

# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Sun Cheong Creative Development Holdings Limited (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

## SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

### 新昌創展控股有限公司

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

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock code: 1781)**

### PROPOSED RESTRUCTURING INVOLVING

#### (1) PROPOSED SHARE CONSOLIDATION

#### AND

#### INCREASE IN AUTHORISED SHARE CAPITAL;

#### (2) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;

#### (3) CREDITORS SCHEMES INVOLVING POSSIBLE GRANT OF THE SHARE OPTIONS AND THE PUT OPTIONS; AND

#### (4) APPLICATION FOR WHITEWASH WAIVER;

#### AND

### NOTICE OF EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 18 to 63 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 66 to 102 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on pages 64 to 65 of this circular.

A notice convening the EGM to be held at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong on 13 May 2022 at 12:00 p.m. is set out on pages EGM-1 to EGM-6 of this circular. A form of proxy for use at the EGM or any adjournment thereof is enclosed to this circular. Shareholders are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e. on or before 11 May 2022 at 12:00 p.m.) or any adjournment thereof. **Shareholders are reminded that completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the extraordinary general meeting or any adjournment thereof should the ban on the conducting of physical general meetings be lifted by the date of the extraordinary general meeting under the relevant regulations.**

#### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the novel coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the EGM:

- 1) Limiting the number of the attendees to avoid over-crowding
- 2) Compulsory body temperature screening/checks
- 3) Compulsory wearing of surgical face mask for each attendee
- 4) Submission of personal information form, which may be used for contact tracing, if required
- 5) No distribution of corporate gift nor provision of refreshment

It is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing regulations imposed by the Hong Kong Government. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the relevant regulations, be provided with voting slips of the EGM at the door and may complete, sign and return the voting slips to exercise their voting rights. For the health and safety of Shareholders, the Company strongly encourages Shareholders to exercise their rights to vote at the EGM by appointing the chairman of the EGM (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy by the time specified above, instead of attending the EGM in person.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements on short notice. Shareholders should check the website of the Company at <https://www.cknassociates.com> and the website of the Stock Exchange at <http://www.hkexnews.hk> for future announcement(s) and updates on the EGM arrangements when necessary.

14 April 2022

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## PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR EGM

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In view of the recent development of the COVID-19 pandemic, the Company will adopt the following special arrangements at the EGM so as to safeguard the health and safety of the Shareholders who might be attending the EGM in person:

- (a) Voting by proxy in advance of the EGM — the Company does not in any way wish to diminish the opportunity available to Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect Shareholders from possible exposure to the COVID-19 pandemic.
- (b) The Company would like to remind the Shareholders that it is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing regulations imposed by the Hong Kong Government, including but not limited to any ban on conducting physical general meetings of companies under the Regulations (as defined below). Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM at the door and may complete, sign and return the voting slips to exercise their voting rights.
- (c) The Company strongly encourages Shareholders to exercise their rights to vote at the EGM by appointing the chairman of the EGM (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy to the Company's branch share registrar and transfer office not less than 48 hours before the time fixed for holding the EGM, (i.e. on or before 11 May 2022 at 12:00 p.m.), instead of attending the EGM in person.

### Attendance at the EGM venue

Under the Prevention and Control of Disease (Requirements and Directions) (Business and Premises) Regulation (Chapter 599F of the Laws of Hong Kong) and the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulations**”), group gatherings (including but not limited to conducting physical general meetings of companies) are restricted (the “**Requirement**”). As at the Latest Practicable Date, the Regulations include a ban on conducting physical general meetings of companies during a “specified period” (as defined in the Regulations), which, according to announcements made by the Hong Kong Government, is to remain in effect until 20 April 2022 (but may be extended by the Hong Kong Government). As announced by the Hong Kong Government, the existing social distancing measures can be eased from 21 April 2022 onwards on the condition that the epidemic situation shows no signs of a rebound and the downward trend continues. The relaxation will be carried out in three phases over a period of three months. Depending on the prevailing regulations on the date of the EGM, there may be limited capacity of the EGM venue and requirements for

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## **PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR EGM**

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social distancing to ensure attendees' safety, so admission to the EGM venue may not be granted in excess of the capacity of the EGM venue. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM at the door and may complete, sign and return the voting slips to exercise their voting rights.

Shareholders will not be precluded from attending and voting in person at the EGM (or any adjourned meeting thereof). In any event, Shareholders will not be deprived of their rights of voting on the resolution(s) to be proposed at the EGM (or any adjourned meeting thereof).

The Company will also implement the following additional precautionary measures at the EGM to ensure the health and safety of the attendees at the EGM:

- (i) The Company will take the body temperature of the intended attendees and refuse entry of those with a temperature of 37.4 degree Celsius or above.
- (ii) Attendees are requested to observe good personal hygiene at all times at the EGM venue and alcohol rubs or hand sanitiser will be provided for use.
- (iii) Attendees must wear surgical face-masks throughout the EGM and sit at a distance from other attendees and those not wearing face-masks may be denied entry to the EGM venue. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks.
- (iv) No distribution of corporate gift or refreshment.
- (v) Attendees who do not comply with the precautionary measures (i) to (iii) above or been found to have the symptom(s) of an upper respiratory system disease or be obeying a quarantine order may be denied entry to the EGM venue at the absolute discretion of the Company as permitted by law. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM at the door and may complete, sign and return the voting slips to exercise their voting rights.

