both private equities and debt investments.

#### *(2) Issue of new Shares on 25 November 2021*

On 25 November 2021, the Company allotted and issued 580,188,000 new Shares at a subscription price of HK\$0.62 per Shares for a total cash consideration of approximately HK\$359.7 million pursuant to seven subscription agreements entered into with seven subscribers (the “**November 2021 Subscription**”). These new Shares were allotted and issued under the Exiting General Mandate granted to the Directors at the AGM. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of these seven subscribers was a third party independent of the Company and its connected persons (within the meaning of the Listing Rules).

As stated in the Previous Subscription Announcements, it has been the investment policy of the Company to invest in companies with high-growth potential in order to create value for shareholders. In a volatile market, it is important that the Group has readily available funds to capture fleeting opportunities for premium investments. The Directors considered that it was in the interests of the Company to raise capital by way of equity financing in order to maintain the cash flow position of the Group for capturing suitable investment opportunities in a timely manner. The November 2021 Subscription would also enhance the capital and shareholders’ base of the Company for long-term development and further strengthen its financial position. The Directors (including the independent non-executive Directors) considered the terms of the November 2021

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Subscription to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole. The Company has seized the opportunities amidst the challenges of a complex and volatile market environment during the year, and the overall performance of the investment portfolio has been solid. As set out in the Letter from the Board, the Group has fully utilised the proceeds from the November 2021 Subscription under the Existing General Mandate for investment projects in line with the investment strategy. We understood from the Management that the investment projects included both private equities and debt investments.

### *(3) Shareholder Loan on 10 December 2021*

On 10 December 2021, the Company entered into the Shareholder Loan Agreement with Chunda for the provision of the Shareholder Loan by Chunda to the Company. As mentioned in the section headed “Reasons for the Loan Capitalisation and the Subscriptions” above, the entire proceeds were used in making four investments in private equity funds, which is in line with the Group’s investment strategy and which the Management believes that the investments will create value for shareholders in the mid to long run.

Save as disclosed above, the Company has not conducted any fund raising activity within the twelve-month period prior to the Latest Practicable Date.

As discussed in the section headed “Reasons for the Loan Capitalisation and the Subscriptions” above, we are of the view that the Loan Capitalisation and the Subscription A are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **6. Use of proceeds**

The Group will continuously explore investment opportunities emerging from the process of socio-economic transformation, and will also fully utilise the strengths as a cross-border investment company and continue to move forward towards the strategic goal of building a professional, market-oriented and international investment platform to bring excellent returns for the Shareholders.

Upon Completion, the aggregate gross proceeds of the Subscriptions will amount to HK\$1,500 million and the aggregate net proceeds, after the deduction of all relevant fees and expenses, will be approximately HK\$1,499 million, representing a net Subscription Price of approximately HK\$0.92 per Subscription Share.

With respect to the Subscriptions, the estimated net proceeds (after deducting all relevant fees and expenses) will be as followings:

- (1) approximately HK\$899 million if only Subscription A is completed;
- (2) approximately HK\$599 million if only Subscription B is completed; and
- (3) a total of approximately HK\$1,499 million if both Subscriptions are completed.



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The Company intends to use the net proceeds from the Subscriptions in the following manners:

- Approximately 90% of the net proceeds will be used to capture potential investment opportunities in accordance with the Group's investment strategy which is comprised of three pillars, namely core-holding-centered private equity, portfolio management and trading and others, with returns generated from interests, dividends and capital appreciation. The Company aims to invest in the sectors, such as medical and health, environment and industrials, TMT as well as certain debt and other instruments.

The Company is an investment company and its principal business is restricted to making investments. Accordingly, net proceeds of the Subscriptions will be and can only be used for making investments and for general working capital purposes.

As at the Latest Practicable Date, the Group has identified certain investment opportunities in private equity companies and private equity funds in the sectors such as artificial intelligence, big data, intelligence manufacturing, fintech, e-commerce, healthcare, new energy and games and collectibles and financial services. These potential investment opportunities are long-term core investments in companies and mid- or long-term investments in the secondary market and debt market which are expected to contribute mid- and short-term returns to the Group.

The factors considered by the Company in assessing the investment opportunities include the Group's investment strategy, market trends and future prospects. For market trends, the Company recognises that the development of new generation of technologies represented by artificial intelligence, blockchain and big data is deeply integrated with the real economy and will become a new engine for the economic development worldwide. With a deep understanding of future economic development trends, the Company has continued to optimise its investment allocation and formulated an investment roadmap around the digital economy. For future prospects, the Company will adhere to the 14th Five-Year-Plan of China, which includes the construction of a "dual circulation" development pattern, comprehensive reforms and developments based on its market advantages and domestic demand potential. Leveraging on Hong Kong's strategic position as an intersection of internal and external circulation, the Company will fully utilise its strengths as a cross-border investment company and continue to search for investment opportunities in line with its investment strategy.

The procedures of the Company to decide and confirm the investments are as follows: (i) selecting potential investment opportunities based on the above factors; (ii) conducting research and preparing reports to the management and/or the Board for approval; (iii) performing due diligence and valuation prior to investment; and (iv) keeping track of the investment projects by monitoring the progress from before investment to the exit of the projects and preparing internal documentation for compliance with internal control and risk assessment measures. Further, core

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members of the management team will be designated to sit on the board of directors of the investee companies to monitor the operation of high-value and/or high-risk projects for risk control purposes.

The Group has commenced evaluation of potential investment targets and negotiation with investee companies, but none of the investments have been confirmed. Furthermore, the investments may be closed before the Company receives the proceeds from the Subscription, and hence the Group will continue to explore suitable investment opportunities actively.

- Approximately 10% of the net proceeds will be used for general working capital of the Group, such as staff cost and office rent.

Subject to market conditions and final investment decisions, it is expected that the proceeds will be used within six months. The Company will disclose the use of proceeds from the Subscriptions in the annual report for the year ending 31 March 2022. Should any of the above constitute notifiable and/or connected transaction of the Company, the Company will comply with the applicable requirement(s) under the Listing Rules.

### **7. Alternative fund raising methods considered**

Before entering of the Loan Capitalisation Agreement and Subscription Agreements, the Company had explored alternative financing methods, such as rights issue, open offer, share placement and bank financing. The Company decided to enter into the Loan Capitalisation Agreement and the Subscription Agreements due to the reasons as stated below.

#### *Equity fund raising — Open Offer, Rights Issue and/or share placement*

The Company had approached two independent financial institutions to negotiate potential underwriting and/or share placement in similar size as to the Capitalised Amount and the Subscriptions. In view of the recent prevailing Share price performance and trading volume, as well as the uncertainty in the market economics due to the continuation of COVID-19 and the Sino-U.S. trade tensions and given the size of the Capitalised Amount (i.e. HK\$1,400 million) and the Subscriptions (i.e. HK\$1,500 million), the independent financial institutions were generally not interested in the potential underwriting and/or share placement. Rights issue and open offer generally require more legal documentations preparation and additional administrative procedures which are relatively more time consuming (subject to the agreement on pricing of the subscription for new Shares and underwriting and placing fees, negotiation and documentation period may take at least six weeks) and less cost effective. Furthermore, having considered the Subscription Price (i.e. HK\$0.92), representing a premium of approximately 15.0% over the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements, the Directors are of the view that it would be difficult to secure underwriters or placing agents in respect of rights issue, open offer or share placement with a subscription price at a premium of approximately 15.0% over the then market price of the Shares. Moreover, the Directors also considered that as opposed to the Loan Capitalisation and the Subscriptions, there would be customary underwriting or share placement fees (ranging from 2.0% to 2.5%) payable to

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underwriters or placing agents, and the Company would incur expenses and receive lesser net proceeds. Having obtained and reviewed communications between the Company and potential underwriters, we noted that the potential expenses for the aforementioned fund raising alternatives for the same proceed amount of the Subscription Agreements would likely exceed HK\$30.0 million, representing more than 15 times of the expenses under the Loan Capitalisation and the Subscriptions without taking into account of fees payable to other professional parties.