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## **PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR EGM**

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### **Attendance by electronic means in the event of an extension of the ban of physical general meetings**

In the event that the ban on conducting physical general meetings of companies be extended by the Hong Kong Government (the “**Extension**”), the EGM will be conducted in combination of an in-room meeting at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong and a live webcast, with the minimum number of persons as is legally required to form a quorate meeting by the Directors who are Shareholders or proxy. Shareholders can participate and submit questions at the EGM through the live webcast at <https://us06web.zoom.us/j/82714129119>. The EGM is an important opportunity for all Shareholders to express their views by asking questions and voting, and the Shareholders’ participation at the EGM continues to be important. In order to do so, in the occurrence of the Extension and in the event that the Company is required to hold a combination of in-room meeting and live webcast, Shareholders may submit question(s) on the business of the meeting in advance or during the EGM by sending their questions to the email address at [bill@cknassociates.com](mailto:bill@cknassociates.com) or calling us at +852 9295 8875 for further assistance, if any. The questions raised by Shareholders at the EGM and those submitted beforehand will be addressed at the EGM as far as possible. In the event that the Company is required to hold a combination of in-room meeting and live webcast due to the Extension, Shareholders should note that no remote voting system is provided at the live webcast.

**It is, therefore, possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing regulations imposed by the Hong Kong Government. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM at the door and may complete, sign and return the voting slips to exercise their voting rights. The Company strongly encourages Shareholders to exercise their rights to vote at the EGM by appointing the chairman of the EGM (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy at the Company’s branch share registrar and transfer office not less than 48 hours before the time fixed for holding the EGM (i.e. on or before 11 May 2022 at 12:00 p.m.), instead of attending the EGM in person.**

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements on short notice. Shareholders should check the websites of the Company and the Stock Exchange for future announcement(s) and updates on the EGM arrangements.

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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Admitted Scheme Claim(s)”	all Scheme Claim(s) against the Company which have been admitted under the Creditors Schemes by the Scheme Administrators or the adjudicator (as the case may be)
“Announcement”	the announcement dated 8 November 2021 made by the Company in relation to, among others, the Restructuring and the Whitewash Waiver
“Board”	board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Cash Option”	option exercisable by a Creditor with Admitted Scheme Claim(s) to share in the distribution of HK\$20.0 million with the other Creditors by reference to the following formula: HK\$20.0 million x Admitted Scheme Claim(s) of the individual Creditor/total Admitted Scheme Claims
“Cayman Court”	Grand Court of the Cayman Islands
“Cayman Scheme”	the proposed scheme of arrangement pursuant to section 86 of the Companies Act and made between the Company and the Creditors in its present form or with or subject to any non-material modifications, additions, or conditions that the Cayman Court may approve or impose
“Chase On”	Chase On Development Limited, a company incorporated in Hong Kong with limited liability, a former wholly-owned subsidiary of the Company which had been wound up on 31 March 2020

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## DEFINITIONS

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“CK & Associates”	CK & Associates Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
“CKA Loan Agreement”	the loan agreement dated 17 March 2022 and entered into between CK & Associates (as borrower), and One Oak (as lender), pursuant to which One Oak has agreed to make available to CK & Associates a term loan in the principal amount of up to HK\$70.0 million at an interest rate of 3.0% per annum subject to the terms and conditions thereunder
“CKA Outstanding Debts”	all obligations, liabilities and debts owing or incurred by CK & Associates to One Oak at or at any time immediately prior to the Completion, including but not limited to all outstanding principal of the loan together with interest accrued thereon, under the CKA Loan Agreement
“Claim(s)”	any debt, liability or obligation of the Company (whether known or unknown, whether actual or contingent, whether present, future or prospective, whether liquidated or unliquidated), whether arising by virtue of contract, at common law, in equity or by statute in Hong Kong, the Cayman Islands or in any other jurisdiction or in any manner whatsoever and which includes without limitation a debt or liability to pay money or money’s worth, any liability for breach of trust, any liability in contract (including any guarantee liability of the Company), tort or bailment and any liability arising out of an obligation to make restitution, together with all interest on such debt, obligation or liability
“Companies Act”	Companies Act (2022 Revision) of the Cayman Islands as consolidated and revised from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended from time to time

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## DEFINITIONS

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“Company”	Sun Cheong Creative Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1781)
“Company’s Outstanding Debts”	all obligations, liabilities and debts owing or incurred by the Company to One Oak at or at any time immediately prior to the Completion, including but not limited to all outstanding principal of the loan together with interest accrued thereon, under the One Oak Funding Agreement
“Completion”	completion of the proposed Restructuring, including the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, the Creditors Schemes and other transactions contemplated under the Restructuring Agreement in accordance with the provisions thereof
“connected persons(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company upon the Share Consolidation becoming effective
“Courts”	collectively, the Cayman Court and the Hong Kong Court
“Creditor(s)”	the creditor(s) of the Company with Admitted Scheme Claim(s) against the Company as at the date on which Creditors Schemes become effective
“Creditors Schemes”	collectively, the Hong Kong Scheme and the Cayman Scheme
“Director(s)”	director(s) of the Company



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## DEFINITIONS

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“EGM”	an extraordinary general meeting of the Company to be convened and held on 13 May 2022 at 12:00 p.m. at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong to consider and, if thought fit, approve, among others, all the resolutions of the Company necessary and appropriate in relation to (i) the Share Consolidation and the Increase in Authorised Share Capital; (ii) the Subscription, including the grant of specific mandate for the allotment and issue of the Subscription Shares; (iii) the transactions contemplated under the Creditors Schemes, including the grant of the Share Options and the Put Options; (iv) the Whitewash Waiver; and (v) any other matters as required by law, the Listing Rules, the Takeovers Code, the Stock Exchange and/or the SFC, which are necessary to give effect to any transactions contemplated under the Restructuring Agreement
“Equity Option”	option exercisable by a Creditor to receive the benefit of the Share Options and the Put Options to be granted by the Company and held by the Scheme Administrators for the benefit of such Creditors pursuant to the terms of the Option Deed
“Executive”	the Executive Director of the Corporate Finance Department of the SFC from time to time or any delegate of the Executive Director
“Funding”	credit facility for a total sum of up to HK\$30.0 million to be provided by One Oak to the Company upon the fulfillment of the conditions precedent pursuant to the terms and conditions of the One Oak Funding Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Court”	any Court in Hong Kong that has jurisdiction to hear the provisional liquidation case the Company is subject to

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## DEFINITIONS

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“Hong Kong Scheme”	the proposed scheme of arrangement pursuant to section 670 of the Companies Ordinance and made between the Company and the Creditors in its present form or with or subject to any non-material modifications, additions, or conditions that the Hong Kong Court may approve or impose
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 divided into 200,000,000 Consolidated Shares to HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares by the creation of an additional 1,800,000,000 Consolidated Shares
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Wong Chi Kei, Ms. Lin Weiqi Wendy and Dr. Chan Kai Yue Jason, who has no direct or indirect interest in the proposed Restructuring and the Whitewash Waiver, established in accordance with the Takeovers Code to advise the Independent Shareholders on whether the terms of the Restructuring, including (i) the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver are fair and reasonable, and on normal commercial terms; and (ii) whether the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole, and as to the voting thereof

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## DEFINITIONS

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“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) whether the terms of the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver are fair and reasonable, and on normal commercial terms; and (ii) whether Subscription, the possible grant of the Share Options and the Put Options, and the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole, and as to the voting thereof
“Independent Shareholder(s)”	the Shareholder(s) other than One Oak, its close associates and parties acting in concert with anyone of them and those who are required to abstain from voting under the Takeovers Code and the Listing Rules
“Independent Third Party(ies)”	any person or company together with its ultimate beneficial owner(s), who or which is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s)
“Joint Provisional Liquidators”	Mr. Fok Hei Yu of FTI Consulting (Hong Kong) Limited and Mr. David Martin Griffin of FTI Consulting (Cayman) Ltd
“Last Trading Day”	30 June 2020, being the last trading date before the suspension of trading in the Shares
“Latest Practicable Date”	11 April 2022, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Long Stop Date”	7 November 2022, being a date falling on the expiry of 12 months from the date of the Restructuring Agreement, or such later date as the parties to the Restructuring Agreement may agree in writing
“One Oak”	One Oak Tree Limited, a company incorporated in the British Virgin Islands and owned as to 50% by Mr. Kabir Haresh Shah and 50% by Mr. David Michael Halley
“One Oak Concert Group”	One Oak and parties acting in concert with it
“One Oak Funding Agreement”	the funding agreement dated 17 September 2021 (as amended and restated on 17 March 2022) and entered into amongst One Oak as lender, the Company as borrower, and the Joint Provisional Liquidators in relation to the grant of the Funding with principal amount of up to HK\$30.0 million at the interest rate of 3.0% per annum, details of which were set out in the One Oak Funding Announcements
“One Oak Funding Announcements”	the announcements of the Company dated 17 September 2021 and 17 March 2022, respectively, in relation to, among other matters, the One Oak Funding Agreement and the CKA Loan Agreement
“One Oak Funding Arrangement”	transactions contemplated under the One Oak Funding Agreement and the relevant security documents
“Option Deed”	instrument to be executed by the Company upon Completion pursuant to which the Share Options and the Put Options are to be granted by the Company
“Option Exercise Price”	HK\$0.10 per Option Share payable upon the exercise of the Share Options

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## DEFINITIONS

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“Option Guarantee”	the guarantee to be executed by One Oak in favour of the Scheme Administrators for the benefit of the Creditors as security for the due and punctual payment and performance of the obligations of the Company under the Option Deed, provided that any liability of One Oak under the Option Deed and such guarantee shall be limited to an amount of HK\$30.0 million
“Option Period”	any day within the period of six (6) months from the date of grant of the Share Options
“Option Shares”	up to 60,000,000 new Consolidated Shares as may be subscribed by the Creditors pursuant to the terms of the Option Deed at the Option Exercise Price
“Placing”	the placing of 81,000,000 Subscription Shares or such number of Subscription Shares by One Oak through a placing agent to ensure that the public float requirement under the Listing Rules can be complied with by the Company
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes, Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“Put Options”	options which entitle the holders of the Share Options, acting through the Scheme Administrators, to the right, but not the obligation, to require the purchase of the Share Options by the Company at the Put Option Price A or the Put Option Price B (as the case may be), upon and subject to the terms and conditions contained in the Option Deed
“Put Option Exercise Period A”	the 14-day period immediately preceding the date falling three (3) months from the date of grant of the Share Options
“Put Option Exercise Period B”	the 14-day period immediately preceding the date of expiry of the Option Period

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## DEFINITIONS

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“Put Option Price A”	purchase price of HK\$0.6667 per Share Option payable by the Company upon exercise of the Put Options within the Put Option Exercise Period A
“Put Option Price B”	purchase price of HK\$0.8333 per Share Option payable by the Company upon exercise of the Put Options within the Put Option Exercise Period B
“Realisation Proceeds”	the proceeds of realisation of the Transferred Claims, if any, received by the Scheme Company
“Receiver”	Mr. Cheung Hok Hin, Alan, who was appointed to be the receiver over 270,256,500 Shares and 98,613,000 Shares which were registered under the names of Uni-Pro Ltd and Mr. Chan Kam Hon Ivan, respectively, pursuant to the powers contained in a debenture dated 16 January 2020 and executed by Uni-Pro Ltd in favour of Cachet Multi Strategy Fund SPC and a share charge dated 1 April 2019 and executed by Mr. Chan Kam Hon Ivan in favour of Cachet Multi Strategy Fund SPC (as amended and supplemented by a supplemental deed dated 16 January 2020) in connection with a loan agreement dated 1 April 2019 and entered into among Uni-Pro Ltd (as borrower), Cachet Multi Strategy Fund SPC (as lender), and Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia and Mr. Chan Kam Hon Ivan (as guarantors)
“Receiver’s Indication”	the indication given by the Receiver to the Company in relation to the voting preference of the Receiver towards the resolutions to be proposed at the EGM for the 270,256,500 Shares and 98,613,000 Shares under the receivership of the Receiver
“Relevant Period”	the period commencing six months before the date of the Rule 3.7 Announcement (i.e. 16 December 2019), up to and including the Latest Practicable Date