### *Debt financing*

We understood from the Directors that the Company had considered bank borrowings and approached two financial institutions. As part of our due diligence, we have obtained and reviewed the correspondences between the Company and two banks. As confirmed by the Directors, we understood that the banks had rejected the Company's proposed request for loans on favourable terms. In addition, the banks also required the Company to provide collateral of properties and other assets which was not feasible given the business nature of the Group. The Directors also considered the lengthy due diligence and negotiations with banks (e.g. agreement on the loan-to-value ratio) would be undesirable as subject to the agreement on terms of the borrowings and interest rate, negotiation and documentation period, which the Directors understood from past experience, may take at least eight weeks. The additional borrowings would increase the Company's gearing ratio and potentially place the Company's finance cost on an upward trend in the long run. Given the range of the interest rates of the borrowings of the Group ranged between approximately 3.5% to 12.0% for the six months ended 30 September 2021 and the average effective interest rate of borrowings of the Group was 8.48% per annum, we concur with the view of the Directors that debt financing would result in substantial additional interest burden on the Group, which would be detrimental to the Group's financial performance, its financial position and gearing ratio especially under the existing tightened financing environment and is therefore undesirable in the long-run.

Based on the above analysis, we concur with the Directors' view that the Loan Capitalisation and the Subscription A are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **8. Review of the Issue Price and the Subscription Price**

As set out in the Letter from the Board, the Issue Price per Capitalisation Share under the Loan Capitalisation Agreement and the Subscription Price per Subscription Share under the Subscription Agreement A are the same at HK\$0.92, and they were arrived at after arm's length negotiations between the Company and Chunda and the Subscriber A respectively with reference to the recent trading performance of the Shares, the net asset value, the business prospects and financial position of the Group and the current market conditions.

The Issue Price and the Subscription Price represent:

- (a) a premium of approximately 15.00% to the closing price per Share of HK\$0.80 as quoted on the Stock Exchange on 31 December 2021, being the date of the Loan Capitalisation Agreement and the Subscription Agreements;

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- (b) a premium of approximately 21.37% to the average closing price per Share of HK\$0.758 as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement and the Subscription Agreements;
- (c) a premium of approximately 25.00% to the average closing price per Share of HK\$0.736 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Loan Capitalisation Agreement and the Subscription Agreements;
- (d) a discount of approximately 31.75% to the unaudited net asset value per Share of approximately HK\$1.348 per Share as at 30 November 2021, with reference to the announcement of the Company dated 14 December 2021 in relation to the net asset value of the Company;
- (e) a discount of approximately 31.34% to the unaudited net asset value per Share of approximately HK\$1.340 per Share as at 31 December 2021, with reference to the announcement of the Company dated 14 January 2022 in relation to the net asset value of the Company; and
- (f) a premium of approximately 35.29% to the closing price of Shares of HK\$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

We noted that the Directors (other than the independent non-executive Directors, who shall provide their views in the letter from the Independent Board Committee as set out in this circular, and also excluding Dr. Liu who has material interest or conflict of role in the Loan Capitalisation and Subscription A) consider that the Issue Price and the terms of the Loan Capitalisation Agreement are fair, reasonable and are in the interests of the Company and the Shareholders as a whole and the Subscription Price and the terms of the Subscription Agreement A are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

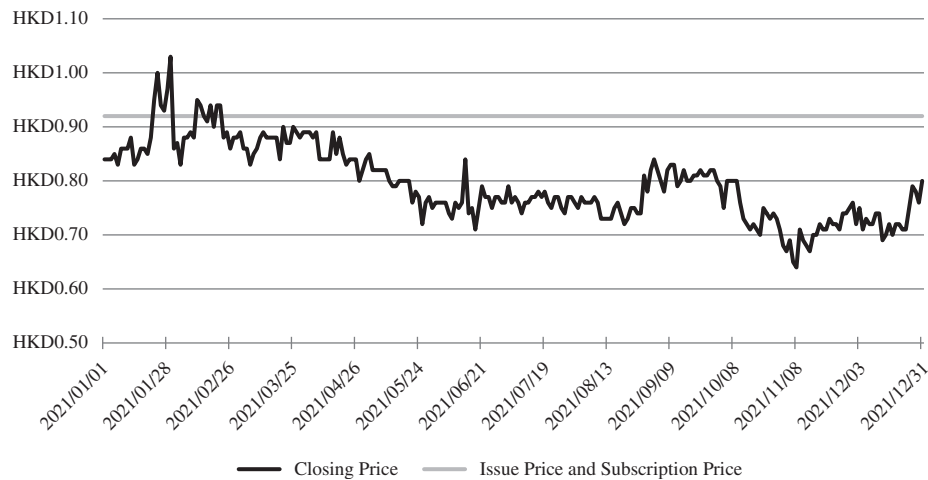
In order to assess the fairness and reasonableness of the Issue Price and the Subscription Price, we have considered (i) the recent price performance of the Shares; (ii) trading liquidity of the Company; and (iii) the market comparable analysis, as follows:

### *Review of the historic Share price performance*

We have reviewed the daily closing prices of the Shares during the twelve-month period from 4 January 2021, up to and including 31 December 2021, the date of the Announcement (the “**Review Period 2**”). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Issue Price and the Subscription Price.

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### Daily closing price of the Shares during Review Period 2



*Source: The Stock Exchange*

During the Review Period 2, the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$1.03 per Share recorded on 29 January 2021 and HK\$0.64 per Share recorded on 8 November 2021, respectively. The average daily closing price of the Shares during the Review Period 2 was approximately HK\$0.80 per Share. Although the Issue price and the Subscription Price of HK\$0.92 represent a discount of approximately 10.70% to the highest closing price of the Shares during the Review Period 2, we noted that the Issue price and the Subscription Price represent (i) a premium of approximately 43.80% over the lowest closing price of the Shares during the Review Period 2; and (ii) a premium of approximately 15.00% over the average closing price of the Shares during the Review Period 2. Based on the above, we are of the view that the Issue price and the Subscription Price are fair and reasonable from the perspective of historical trend of the closing prices of the Shares and concur with the Directors' view that the Issue Price and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

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### *Review of the liquidity of the Shares*

	Total volume of the Shares traded	Number of trading days	Average Daily Volume (Shares)	Number of issued Shares as at end of the period/ month (Shares)	Approximate % of average daily trading volume to the then total number of issued Shares as at end of the period/month <i>(Note 3)</i>
<b>2021</b>					
January <i>(Note 1)</i>	29,184,000	20	1,459,200	2,900,940,000	0.050%
February	9,660,000	18	536,66	2,900,940,000	0.018%
March	12,832,000	23	557,913	2,900,940,000	0.019%
April	4,956,000	19	260,842	2,900,940,000	0.009%
May	7,496,000	20	374,800	2,900,940,000	0.013%
June	54,508,000	21	2,595,619	2,900,940,000	0.089%
July	39,352,000	21	1,873,905	2,900,940,000	0.065%
August	7,248,000	22	329,455	2,900,940,000	0.011%
September	46,324,000	21	2,205,905	2,900,940,000	0.063%
October	10,356,000	18	575,333	3,481,128,000	0.017%
November	30,804,000	22	1,400,182	3,481,128,000	0.034%
December <i>(Note 2)</i>	16,680,000	22	758,182	4,061,316,000	0.019%

*Source: The Stock Exchange*

*Notes:*

1. The Review Period 2 commenced on 4 January 2021.
2. The Review Period 2 ended on 31 December 2021.
3. Based on the total number of issued Shares as at end of the period/month.