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## DEFINITIONS

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“Restructuring”	restructuring of the debts and liabilities and capital structure of the Company, or its subsidiaries, associated companies or other entities in which the Company holds an interest (as the case may be) and which comprise, among others, (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the Subscription; and (iv) the Creditors Schemes involving the grant of the Share Options and the Put Options
“Restructuring Agreement”	a restructuring framework agreement dated 8 November 2021 (as amended and supplemented by the supplemental restructuring agreement dated 17 March 2022) and entered into amongst the Company, the Joint Provisional Liquidators and One Oak (as may be amended or supplemented from time to time) relating to the Restructuring
“Restructuring Costs”	any costs, charges, expenses and disbursements properly incurred by the Joint Provisional Liquidators and the Company before Completion in connection with the investigation, negotiation and implementation of the Restructuring including the Creditors Schemes or otherwise in the course of the provisional liquidation, including the fees and expenses of the advisors to the Joint Provisional Liquidators and the Company and legal expenses
“Restructuring Documents”	the Restructuring Agreement, the Subscription Agreement, the Option Deed, the Option Guarantee and all other documents necessary to document and implement the transactions contemplated under the Restructuring
“Rule 3.7 Announcement”	the announcement of the Company dated 16 June 2020 issued pursuant to Rule 3.7 of the Takeovers Code
“Scheme Administrators”	Mr. Fok Hei Yu of FTI Consulting (Hong Kong) Limited and Mr. David Martin Griffin of FTI Consulting (Cayman) Ltd acting jointly and severally or their successors appointed pursuant to the Creditors Schemes

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## DEFINITIONS

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“Scheme Claim(s)”	a Claim (a) which is not a preferential Claim (and where the Claim is only in part a preferential Claim, then the person is a Creditor only to the extent of the non-preferential portion of the Claim); (b) which is not a Secured Claim (and where the Claim is only in part a Secured Claim, then the person is a Creditor only to the extent of the unsecured part of the Claim); (c) which is not a claim for the Restructuring Costs; and (d) which is not an amount due from the Company to One Oak under the One Oak Funding Agreement
“Scheme Company”	a company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle to be held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators
“Scheme Funds”	all funds from time to time credited to the Scheme Trust Account, including any interest thereon
“Scheme Meeting”	the meeting of the Creditors held on 7 January 2022 at the direction of the Cayman Court and the Hong Kong Court respectively for the purpose of considering and approving the Creditors Schemes
“Scheme Trust Account”	an interest-bearing trust account to be opened in the names of the Scheme Company and/or any of the Scheme Administrators with a licensed bank in Hong Kong for the purposes of holding the Scheme Funds for the benefit of the Creditors
“Secured Claim(s)”	Claim(s) which is/are secured by any security interest
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)



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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares or the Consolidated Shares, as the case may be
“Share Consolidation”	proposed consolidation of every ten (10) Shares into one (1) Consolidated Share
“Share Option(s)”	up to 60,000,000 options to be granted under the Option Deed to be held by the Scheme Administrators for the benefit of the Creditors pursuant to which the holders thereof will be entitled to subscribe for up to 60,000,000 new Consolidated Shares at the Option Exercise Price
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 8 November 2021 (as supplemented and amended by the supplemental subscription agreement dated 17 March 2022) and entered into amongst One Oak (as subscriber), the Company (as issuer) and the Joint Provisional Liquidators
“Subscription Price”	a price of HK\$0.1646 per Subscription Share
“Subscription Shares”	486,000,000 new Consolidated Shares to be subscribed by One Oak under the Subscription
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC

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## DEFINITIONS

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“Transferred Claims”	(i) all causes of action and claims which the Group has or may have against any person and the rights and obligations in respect of the litigations or any potential litigations involved under the name of the Group; (ii) all rights to claims which the Group has or may have against any person; and (iii) the accounts receivable due from Chase On, whether known or not known as at the date of the disposal of such claims (but excluding the claims for trade receivables and rights to the intercompany loans of the Company)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent

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## EXPECTED TIMETABLE

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The expected timetable for implementation of the Restructuring is set out below:

Event	2022
Date of despatch of circular with notice and form of proxy of the EGM .....	Thursday, 14 April
Latest time for lodging transfer documents and relevant share certificates to be eligible to attend and vote at the EGM. ....	4:30 p.m. on Monday, 9 May
Closure of register of members for the purpose of ascertaining Shareholders' eligibility to attend and vote at the EGM. ....	Tuesday, 10 May to Friday, 13 May (both dates inclusive)
Latest time for lodging the form of proxy for the EGM .....	12:00 p.m. on Wednesday, 11 May
Date and time of the EGM. ....	12:00 p.m. on Friday, 13 May
Publication of announcement of results of the EGM. ....	Friday, 13 May
Hong Kong Court hearing on the petition to sanction the Hong Kong Scheme. ....	7 June 2022
Cayman Court hearing on the petition to sanction the Cayman Scheme .....	15 June 2022 (Cayman time)
Withdrawal/dismissal of the winding up petition(s) .....	Before the Completion
Order granted by the Cayman Court to discharge the Joint Provisional Liquidators unconditionally or conditionally in respect of the provisional liquidation of the Company. ....	Before the Completion
The Creditors Schemes become effective .....	Upon registration of the Hong Kong Court order and the Cayman Court order
Completion takes place. ....	On or before 30 June 2022

All times and dates specified in the timetable above refer to Hong Kong times and dates unless otherwise specified.