Regarding the liquidity of the Shares during the Review Period 2, as shown in the table above, the highest average daily volume was approximately 2.6 million Shares in June 2021, representing approximately 0.089% of the total number of issued Shares as at 30 June 2021. We also noted that the average daily trading liquidity of the Shares were very thin during the Review Period 2, with the average daily volume for all the period/months in the Review Period 2 are less than 0.1% to the then total number of issued Shares as at the end of their respective period/month.

Further to our discussion with the Directors, we concur with the Directors' view that despite the liquidity of the Shares is relatively low, the issuance of the Capitalisation Shares and the Subscription Shares at a price higher than the prevailing market price of

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the Shares is beneficial to the Company and therefore the Issue Price and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### *Comparison with recent connected subscription transactions*

As part of our analyses, we have also identified transactions in relation to the subscription of new shares by connected persons (excluding issues of new shares under share award plan or for restructuring scheme, emolument or acquisition purposes, or A shares or domestic shares) (the “**Comparables**”) conducted by companies listed on the Main Board of Stock Exchange during the period from 1 January 2021 to 31 December 2021, the dates of the Loan Capitalisation Agreement and the Subscription Agreement A. To the best of our knowledge and as far as we are aware of, we identified fifteen transactions which met the said criteria. We consider that the Comparables can provide a fair, exhaustive and representative reference of the recent market practices (i.e. the Review Period 2) in relation to subscription of new shares by connected persons under specific mandate conducted by companies listed on the Stock Exchange. However, Shareholders should note that the businesses, operations and prospects of the Comparables are not the same as the Group.

Date of announcement	Company	Stock Code	Premium/(discount) of subscription price over/to the closing price on the last trading date prior to/ on the date of the corresponding announcement/ agreement <i>(Approximate %)</i>	Premium/(discount) of subscription price over/to the average closing price per share for the last five consecutive trading days prior to/on the date of the corresponding announcement/ agreement <i>(Approximate %)</i>
28 November 2021	iDreamSky Technology Holdings Limited	1119	(9.34)	(8.07)
11 November 2021	Lingbao Gold Group Company Limited	3330	(12.40)	(10.90)
26 October 2021	Aux International Holdings Limited	2080	1.60	2.30
04 October 2021	Coolpad Group Limited	2369	(17.65)	(18.60)
27 September 2021	China Aoyuan Group Limited	3883	(4.43)	—
17 August 2021	Man Sang International Limited	938	5.26	1.91
21 July 2021	Persta Resources Inc. <i>(Note 1)</i>	3395	78.00	64.00
19 July 2021	Elife Holdings Limited	223	5.77	3.00
31 May 2021	Hong Kong Resources Holdings Company Limited	2882	(15.25)	(15.25)
28 April 2021	E-House (China) Enterprise Holdings Limited	2048	—	(0.13)
07 April 2021	Qidian International Company Limited	1280	—	3.80
08 March 2021	Carrianna Group Holdings Company Limited	126	(10.00)	(12.45)
25 January 2021	Risecomm Group Holdings Limited	1679	18.80	14.80
20 January 2021	China Finance Investment Holdings Limited	875	(18.37)	(19.84)
20 January 2021	Pak Tak International Limited	2668	(1.96)	(10.15)
14 January 2021	China Dredging Environment Protection Holdings Limited <i>(Note 2)</i>	871	11.11	17.65
	Mean (exclude one outlier)		(3.12)	(3.46)
	Median (exclude on outlier)		(1.96)	(0.13)
	Highest (exclude one outlier)		18.80	17.65
	Lowest (exclude one outlier)		(18.37)	(19.84)
	The Company		15.00	21.37

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*Notes:*

1. We have excluded the share subscription of Persta Resources Inc. (3395.hk) (“**Persta**”) conducted on 21 July 2021 when arriving at the mean, median, highest and lowest prices of the Comparables as we are of the view that this is an outlier. The subscription price of the shares of Persta in the subscription represents an exceptional high premium of 78.00% and 64.00% over the closing price per share on the last trading day and the average closing price for the last five consecutive trading days prior to the last trading day respectively, as compared with those of the other Comparables.
2. The comparisons of subscription price of consolidated shares in China Dredging Environment Protection Holdings Limited (“**China Dredging**”) are made with the consolidated shares of China Dredging on the basis of two then existing shares be consolidated into one consolidated share.

As shown in the above table and after excluding Persta as the outlier, the placing and/or subscription prices of the Comparables (i) as compared with their respective closing price on the last trading day prior to the release of the announcement or the date of agreement in relation to the respective placing and/or subscription of shares ranged from a discount of 18.37% to a premium of approximately 18.80% (the “**Discount/Premium Market Range**”), with the mean and median discounts of approximately 3.12% and 1.96% respectively; and (ii) as compared with their respective average closing price of the last five trading days immediately prior to the release of the announcement or the date of agreement in relation to the respective placing and/or subscription of shares ranged from a discount of approximately 19.84% to a premium of 17.65% (the “**Five-Day Discount/Premium Market Range**”), with the mean and median discounts of approximately 3.46% and 0.13% respectively. The premium represented by the Issue Price and the Subscription Price (a) as compared with the closing price per Share on the date of the Loan Capitalisation Agreement and the Subscription Agreement A of approximately 15.00% was within the Discount/Premium Market Range, and higher than the mean and median discounts of the Comparables; and (b) as compared with the average closing price per Share for the last five trading days immediately prior to the date of the Loan Capitalisation Agreement and the Subscription Agreement A of approximately 21.37% was above the Five-Day Discount/Premium Market Range, and higher than the mean and median discounts of the Comparables.

Having considered the above, we consider that the Issue Price and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Having considered (a) the reasons for the Loan Capitalisation and the Subscriptions and the proceeds from the Subscriptions could allow cashflow retained for future business development as set out above; (b) the premium represented by the Issue Price and the Subscription Price over (i) the closing price of the Shares on the date of the Capitalisation Agreement and the Subscription Agreement A, and falls within the relevant range of the Comparables; (ii) the average closing price per Share for the last five consecutive trading days immediately prior to the date of the Capitalisation Agreement and the Subscription Agreement A, and was above the relevant range of the Comparables; and (c) the Issue Price and the Subscription Price is considered favourable to the Company than most of



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the general market practice represented by the Comparables, we are of the view that the Issue Price and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### 9. Potential dilution effects of the Loan Capitalisation and the Subscriptions

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Loan Capitalisation and the Subscription A (but assuming no completion of the Subscription B); (iii) immediately after completion of the Subscription B (but assuming no completion of the Loan Capitalisation and the Subscription A); and (iv) immediately after Completion and the issue and allotment of the Capitalisation Shares and the Subscription Shares in full as contemplated under the Loan Capitalisation and the Subscriptions:

Name of Shareholder	At the Latest Practicable Date		Immediately after completion of the Loan Capitalisation and the Subscription A (but assuming no completion of the Subscription B)		Immediately after completion of the Subscription B (but assuming no completion of the Loan Capitalisation and the Subscription A)		Immediately after Completion	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dr. Liu Zhiwei (Note 1)	431,066,000	10.61	1,952,805,130	29.76	431,066,000	9.15	1,952,805,130	27.07
Subscriber A (Note 2)	464,000,000	11.42	1,442,260,870	21.98	464,000,000	9.84	1,442,260,870	19.99
Sub-total:	<u>895,066,000</u>	<u>22.04</u>	<u>3,395,066,000</u>	<u>51.74</u>	<u>895,066,000</u>	<u>18.99</u>	<u>3,395,066,000</u>	<u>47.07</u>
<b>Public</b>								
Subscriber B	—	—	—	—	652,173,913	13.84	652,173,913	9.04
Other public Shareholders	<u>3,166,250,000</u>	<u>77.96</u>	<u>3,166,250,000</u>	<u>48.26</u>	<u>3,166,250,000</u>	<u>67.17</u>	<u>3,166,250,000</u>	<u>43.89</u>
Sub-total:	<u>3,166,250,000</u>	<u>77.96</u>	<u>3,166,250,000</u>	<u>48.26</u>	<u>3,818,423,913</u>	<u>81.01</u>	<u>3,818,423,913</u>	<u>52.93</u>
Total:	<u><u>46,324,000</u></u>	<u><u>100.00</u></u>	<u><u>6,561,316,000</u></u>	<u><u>100.00</u></u>	<u><u>4,713,489,913</u></u>	<u><u>100.00</u></u>	<u><u>7,213,489,913</u></u>	<u><u>100.00</u></u>

Notes:

- Dr. Liu is a connected person of the Company by virtue of him being an executive Director.
- As at the Latest Practicable Date, Subscriber A holds 464,000,000 Shares, representing approximately 11.42% of the total issued Shares, and hence is a substantial Shareholder. In this regard, Subscriber A is a connected person of the Company.

We noted that the shareholding of the existing public Shareholders would be diluted from approximately 77.96% to approximately 43.89% immediately after the Completion. Although the Loan Capitalisation and the Subscriptions will incur dilution effect on the shareholding of

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the existing Shareholders, having taken into account (i) the Loan Capitalisation can relieve part of the Group's existing borrowings without depleting its existing financial resources and reduce future financing costs; (ii) the result of the Loan Capitalisation and the Subscriptions can lower the gearing ratio of the Group; (iii) the proceeds from the Subscriptions could allow cashflow retained for future business development; and (iv) the terms of the Loan Capitalisation Agreement and the Subscription Agreements being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

### 10. Possible financial effects of the Loan Capitalisation and Subscriptions

#### *Net asset value*

According to the 2021/2022 Interim Report, as at 30 September 2021, the unaudited consolidated net assets of the Group was approximately HK\$5,121.0 million. Set out below are the movements of the unaudited consolidated net assets of the Group since 30 September 2021 taking into account the draw down of the Shareholder Loan and the completion of the 2021 November Subscription and assuming the completion of the Loan Capitalisation and the Subscription A has taken place:

	<i>HK\$ million</i>
Unaudited consolidated net assets of the Group as at 30 September 2021	5,121.0
Completion of the November 2021 Subscription	<u>359.7</u>
Adjusted unaudited consolidated net assets of the Group	<u>5,480.7</u>
 <i>Assuming the completion of the Loan Capitalisation and the Subscription A has taken place:</i>	
Completion of the Loan Capitalisation	1,400.0
Completion of the Subscription A	<u>900.0</u>
Adjusted unaudited consolidated net assets of the Group following completion of the Loan Capitalisation and the Subscription A	<u><u>7,780.7</u></u>

Upon the completion of the Loan Capitalisation and the Subscription A, it is expected that the unaudited consolidated net assets of the Group will be increased by approximately HK\$2,300 million from approximately HK\$5,480.7 million (having taken into account completion of the November 2021 Subscription) to approximately HK\$7,780.7 million. We consider that the Loan Capitalisation and the Subscription A will have an overall improvement on the Group's net assets position.

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### *Current ratio*

According to the 2021/2022 Interim Report, as at 30 September 2021, the current ratio of the Group, which was derived by the total current assets divided by the total current liabilities of the Group, was approximately 6.57. Having adjusted for the investments utilising the proceeds from the November 2021 Subscription and the Shareholder Loan, and the recognition of the Shareholder Loan prior to the Completion of the Loan Capitalisation and the Subscriptions, the adjusted current ratio would be approximately 2.40. Upon completion of the Loan Capitalisation only, it is expected that the current ratio would increase to approximately 8.06. Upon completion of the Loan Capitalisation and Subscription A, it is expected that the current ratio would increase to approximately 9.58 and upon completion of the Loan Capitalisation and the Subscriptions, it is expected that the current ratio will increase to approximately 10.6.

### *Gearing ratio*

According to the 2021/2022 Interim Report, as at 30 September 2021, the gearing ratio of the Group, which was derived by the total borrowings of the Group divided by the total equity of the Group, was approximately 8.1%. Upon completion of the November 2021 Subscription and the Shareholder Loan, the gearing ratio increased to approximately 35.0% as the total borrowings of the Group increased by approximately HK\$1,500 million due to the Shareholder Loan and the total equity of the Group increased by approximately HK\$359.66 million due to the November 2021 Subscription. Upon Completion of the Loan Capitalisation and the Subscription A, the gearing ratio would decrease to approximately 6.65% as the total borrowings of the Group would decrease by approximately HK\$1,400 million due to the Loan Capitalisation and the total equity of the Group would increase by approximately HK\$2,300 million due to the Loan Capitalisation and the Subscription A. We consider that the Loan Capitalisation and the Subscription A will have an overall improvement on the Group's gearing ratio.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position or results of the Group will be upon completion of the Loan Capitalisation and the Subscription A. Based on the above analyses, the Loan Capitalisation and the Subscription A would have positive impact on the Group's net asset value, current ratio, and the gearing ratio. On such basis, we are of the view that the Loan Capitalisation and the Subscription A are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **B. GRANT OF NEW GENERAL MANDATE**

### **1. Background of the New General Mandate**

At the AGM, the Existing General Mandate was granted to the Directors to allot, issue and deal with up to 580,188,000 new Shares. During the period from the grant of Existing General Mandate at the AGM to the Latest Practicable Date, all the Existing General Mandate, i.e. 580,188,000 Shares, has been utilised as a result of the issue and allotment of new Shares for subscription under Existing General Mandate, details of which were set out in the Previous Subscription Announcements.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, the Board proposes to convene the EGM at which ordinary resolutions will be proposed to the Independent Shareholders that:

- (i) the Directors be granted the New General Mandate to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of the issued Shares as at the date of passing of the relevant ordinary resolutions at the EGM; and
- (ii) the New General Mandate be extended to the Shares repurchased by the Company pursuant to the repurchase mandate granted to the Directors at the AGM.

The Company has not refreshed the Existing General Mandate since the AGM.

The New General Mandate will last until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the memorandum and articles of association of the Company or any other applicable laws to be held; or
- (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors under the New General Mandate.

As at the Latest Practicable Date, the Company had an aggregate of 4,061,316,000 Shares in issue. On the basis that no further Shares are issued and/or repurchased by the Company between the Latest Practicable Date and the date of the EGM, the Company will be allowed under the New General Mandate to allot and issue up to 812,263,200 Shares, representing 20% of the aggregate number of the issued Shares as at the Latest Practicable Date.

### **2. Reasons for the Refreshment of General Mandates**

The Company is an investment company and its principal business is restricted to making investments. The principal investment objective of the Group is to achieve earnings in the form of medium to long term capital appreciation through investing in a diversified portfolio of global investments in listed and unlisted enterprises.

As set out in the Letter from the Board, in assessing the needs for the grant of the New General Mandate, the Board has considered the followings:

- (i) *The Existing General Mandate has been fully utilised*

As a result of the subscription of Shares as disclosed in the Previous Subscription Announcements, the Existing General Mandate has almost been fully utilised.

As the next annual general meeting of the Company will not be held until August 2022, the Company will no longer have the flexibility to promptly meet fund raising opportunities for about six months.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The grant of the New General Mandate will enable this flexibility to be reinstated. Given the current economic condition, the Company believes that it is important for the Company to have the option to raise funding at short notice if the opportunity presents itself.

### *(ii) Existing financial performance and cash position of the Group*

As set out in the 2021/2022 Interim Report, the Group had bank and cash balances of approximately HK\$127.29 million. Based on the 2021/2022 Interim Report, the cash flow of the Group was mainly driven by investing and financing activities, including distribution and disposal of investments, drawdown of borrowings and proceeds from issue of shares, etc.

During 2021, the Company had upgraded its investment strategy and raised funds for investment activities from subscriptions and the Shareholder Loan. For details of the subscriptions and the Shareholder Loan, please refer to the sections headed “FUND RAISING EXERCISES IN THE PRIOR 12-MONTH PERIOD” and “REASONS FOR THE LOAN CAPITALISATION AND THE SUBSCRIPTIONS” at pages 19 and 21 of this Circular, respectively. As at 31 January 2022, the cash position of the Group was around HK\$173 million. Upon completion of the Loan Capitalisation and the Subscriptions, the estimated cash position of the Group is HK\$1,673 million. Although the cash position of the Group would be improved, the Directors considered that if the New General Mandate is granted, it is in the interests of the Company to raise additional capital to strengthen the cash flow position of the Group in the long run for capturing more suitable investment opportunities in a timely manner.

### *(iii) Potential investment opportunities*

The Group’s principal business is restricted to making investments only. The Group will from time to time search for investment opportunities and those prime investment projects will generally close within a short period of time or after they obtain sufficient funds. The Group had in the past experienced insufficiency of funds in meeting potential investment opportunities. In those cases, the Group identified and/or became aware of prime investment opportunities in pre-IPO and IPO projects, equity acquisitions in private companies and private fund investments in the sectors of medical and health, artificial intelligence, TMT, new energy and financial services and immediately started fund-raising in order to capture those opportunities. The Group was not able to grasp the investment opportunities in a timely manner as they were taken by other investors with readily available funds, or the investment window was closed shortly approximately 3 to 17 days due to tight investment timeframe. As such, given the Existing General Mandate has been fully utilised, the grant of New General Mandate will empower the Group to issue new Shares under refreshed limit and provide the Group with the ability and flexibility to capture such prospective investment opportunities as and when they arise for future growth and create better return for Shareholders. In respect of the issue of Shares utilising New General Mandate, as at the Latest Practicable Date, the Group has not identified any investment targets.

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### *(iv) Alternative financing methods*

The Directors have considered alternative financing methods including but not limited to rights issue, open offer, bank financing and the possibility of disposal/realisation of investments in order to meet the financial requirements and/or investment opportunities of the Group.

Given the uncertainty in the market economics due to the continuation of COVID-19 and the Sino-U.S. trade tensions, the Company found it difficult to ascertain market demand and to have certainty in successful equity fund raising. Although open offer and rights issue allow existing Shareholders to subscribe for their entitlements and maintain their respective shareholding interests in the Company, it may impose financial burden on the existing Shareholders in uncertain market conditions and the ultimate fundraising size could not be assured by the Company if conducted on a non-underwritten basis. The Company had approached certain independent financial institutions to negotiate potential underwriting for the purpose of the Subscriptions, they were generally not interested in the potential underwriting. Rights issue and open offer generally require more legal documentations preparation and additional administrative procedures which are relatively more time consuming (subject to the agreement on pricing of the subscription for new Shares and underwriting fees, negotiation and documentation period may take at least six weeks) and less cost effective. Furthermore, the Directors also considered that, there would be customary underwriting fees (ranging from 2% to 2.5%) payable to underwriters, and the Company would incur expenses and lower the net proceeds receivable by the Company.

The Company has also considered bank financing and approached financial institutions for the purpose of the Subscriptions but the banks had rejected the Company's proposed request for loans on favourable terms. As bank financing requires the Company to provide collateral of properties and other assets which was not feasible given the business nature of the Group. The Directors also considered the lengthy due diligence and negotiations with banks (e.g. agreement on the loan-to-value ratio) would be undesirable as subject to the agreement on terms of the borrowings and interest rate, negotiation and documentation period, which the Directors understood from past experience, may take at least eight weeks. The additional borrowings would increase the Company's gearing ratio and potentially place the Company's finance cost on an upward trend in the long run. Furthermore, debt financing would result in substantial additional interest burden on the Group, which would be detrimental to the Group's financial performance, its financial position and gearing ratio especially under the existing tightened financing environment and is therefore undesirable in the long-run.

The Company has considered disposing investments for financing but chose not to do so because the investments are of great potential with reference to existing and future national policies development and market trends, which are expected to generate mid- to long-term returns.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In summary, taking into consideration that (i) the Existing General Mandate has been fully utilised and the next annual general meeting of the Company will not be held until six months later; (ii) the need to maintain sufficient cash flow position of the Group for capturing suitable investment opportunities in a timely manner; and (iii) issuance of new Shares under the general mandate is less costly and time-consuming than using alternative financing methods and enables the Company to capture any capital raising and/or prospective investment opportunity in a timely manner, the Directors consider that the Refreshment of the General Mandate is in the best interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no concrete plan or agreement with any party to issue Shares by utilising the New General Mandate and had no other fund raising plan apart from Loan Capitalisation and the Subscriptions.

As mentioned above, we noted that the Existing General Mandate has been fully utilised. In light of the next annual general meeting of the Company will be held in late August 2022, it is possible that the Company may not have sufficient general mandate to promptly meet fund raising and/or investment opportunities for about six months. As disclosed in the Company's 2021/2022 Interim Report, the Group's investment strategy has been upgraded to a tri-engine driving investment strategy, which is the core-holding-centered private equity, investment portfolio management and trading and others, to build the investment portfolio that could cross market cycle and balance liquidity and risk-yield rate. Its investment strategy has been further extended from traditional private equity to capture more investment opportunities by deploying secondary markets and digital assets, participating in cornerstone placements, and continuously optimising asset allocation. The Group is also actively exploring diversified exit channels to accelerate capital recovery and enhance the liquidity of our overall asset portfolio. The new generation of technologies represented by artificial intelligence, blockchain and big data is deeply integrated with the real economy, and its development has accelerated under the pandemic, becoming a new engine for economic development worldwide. With a deep understanding of future economic development trends, the Board has continued to optimise its investment allocation and formulated an investment roadmap around the digital economy. As such, it is important that the Company has sufficient financial flexibility to grasp appropriate fund raising opportunities when they arise and to avoid the uncertainties that specific mandate may not be obtained and the ability to capture any appropriate investment opportunities in a timely manner.