**This timetable is indicative only and any subsequent change to the expected timetable will be announced by the Company as and when appropriate.**

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## LETTER FROM THE BOARD

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### SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

#### 新昌創展控股有限公司

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

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock code: 1781)**

*Executive Directors:*

Mr. Jason Martin Westcott (*Chief Executive Officer*)

Mr. Chan Sai On Bill

Mr. Ng Chun Chung

*Independent Non-executive Directors:*

Ms. Lin Weiqi Wendy

Mr. Wong Chi Kei

Dr. Chan Kai Yue Jason

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Unit 1501, 15/F

9 Wing Hong Street

Cheung Sha Wan

Kowloon

Hong Kong

14 April 2022

### PROPOSED RESTRUCTURING INVOLVING

#### (1) PROPOSED SHARE CONSOLIDATION

#### AND

#### INCREASE IN AUTHORISED SHARE CAPITAL;

#### (2) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE;

#### (3) CREDITORS SCHEMES INVOLVING POSSIBLE GRANT OF THE SHARE OPTIONS AND THE PUT OPTIONS;

#### AND

#### (4) APPLICATION FOR WHITEWASH WAIVER

*To the Shareholders*

Dear Sir or Madam,

### I. INTRODUCTION

References are made to the Announcement and the announcement of the Company dated 17 March 2022 in relation to, among others, the Share Consolidation and the Increase in Authorised Share Capital, the Subscription, the Creditors Schemes involving possible grant of the Share Options and the Put Options, and the Whitewash Waiver.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you, among other things, (i) further details of the Restructuring; (ii) a letter of recommendation from the Independent Board Committee in relation to the Restructuring, including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser in relation to the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver; and (iv) a notice convening the EGM.

### II. THE RESTRUCTURING

On 8 November 2021, the Company and the Joint Provisional Liquidators entered into the Restructuring Agreement (as amended and supplemented by the supplemental restructuring agreement dated 17 March 2022) with One Oak, pursuant to which the Company will implement the Restructuring which involves, among others, (i) the Share Consolidation and the Increase in Authorised Share Capital; (ii) the Subscription; and (iii) the Creditors Schemes involving possible grant of the Share Options and the Put Options.

Details of the Restructuring are set out as follow.

#### A. THE RESTRUCTURING AGREEMENT

##### **Date**

8 November 2021 (as amended and supplemented by the supplemental restructuring agreement dated 17 March 2022)

##### **Parties**

- (i) Company
- (ii) One Oak
- (iii) The Joint Provisional Liquidators

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## LETTER FROM THE BOARD

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### Conditions precedent to Completion

Completion shall be conditional upon the following conditions precedent being fulfilled on or before the Long Stop Date:

- (i) the signing of all Restructuring Documents by all the parties thereunder as may be required to be entered into before Completion;
- (ii) a copy of an order of the Cayman Court sanctioning the Cayman Scheme pursuant to the Companies Act having been delivered to the Registrar of Companies in the Cayman Islands for registration and an office copy of an order of the Hong Kong Court sanctioning the Hong Kong Scheme pursuant to the Companies Ordinance having been delivered to the Registrar of Companies in Hong Kong for registration;
- (iii) the orders of the Cayman Court and the Hong Kong Court sanctioning the dismissal of the winding-up petitions presented against the Company and the discharge of the Joint Provisional Liquidators in Hong Kong and the Cayman Islands;
- (iv) the passing of the necessary resolutions by the Shareholders or Independent Shareholders (as the case may be) at the EGM for the Creditors Schemes, the Restructuring Agreement and the transactions contemplated thereunder (including the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, the grant of the Share Options and the Put Options) and the Whitewash Waiver, and not having been revoked or vitiated;
- (v) the Company having obtained either conditional approval or approval-in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares, the Subscription Shares and the Option Shares on the Stock Exchange;
- (vi) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (vii) the Creditors Schemes becoming effective and being implemented in accordance with their terms;
- (viii) the resumption of trading of the Shares (or Consolidated Shares, if the Share Consolidation has become effective) on the Stock Exchange; and

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## LETTER FROM THE BOARD

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- (ix) all necessary governmental, regulatory and corporate authorisations, approvals, consents and/or waivers for the entering into of the Restructuring Agreement and the performance of obligations thereunder having been obtained and effective.

As at the Latest Practicable Date, save for the consents, approvals and/or waivers required to be obtained by the Company as set out in conditions (ii) to (viii) above, there was no other governmental, regulatory and corporate authorisations and approvals required to be obtained in respect of condition (ix) above. As at the Latest Practicable Date, save for condition (i) above, no other conditions had been fulfilled.

### **Termination of the Restructuring Agreement**

#### ***Termination by the Joint Provisional Liquidators or One Oak***

Each of the Joint Provisional Liquidators and One Oak may terminate the Restructuring Agreement by serving written notice to other parties to the Restructuring Agreement if One Oak or the Joint Provisional Liquidators (as the case may be) (i) materially breach or default in any of its/their obligations under the Restructuring Agreement or fail to comply fully with such obligations; and (ii) fail to rectify such breach, default or non-compliance within ten (10) Business Days of the non-defaulting party notifying the defaulting party in writing of such breach, default or non-compliance.

If the Restructuring Agreement is terminated by the Joint Provisional Liquidators following a material breach of One Oak of its obligations under the Restructuring Agreement, (i) the Creditors Schemes shall terminate and all the Scheme Claims shall be deemed to have revived and the Creditors will be entitled to pursue against the Company in respect of such Scheme Claims as if the Schemes had never been effective and binding provided that credit be given to any distribution made under the Creditors Schemes; and (ii) any amount of the Scheme Funds remaining in the Scheme Trust Account, after deduction of all the Restructuring Costs incurred, shall be returned to the Company as soon as practicable following the termination and One Oak shall waive the repayment of such equivalent amount and interest accrued thereon provided under the One Oak Funding Agreement.

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## LETTER FROM THE BOARD

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### *Automatic termination*

Unless the Joint Provisional Liquidators and One Oak shall otherwise agree, the Restructuring Agreement shall be terminated automatically if:

- (i) the listing of the Shares has been cancelled by the Stock Exchange before the Completion and the Company has failed in an appeal to the Listing Review Committee of the Stock Exchange to reverse such decision;
- (ii) an order has been made by the Hong Kong Court and/or the Cayman Court to wind-up the Company;
- (iii) Completion has not taken place on or before the Long Stop Date; or
- (iv) the Joint Provisional Liquidators and One Oak agree in writing that the Restructuring Agreement shall be terminated.