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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*(a) The Group's cash position and resources*

We noted from the 2021/2022 Interim Report, the Group had bank and cash balances of approximately HK\$127.3 million as at 30 September 2021. We also considered the consolidated statements of cash flows of the Group for the six months ended 30 September 2021 and the year ended 31 March 2021:

	<b>For the six months ended 30 September 2021 HK\$'000</b>	<b>For the year ended 31 March 2021 HK\$'000</b>
Net cash used in operating activities	<u>(231,968)</u>	<u>(54,051)</u>
Net cash generated from investing activities	<u>67,430</u>	<u>33,713</u>
Net cash generated/(used in) from financing activities	<u>225,216</u>	<u>(30,443)</u>
Net increase/(decrease) in cash and cash equivalent	<u>60,678</u>	<u>(50,781)</u>

It is noted from the consolidated statements of cash flows of the Group for the past 18 months to 30 September 2021 that the Group relied mainly on its investing and financing activities to generate cash flows, for example, disposal of investments, draw down of borrowings and proceeds from issue of Shares. We understood from the Management that (i) disposal of investments is principally subject to market conditions and timing and it is always not within control of the Group; and (ii) in view of the requirement of security of properties and interest burden, debt financing is not the preferred means of the Group in fund raising activities.

*(b) Alternative financing methods*

The Directors have considered the alternative financing methods, including but not limited to right issue, open offer, bank financing and the possibility of disposal/realisation of investments, in order to meet the financial requirements and/or investment opportunities of the Group and the New General Mandate will allow the Company to have sufficient flexibility to grasp appropriate fund raising opportunities when they arise, and to avoid the uncertainties that specific mandate may not be obtained in a timely manner.

We have considered the following factors:

- (i) it is expected that issue of new shares under specific mandate and rights issue or open offer often takes longer time to complete as lengthy discussion with potential underwriters and shareholders' approval may be required, which may



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result in failure of financing in business development and/or acquisition of investment opportunities in a timely manner and commission would probably be incurred;

- (ii) debt financing may subject to lengthy due diligence and negotiations with financial institutions and requirement of security of properties and interest burden; and
- (iii) disposal/realisation of investments, which are expected to generate mid to long-term returns, may not be in the interests of the Company and the Shareholders as a whole.

Based on the above, we are of the view that equity financing by way of utilising the New General Mandate will be more flexible, cost effective and time efficient than debt financing and other alternative equity financing methods given the Refreshment of General Mandate (a) does not incur any interest payment obligations on the Group as compared with debt financing; (b) is less costly and time-consuming than other pre-emptive fund raising methods; and (c) provides the Company with capability to capture any equity raising or prospective investment opportunity in a timely and effective manner as and when it arises. We therefore concur with the Directors' view that the New General Mandate would provide the Company with necessary flexibility to fulfill any possible funding and/or investment needs arising during the period from the date of the EGM to the date of the next annual general meeting of the Company and is on normal commercial terms and is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### **3. Sufficient protection of minority Shareholders' interests**

We noted that (i) the grant of the New General Mandate will be subject to the Independent Shareholders' approval which is more stringent than the grant of specific mandate (and also the customary grant of general mandate(s) at annual general meeting(s)) for which not only the Independent Shareholders can vote; (ii) the Independent Shareholders are given information in this Circular as elaborate as possible for them to make an informed voting decision, including the reasons for the Refreshment of the General Mandate and the advice and recommendation of the Independent Board Committee and the Independent Financial Adviser as to the fairness and reasonableness of the grant of the New General Mandate; and (iii) the Company will inform the Shareholders about the terms and conditions of the potential share placement(s) under the New General Mandate by way of announcement(s) when they materialise in accordance with the requirements of the Listing Rules.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 4. Potential effect on the shareholding structure of the Company

Set out below is the shareholding structure of the Company setting out the effect on the shareholding structure of the Company (i) immediately after completion of the Loan Capitalisation and the Subscription A (but assuming no completion of the Subscription B); (ii) immediately after completion of the Subscription B (but assuming no completion of the Loan Capitalisation and the Subscription A); (iii) immediately after Completion of the Loan Capitalisation and the Subscription and before completion of subscription of Shares under New General Mandate; and (iv) immediately after completion of subscription of Shares under New General Mandate, since the AGM:

Name of Shareholder	At the Latest Practicable Date		Immediately after completion of the Loan Capitalisation and the Subscription A (but assuming no completion of the Subscription B)		Immediately after completion of the Subscription B (but assuming no completion of the Loan Capitalisation and the Subscription A)		Immediately after completion of the Loan Capitalisation, the Subscription A and B, and before completion of subscription of Shares under New General Mandate		Immediately after completion of subscription of Shares under New General Mandate	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dr. Liu and Chunda (Note 1)	431,066,000	10.61	1,952,805,130	29.76	431,066,000	9.15	1,952,805,130	27.07	1,952,805,130	24.33
Subscriber A (Note 2)	464,000,000	11.42	1,442,260,870	21.98	464,000,000	9.84	1,442,260,870	19.99	1,442,260,870	17.97
Sub-total:	895,066,000	22.04	3,395,066,000	51.74	895,066,000	18.99	3,395,066,000	47.07	3,395,066,000	42.30
<b>Public</b>										
Subscriber B	—	—	—	—	652,173,913	13.84	652,173,913	9.04	652,173,913	8.13
Subscribers of new Shares under the New General Mandate (Note 3)	—	—	—	—	—	—	—	—	812,263,200	10.12
Other public Shareholders	3,166,250,000	77.96	3,166,250,000	48.26	3,166,250,000	67.17	3,166,250,000	43.89	3,166,250,000	39.45
Sub-total:	3,166,250,000	77.96	3,166,250,000	48.26	3,818,423,913	81.01	3,818,423,913	52.93	4,630,687,113	57.70
Total:	4,061,316,000	100.00	6,561,316,000	100.00	4,713,489,913	100.00	7,213,489,913	100.00	8,025,753,113	100.00

### Notes:

- Dr. Liu is a connected person of the Company by virtue of him being an executive Director. Dr. Liu is also the ultimate beneficial owner of Chunda.
- As at the Latest Practicable Date, Subscriber A holds 464,000,000 Shares, representing approximately 11.42% of the total issued Shares, and hence is a Substantial Shareholder. In this regard, Subscriber A is a connected person of the Company.
- It is assumed that all the subscribers of new Shares under the New General Mandate are independent third parties.
- 580,188,000 new Shares in respect of the September 2021 Subscription were issued and allotted under the general mandate granted to the Directors at the annual general meeting of the Company held on 31 August 2020 and 580,188,000 new Share in respect of the November 2021 Subscription were issued and allotted under the Existing General Mandate granted to the Directors at the AGM.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the date of the AGM, the shareholding of the existing public Shareholders was approximately 73.24%. Following completion of the September 2021 Subscription and the November 2021 Subscription, the shareholding of the existing public Shareholders was approximately 85.20%. As at the Latest Practicable Date, the shareholding of the existing public Shareholders was approximately 77.96%. Assuming the Completion of the Loan Capitalisation and the Subscriptions have taken place, we noted that the shareholding of the existing public Shareholders would be diluted from approximately 77.96% as at the Latest Practicable Date to approximately 43.89%. The shareholding of the existing public Shareholders will be further diluted to 39.45% immediately after completion of subscription of Shares under New General Mandate.

Although the New General Mandate will incur dilution effect on the shareholding of the existing Shareholders in addition to the dilution effect of the Loan Capitalisation and the Subscriptions, having taken into account (i) the New General Mandate allows the Company to raise capital by allotment and issue of new Shares before the next annual general meeting of the Company; (ii) the New General Mandate will provide the Company with flexibility for financing of the Group as well as capability to capture any quality potential investment opportunities in a timely and effective manner as and when it arises; (iii) there is sufficient protection of minority Shareholders' interests; and (iv) issuance of new Shares under the New General Mandate is less time consuming and less costly than using alternative financing methods and it may also require a substantial discount in the offer price to attract Shareholders and potential investor in open offer or rights issue, we concur with the view of the Directors that the advantages of the grant of the New General Mandate outweigh to a reasonable extent that the aggregated dilution impact on the shareholding of the public Shareholders and are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

### OPINION AND RECOMMENDATION

Having taken into consideration of the principal factors and reasons as stated in this Letter, we are of the view that:

- (a) although the Loan Capitalisation and Subscription Agreement A are not in the ordinary and usual course of business of the Group it is incidental to the Group's development of its ordinary and usual course of business; the terms of the Loan Capitalisation Agreement and the Subscription Agreement A are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (b) the New General Mandate is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Loan Capitalisation, the Subscription A and the transactions contemplated thereunder and the grant of the New General Mandate.

Yours faithfully,  
for and on behalf of  
**FIRST CAPITAL INTERNATIONAL  
FINANCE LIMITED**  
**Larry Chan**                      **Keith Ho**  
*Managing Director*          *Vice President*

*Mr. Larry Chan and Mr. Keith Ho are licensed persons registered with the Securities and Futures Commission and as responsible officers of First Capital International Finance Limited to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and have over 29 years and over 6 years of experience in corporate finance industry respectively.*

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and Chief Executive's Interests and/or Short Positions in the Shares and Underlying Shares of the Company or any Associated Corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

#### *Long positions and/or short position in shares and underlying shares of the Company:*

(L) denotes Long position.

#### *Number of ordinary shares/Underlying shares held in the Company*

Name of director	Nature of Interests	Interests in shares	Interests under equity derivatives	As to % to the capital of the Company as at the Latest Practicable Date (note 1)
Dr. LIU Zhiwei	Beneficial owner and interest of controlled corporation	431,066,000 (L)	—	10.61%

*Note:*

- (1) The percentage of shareholding was calculated on the basis of the Company's issued share capital of 4,061,316,000 shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Shareholders' Interests and/or Short Positions in Shares and Underlying Shares**

As at the Latest Practicable Date, so far as the Directors or Chief Executive of the Company are aware, the following corporation and persons other than a Director or the chief executive of the Company had an interest or a short position in the Shares and underlying Shares, which were required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

***Long positions and/or short position in shares and underlying shares of the Company:***

- (L) denotes long position.  
(S) denotes short position.

*Number of ordinary shares/Underlying shares held in the Company*

Name of shareholders	Capacity in which interest are held	Interests in shares	Interests under equity derivatives	As to % to the capital of the Company as at the Latest Practicable Date (note 1)
WU Gang (note 2)	Interest of controlled corporation	464,000,000 (L)	—	11.42%
TJIHCL (note 2)	Interest of controlled corporation	464,000,000 (L)	—	11.42%
TIMGCL (note 2)	Interest of controlled corporation	464,000,000 (L)	—	11.42%
TCHL (note 2)	Interest of controlled corporation	464,000,000 (L)	—	11.42%
Subscriber A (note 2)	Beneficial owner	464,000,000 (L)	—	11.42%
OPFGL (note 3)	Interest of controlled corporation	359,800,000 (L)	—	8.86%
Zhang Gaobo (note 3)	Interest of controlled corporation	359,800,000 (L)	—	8.86%

Name of shareholders	Capacity in which interest are held	Interests in shares	Interests under equity derivatives	As to % to the capital of the Company as at the Latest Practicable Date (note 1)
Zhang Zhi Ping (note 3)	Interest of controlled corporation	359,800,000 (L)	—	8.86%
HE Zhiping (note 4)	Interest of controlled corporation	287,000,000 (L)	—	7.07%
WAH HING GLOBAL INVESTMENT LIMITED (note 4)	Beneficial owner	287,000,000 (L)	—	7.07%
FU Jianping (note 5)	Interest of controlled corporation	269,908,000 (L)	—	6.64%
Full House Investment Limited (note 5)	Beneficial owner	269,908,000 (L)	—	6.64%

## Notes:

- (1) The percentage of shareholding was calculated on the basis of the Company's issued share capital of 4,061,316,000 shares as at the Latest Practicable Date.
- (2) This represented 464,000,000 shares held by Subscriber A. Subscriber A is a wholly owned subsidiary of TongChuang Holdings Limited ("TCHL"). TCHL is in turn a wholly subsidiary of Tongchuangjiuding Investment Management Group Co., Ltd. ("TIMGCL") while 46.29% of the issued share capital of TIMGCL is owned by Tongchuang Jiuding Investment Holdings Co. Ltd. ("TJIHCL"). 35.00% of the issued share capital of TJIHCL is beneficially owned by Mr. Wu Gang. By virtue of the SFO, each of TJIHCL, TIMGCL, TCHL and Mr. Wu Gang is deemed to be interested in the shares and underlying shares of the Company held by Subscriber A.
- (3) This represented an aggregate of 330,000,000 shares held by Ottness Investment Limited ("Ottness") and 29,800,000 shares held by Oriental Patron Financial Services Group Limited ("OPFSGL"). Ottness is a wholly owned subsidiary of Oriental Patron Financial Group Limited ("OPFGL"), while 95% of the issued share capital of OPFSGL is owned by OPFGL. The issued share capital of OPFGL is beneficially owned as to 51% by Mr. ZHANG Zhi Ping and 49% by Mr. ZHANG Gaobo. By virtue of the SFO, each of Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo is deemed to be interested in the shares and underlying shares of the Company held by Ottness and OPFSGL.
- (4) This represented 287,000,000 shares held by Wah Hing Global Investment Limited ("Wah Hing"). Mr. HE Zhiping ("Mr. HE") owns 100% of the issued share capital in Wah Hing. By virtue of the SFO, Mr. HE is deemed to be interested in the shares held by Wah Hing.
- (5) This represented 269,908,000 shares held by Full House Investment Limited ("Full House"). Mr. FU Jianping ("Mr. FU") owns 100% of the issued share capital in Full House. By virtue of the SFO, Mr. FU is deemed to be interested in the shares held by Full House.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any other persons, not being a Director or chief executive of the Company, who has interests or short positions in the shares and underlying shares of the Company representing 5% or more of the Company's issued share capital.

### **3. COMPETING BUSINESS**

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group.

### **4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group, excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

### **5. DIRECTORS' INTEREST IN ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased, or which were proposed to be acquired, disposed of by or leased to any member of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

### **6. DIRECTORS' INTEREST IN CONTRACT**

The following contract in which a Director is materially interested and which is significant in relation to the business of the Group has been entered into:

- (a) Investment Management Agreement entered into between the Company and Venture Partners Asset Management Limited (now known as Bestone Capital Limited) ("VPAM") on 8 April 2021 in relation to appointment of VPAM as the Company's investment manager to provide management services for a period commencing on 7 April 2021 to 31 March 2024. VPAM is regarded as a connected person of the Company as (i) it is the investment manager of the Company under Rule 14A.08 of the Listing Rules; and (ii) it is indirectly held as to 30% by Dr. Liu and is therefore an associate of Dr. Liu and a connected person of the Company under Rule 14A.07 of the Listing Rules.

As at the Latest Practicable Date, save as disclosed above, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.