The Restructuring Agreement shall not be terminated automatically, if at any time of the occurrence of any event set out in the paragraphs (i) to (iv) above, One Oak is in breach of or has defaulted in its obligations under the Restructuring Agreement or has failed to comply fully with such obligations and such breach, default or non-compliance has not been rectified within 14 Business Days from the date of such breach, default or non-compliance, but shall be deemed to have been terminated by the Joint Provisional Liquidators and any amount of the Scheme Funds remaining in the Scheme Trust Account, after deduction of all the Restructuring Costs incurred, shall be returned to the Company as soon as practicable following the termination and One Oak shall waive the repayment of such equivalent amount and the interest accrued thereon provided under the One Oak Funding Agreement.

If the Restructuring Agreement is terminated automatically, (i) the Creditors Schemes shall terminate and all the Scheme Claims shall be deemed to have revived and the Creditors will be entitled to pursue against the Company in respect of such Scheme Claims as if the Creditors Schemes had never been effective and binding provided that credit be given to any distributions made under the Creditors Schemes; and (ii) any amount of the Scheme Funds remaining in the Scheme Trust Account, after deduction of all the Restructuring Costs incurred, shall be transferred to One Oak as soon as practicable following the termination.



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## LETTER FROM THE BOARD

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### **B. THE SHARE CONSOLIDATION AND THE INCREASE IN AUTHORISED SHARE CAPITAL**

#### **The Share Consolidation**

The Company proposed to implement, subject to the approval by the Shareholders, the Share Consolidation, under which every ten (10) issued Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.10 each.

#### **Effects of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each, of which 540,000,000 Shares were in issue which are fully paid or credited as fully paid. Immediately following the Share Consolidation, the authorised share capital of the Company shall become HK\$20,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.10 each, of which 54,000,000 Consolidated Shares shall be in issue which are fully paid or credited as fully paid.

Other than the relevant expenses incurred, the implementation of the Share Consolidation will not, by itself, alter the underlying assets, liabilities, businesses, operations, management or financial position of the Group or the rights of the Shareholders.

#### **Status of the Consolidated Shares**

The Consolidated Shares after the Share Consolidation will be identical and rank *pari passu* in all respects with each other.

#### **Conditions to the Share Consolidation**

The implementation of the Share Consolidation shall be conditional upon:

- (1) the passing of an ordinary resolution by the Shareholders by way of poll at the EGM to approve the Share Consolidation;
- (2) the Company having obtained either conditional approval or approval-in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange; and
- (3) the obtaining of all necessary approvals from the regulatory authorities or otherwise as may be required in respect of the Share Consolidation, if any.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, none of the above conditions had been fulfilled.

### **The Increase in Authorised Share Capital**

The Company further proposed to increase the Company's authorised share capital from HK\$20,000,000 divided into 200,000,000 Consolidated Shares to HK\$200,000,000 divided into 2,000,000,000 Consolidated Shares by the creation of an additional 1,800,000,000 Consolidated Shares. The proposed Increase in Authorised Share Capital is conditional upon:

- (1) the passing of an ordinary resolution by the Shareholders by way of poll at the EGM to approve the Increase in Authorised Share Capital; and
- (2) the Share Consolidation having become effective.

As at the Latest Practicable Date, none of the above conditions had been fulfilled.

### **C. THE SUBSCRIPTION**

#### **The Subscription Agreement**

On 8 November 2021, One Oak (as subscriber), the Company (as issuer) and the Joint Provisional Liquidators entered into the Subscription Agreement (as amended and supplemented by the supplemental subscription agreement dated 17 March 2022), pursuant to which, One Oak conditionally agreed to subscribe the Subscription Shares to be issued by the Company at the Subscription Price for the purpose of the Restructuring.

#### **The Subscription Shares**

Pursuant to the terms and conditions of the Subscription Agreement, One Oak shall subscribe for a total of 486,000,000 Subscription Shares for a total subscription price of HK\$80,000,000, representing approximately HK\$0.1646 per Subscription Share, which shall be satisfied by One Oak in the following manner:

- (i) firstly, by way of set-off of the Company's Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the Company's Outstanding Debts;
- (ii) secondly, by way of set-off of the CKA Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the CKA Outstanding Debts; and

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## LETTER FROM THE BOARD

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- (iii) finally, the balance of the total subscription price for the Subscription Shares (if any) shall be payable by One Oak (or its nominee) to the Company by way of cash.

Pursuant to the terms and conditions of the One Oak Funding Agreement, the maximum exposure amounts of the Company's Outstanding Debts would be in the principal amount of HK\$30.0 million together with the interests accrued thereon. Pursuant to the terms and conditions of the CKA Loan Agreement, the maximum exposure amounts of the CKA Outstanding Debts would be in the principal amount of HK\$70.0 million together with the interests accrued thereon.

The total number of Subscription Shares to be allotted and issued under the Subscription represents:

- (i) 90% of the enlarged issued share capital of the Company immediately after the completion of the Subscription;
- (ii) approximately 75% of the enlarged issued share capital of the Company immediately after the completion of the Subscription and the Placing, assuming all Creditors accept the Cash Option; and
- (iii) approximately 67.5% of the enlarged issued share capital of the Company immediately after the completion of the Subscription and the Placing, assuming all Creditors accept the Equity Option, and all Creditors accepting the Equity Option have exercised the Share Options.

The aggregate nominal value of 486,000,000 Subscription Shares is HK\$48,600,000.

### **The Subscription Price**

The Subscription Price of HK\$0.1646 per Subscription Share represents:

- (i) a discount of approximately 91.01% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 91.02% to the theoretical average closing price of HK\$1.832 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK\$0.1832 as quoted on the Stock Exchange for the last five trading days prior to the Last Trading Day.