## 7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

## 8. MATERIAL ADVERSE CHANGE

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

## 9. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
First Capital International Finance Limited	a corporation licensed to carry out business in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Loan Capitalisation Agreement, the Subscription Agreement A and transactions contemplated under the respective agreements and the proposed grant of the New General Mandate

- (b) As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, the Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.
- (d) As at the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any assets which have been, since 31 March 2021, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

**10. MISCELLANEOUS**

- (a) The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (b) The head office and principal place of business of the Company is 41st Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong.
- (c) The secretary of the Company is Ms. Ng Sau Lai. Ms. Ng was admitted as a solicitor in Hong Kong and a solicitor in the United Kingdom in 1998 and 1999 respectively. Thereafter she worked for law firms, government department and a regulator in Hong Kong, and has extensive experience in legal and compliance matters. Ms. Ng received a LLB degree from the University of Hong Kong in 1995 and a second LLB degree from Tsinghua University in 2004. She also obtained a LLM degree from the University of California, Los Angeles in 2015.
- (d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.wealthking.com.hk/en>) from the date of this circular up to 14 days thereafter:

- (a) the Loan Capitalisation Agreement;
- (b) the Subscription Agreement A;
- (c) the Subscription Agreement B;
- (d) the letter from the Independent Board Committee, the text of which is set out at pages 35 to 36 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out at pages 37 to 74 of this circular;
- (f) the written consent of the expert as referred to in the section headed “QUALIFICATION AND CONSENT OF EXPERT” in this appendix; and
- (g) this circular.

# NOTICE OF EXTRAORDINARY GENERAL MEETING



华科资本  
WEALTHKING INVESTMENTS

## WEALTHKING INVESTMENTS LIMITED

華科資本有限公司

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

**(Stock Code: 1140)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Wealthking Investments Limited (“**Company**”) will be held at 11:00 a.m. on Tuesday, 22 March 2022 at 41/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong by way of hybrid meeting. Shareholder will be denied entry to the venue of the EGM but will be able to join the EGM via the e-Meeting System for the following purposes:

#### ORDINARY RESOLUTIONS

##### 1. Loan Capitalisation Agreement and Subscription Agreement A

To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

- (a) the loan capitalisation agreement (the “**Loan Capitalisation Agreement**”) dated 31 December 2021 entered into between the Company and Chunda International Capital Management Co., Ltd. (“**Chunda**”) (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose) in relation to the subscription of 1,521,739,130 new shares of HK\$0.1 each (the “**Shares**”) in the capital of the Company (the “**Capitalisation Shares**”) at the issue price of HK\$0.92 per Capitalisation Share, and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (b) the subscription agreement (the “**Subscription Agreement A**”) dated 31 December 2021 entered into between the Company and Bright Victory International Limited (“**Subscriber A**”) (a copy of which has been produced to the meeting marked “B” and initialled by the chairman of the meeting for identification purpose) in relation to the subscription of 978,260,870 new Shares (the “**Subscription Shares A**”) at the subscription price of HK\$0.92 per Subscription Share A, and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;

## NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Loan Capitalisation Agreement a and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon;
- (d) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in the Subscription Agreement A and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon;
- (e) the grant of the specific mandate for the allotment and issue of the Capitalisation Shares and Subscription Shares A subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and
- (f) to authorise any Director to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the transactions mentioned in paragraph 1(e) above.

### **2. Subscription Agreement B**

To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

- (a) the subscription agreement (the “**Subscription Agreement B**”) dated 31 December 2021 entered into between the Company and Mr. Wang Delian (“**Subscriber B**”) (a copy of which has been produced to the meeting marked “C” and initialled by the chairman of the meeting for identification purpose) in relation to the subscription of 652,173,913 new Shares (the “**Subscription Shares B**”) at the subscription price of HK\$0.92 per Subscription Share B, and the transactions contemplated thereunder and the implementation thereof be and are hereby approved, confirmed and ratified;
- (b) any one director of the Company (or any two directors of the Company or one director and the secretary of the Company, in the case of execution of documents under seal) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to

## NOTICE OF EXTRAORDINARY GENERAL MEETING

or in connection with the matters contemplated in the Subscription Agreement B and the transactions contemplated thereunder and the implementation thereof including the affixing of seal thereon;

- (c) the grant of the specific mandate for the allotment and issue of the Subscription Shares B subject to the terms and conditions set out in the Circular be and is hereby approved, confirmed and ratified; and
- (d) any Director is authorised to sign and execute such documents and do all such acts and things which in their opinion may be necessary, desirable or expedient to carry out or give effect to the transactions mentioned in paragraph 2(c) above.

### 3. Proposed Refreshment of General Mandate

To consider and, if thought fit, pass, with or without modifications, the following resolution as an ordinary resolution:

- (a) subject to paragraph (c) below, pursuant to the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with the additional Shares and to make or grant offers, agreements and options;
- (b) the approval in paragraph (a) above shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options;
- (c) the aggregate nominal amount of share capital allotted and issued or agreed conditionally or unconditionally to be allotted and issued (whether pursuant to options or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue; or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

## NOTICE OF EXTRAORDINARY GENERAL MEETING

(d) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (“Companies Law”) or any other applicable law of the Cayman Islands to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the directors of the Company to holders of Shares on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).

Yours faithfully,  
By order of the Board  
**Wealthking Investments Limited**  
**Ng Sau Lai**  
*Company Secretary*

Hong Kong, 2 March 2022

*Registered office:*  
P.O. Box 309  
Ugland House  
Grand Cayman, KY1-1104  
Cayman Islands

*Head office and principal place of business  
in Hong Kong:*  
41st Floor, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

## NOTICE OF EXTRAORDINARY GENERAL MEETING

*Notes:*

1. As set out in the section headed “*Special Arrangements for the EGM*” of this circular, the EGM will be a hybrid meeting. **Shareholders shall not attend the EGM in person. Any shareholder who does attempt to attend the EGM in person will be denied entry to the venue of the EGM.** All registered shareholders will be able to join the EGM via the e-Meeting System. As Shareholders will not be permitted to attend the EGM in person, they will be able to exercise their voting rights in one of the following ways: (1) attend the EGM via the e-Meeting System which enables live streaming and interactive platform for submitting questions and voting online; or (2) appoint the Chairman of the EGM as your proxy to attend and vote on your behalf via the e-Meeting System. Whether or not you intend to attend the EGM via e-Meeting System, you are requested to complete the form of proxy and return it to the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for holding the EGM (i.e. at or before 11:00 a.m. on 20 March 2022 (Hong Kong time)) or any adjournment thereof (as the case may be). The completion and return of a form of proxy will not preclude you from attending and voting at the EGM via e-Meeting System.
2. A member of the Company entitled to attend and vote at the meeting above is entitled to appoint in written form one or, if he is the holder of two or more Shares of the Company, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
3. In the case of joint holders of Shares only ONE PAIR of log-in username and password will be provided to the joint holders. Any one of such joint holders may attend or vote in respect of such share(s) as if he/she/it was solely entitled thereto.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorised, and must be deposited with the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the meeting (i.e., at or before 11:00 a.m. on 20 March 2022 (Hong Kong time)), or any adjourned thereof.
5. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting at the EGM via e-Meeting System or any adjournment thereof and in such event, the instrument appointing a proxy will be deemed to be revoked.
6. The register of the members of the Company will be closed from 17 March 2022 to 22 March 2022, both dates inclusive, for determining shareholders’ right to attend and vote at the above meeting. In order to qualify for attending the above meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Abacus Limited at level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on 16 March 2022.
7. This notice has been printed in English and Chinese. In the event of any inconsistency, the English text of this notice shall prevail over its Chinese text.

*As at the date of this notice, the Board comprises one executive Director, namely, Dr. Liu Zhiwei; two non-executive Directors, namely Dr. Fu Weigang and Dr. Wang Shibin; and three independent non-executive Directors, namely, Professor He Jia, Mr. Wang Xiaojun and Mr. Chen Yuming.*