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## LETTER FROM THE BOARD

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The Subscription Price was determined after arm's length negotiation between the Company, the Joint Provisional Liquidators and One Oak with reference to (i) the financial position of the Company (recording a total deficit of HK\$116,936,000 and HK\$135,086,000 as at 31 December 2019 and 30 June 2020, respectively, according to the 2019 annual report and 2020 interim report of the Company) and that the Company is insolvent; (ii) the prevailing market prices of the Shares; (iii) the prevailing market conditions; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2020 and the proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange. Taking into account the aforesaid factors, the Directors (excluding the independent non-executive Directors whose view is expressed and set forth in the letter from the Independent Board Committee having considered the advice of the Independent Financial Adviser) considered that the Subscription Price is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

### **Conditions to the Subscription**

Completion of the Subscription shall be conditional upon:

- (i) a copy of an order of the Cayman Court sanctioning the Cayman Scheme pursuant to the Companies Act having been delivered to the Registrar of Companies in the Cayman Islands for registration and an office copy of an order of the Hong Kong Court sanctioning the Hong Kong Scheme pursuant to the Companies Ordinance having been delivered to the Registrar of Companies in Hong Kong for registration;
- (ii) the Share Consolidation and the Increase in Authorised Share Capital having become effective;
- (iii) the passing of the necessary resolutions by the Shareholders or the Independent Shareholders (as the case may be) at the EGM for the Creditors Schemes, the Restructuring Agreement, the Subscription Agreement and the transactions contemplated thereunder respectively (including the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, the grant of the Share Options and the Put Options) and the Whitewash Waiver, and not having been revoked or vitiated;
- (iv) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn;
- (v) the Company having obtained either conditional approval or approval-in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Subscription Shares on the Stock Exchange;

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## LETTER FROM THE BOARD

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- (vi) the Stock Exchange having conditionally or unconditionally approved or decided to allow the Company to proceed with the resumption of the trading in the Shares (or the Consolidated Shares upon the Share Consolidation becoming effective) on the Stock Exchange and all the conditions attached to such approval or decision (if any) having been fulfilled (other than those conditions relating to or in connection with the restoration of public float) or waived by the Stock Exchange; and
- (vii) all other necessary waivers, consents and approval including but not limited to those from the Stock Exchange, the Executive and any other relevant government or regulatory authorities, which are required (if any) for the implementation of the Restructuring and all transactions contemplated thereunder having been obtained.

As at the Latest Practicable Date, save for the waivers, consents and/or approvals required to be obtained by the Company as set out in conditions (i), (iii), (iv), (v) and (vi) above, there was no other waivers, consents and approvals required to be obtained in respect of condition (vii) above. As at the date of the Latest Practicable Date, none of the conditions above had been fulfilled.

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

The Subscription Shares, when allotted and issued, will rank *pari passu* among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Subscription Shares.

### **The Placing**

As the public float of the Company will fall below 25% upon completion of the Subscription, the Company and One Oak undertakes that it will, as soon as practicable, dispose of such number of Consolidated Shares through a third party placing agent to ensure that the minimum public float requirement under the Listing Rules can be complied with by the Company. One Oak shall appoint such third party agent and negotiate the terms of the placing arrangement (including but not limited to, the commission, the price of placing Shares and etc.). Further announcement(s) will be made in relation to the arrangements, as and when appropriate.

## **D. THE CREDITORS SCHEMES**

It is proposed that the debts of the Company be restructured from funds to be made available out of the funding under the One Oak Funding Agreement.

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## LETTER FROM THE BOARD

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Under the Creditors Schemes, each Creditor with Admitted Scheme Claim(s) may choose either the Cash Option or the Equity Option (but not a combination of the Cash Option and Equity Option). Further, each Creditor with Admitted Scheme Claim(s) may be entitled to the Realisation Proceeds which may be realised by the Scheme Administrators from the disposal of the Transferred Claims.

Those Creditors who elect to receive the Cash Option would share in the distribution of HK\$20.0 million with other Creditors by reference to the following formula:

$$\text{HK\$20.0 million} \quad \times \quad \frac{\text{Admitted Scheme Claim(s) of the individual Creditor}}{\text{Total Admitted Scheme Claims of all Creditors}}$$

Those Creditors who elect to receive the Equity Option will receive the benefit of the Share Options granted by the Company to be held by the Scheme Administrators for the benefit of such Creditors to subscribe for new Consolidated Shares at a nominal exercise fee of HK\$0.10 per Option Share by reference to the below formula:

$$60,000,000 \text{ Share Options} \quad \times \quad \frac{\text{Admitted Scheme Claim(s) of the individual Creditor}}{\text{Total Admitted Scheme Claims of all Creditors}}$$

Additionally, such Creditors may exercise the Put Option and require the Company to purchase the Share Options granted. If the Put Option is exercised within the Put Option Exercise Period A or the Put Option Exercise Period B, the relevant Creditor will be entitled to require the Company to purchase the Share Option(s) at HK\$0.6667 per Share Option (i.e. the Put Option Price A) and/or HK\$0.8333 per Share Option (i.e. the Put Option Price B), respectively.

In the absence of any election, a Creditor will be deemed to have elected the Cash Option.

### Conditions to the Creditors Schemes

The Creditors Schemes will be implemented simultaneously in Hong Kong and the Cayman Islands. The Creditors Schemes are subject to the following conditions:

- (i) over fifty per cent (50%) in number of the Creditors, representing at least seventy-five per cent (75%) in value of the Creditors, present and voting in person (or through electronic means if applicable) or by proxy at the Scheme Meeting, vote in favour of the Creditors Schemes;

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## LETTER FROM THE BOARD

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- (ii) the Cayman Court sanctions the Cayman Scheme and an office copy of the order of Cayman Court sanctioning the Cayman Scheme is delivered to and registered by the Registrar of Companies in the Cayman Islands;
- (iii) the Hong Kong Court sanctions the Hong Kong Scheme and an office copy of the order of the Hong Kong Court sanctioning the Hong Kong Scheme is delivered to and registered by the Registrar of Companies in Hong Kong for registration; and
- (iv) the passing of the necessary resolutions by the Shareholders or Independent Shareholders (as the case may be) at the EGM for the Creditors Schemes.

All the conditions precedents to the Creditors Schemes are not capable of being waived. As at the Latest Practicable Date, save for condition (i) above, no other conditions had been fulfilled.

On 7 January 2022, the Scheme Meeting was held, and the Creditors Schemes were approved by the requisite statutory majorities of the Creditors. Accordingly, condition (a) had been fulfilled. In light of the hearing of the Listing Review Committee of the Stock Exchange for reviewing the delisting decision of the Listing Committee of the Stock Exchange which is scheduled to be heard on 20 April 2022, the Company sought directions from the Hong Kong Court and Cayman Court, and the Hong Kong Court and the Cayman Court directed that the sanction hearings of the Hong Kong Scheme and the Cayman Scheme be re-fixed for 7 June 2022 (Hong Kong time) and 15 June 2022 (Cayman time), respectively.

Pursuant to the Creditors Schemes:

- (i) all Scheme Claims against the Company shall be compromised, discharged and/or settled; and
- (ii) the Creditors shall receive distribution of the Scheme Funds on the terms of the Creditors Schemes.

The Creditors Schemes shall, if sanctioned by the Courts and upon the filing of the orders of the Hong Kong Court and the Cayman Court with the relevant companies registries in Hong Kong and the Cayman Islands respectively, bind the Company and each of the Creditors and shall be administered by the Scheme Administrators.

As at the Latest Practicable Date, the Company had an estimated total amount of Claims of approximately HK\$306.8 million, of which approximately HK\$197 million was indebted to a number of bank creditors and approximately HK\$109.8 million was Claims by certain alleged bondholders. The alleged bonds held by the aforesaid alleged bondholders were not recorded in the

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## LETTER FROM THE BOARD

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Company's financial records. The Company considers that the validity and enforceability of these Claims are subject to serious dispute. This indebtedness figure is indicative only and the claims of the Creditors will be subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Creditors Schemes.

One of the alleged bondholders is Mr. Chan Kam Hon Ivan ("**Mr. Chan**"), who is a former executive Director and a shareholder holding 98,613,000 Shares ("**Mr. Chan's Shares**") which had been under receivership since 8 June 2020. Pursuant to terms of a share charge dated 1 April 2019 and executed by Mr. Chan in favour of Cachet Multi Strategy Fund SPC (as amended and supplemented by a supplemental deed dated 16 January 2020) and the terms of the deed of appointment in relation to the receivership of Mr. Chan's Shares, for the purpose of exercising all the rights, powers and discretion as a receiver of Mr. Chan's Shares, the Receiver shall act as the agent of Mr. Chan and shall be entitled to exercise all the powers and rights of an absolute owner of Mr. Chan's Shares and have power to do all acts and to execute, in the name and on behalf of Mr. Chan, all deeds, agreements and other documents. As such, despite Mr. Chan remained to be the beneficial owner of Mr. Chan's Shares as at the Latest Practicable Date, the Receiver (but not Mr. Chan) shall be entitled to exercise the voting rights attached to Mr. Chan's Shares. For instance, the Receiver had exercised the voting rights of Mr. Chan's Shares at the annual general meeting of the Company on 31 July 2020 without having consulted or discussed with Mr. Chan prior to exercising such voting rights. On 25 April 2021, Mr. Chan submitted (i) a claim in the amount of HK\$1,510,667 in relation to the outstanding salary due to him; and (ii) a claim in the amount of HK\$26,162,400 in relation to funds transferred by him to the Company and its subsidiaries (the "**Second Alleged Claim**"). However, the Joint Provisional Liquidators did not consider that Mr. Chan is the beneficiary under these claims given that he was declared bankrupt and the Shares held by him is under receivership. All his rights over the claims are rested with the trustee of his bankruptcy estate. In addition, the Joint Provisional Liquidators received another claim from Mr. Yuen Chi Ping, a former independent non-executive Director during the period from 16 August 2018 to 29 August 2019, who claimed that Mr. Chan has assigned the Second Alleged Claim to him on 30 August 2019. Accordingly, the rights over the Second Alleged Claim is still subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Creditors Schemes.

Save as aforesaid, as at the Latest Practicable Date, (i) none of the Creditors or the alleged bondholders were Shareholders, nor had any known Creditors or the alleged bondholders indicated their intention to become Shareholders; and (ii) the Creditors or the alleged bondholders were not acting in concert with the One Oak Concert Group.



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## LETTER FROM THE BOARD

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### E. GRANT OF THE SHARE OPTIONS AND THE PUT OPTIONS

#### The Share Options

Pursuant to the terms and conditions of the Restructuring Agreement, the Company undertakes to execute the Option Deed and to grant up to 60,000,000 Share Options to the Creditors who elect the Equity Option under the Creditors Schemes. Up to 60,000,000 Share Options will be issued by the Company to the Scheme Administrators to hold for the benefit of such Creditors as soon as practicable after the Scheme Administrators or the adjudicator has/have determined or adjudicated all the Scheme Claim(s) (as the case may be) in accordance with the Creditors Schemes and within 21 days from the date of resumption of trading in the Shares (whichever is later). Principal terms of the Share Options are set out below:

Issuer:	The Company
Grantee:	The Creditors who elect the Equity Option under the Creditors Schemes
Number of Share Option:	Up to 60,000,000 Share Options entitling the holder(s) to subscribe for a maximum of 60,000,000 Option Shares (upon the Share Consolidation becoming effective). Each Share Option carries the rights of its holder to subscribe for one Option Share
Number of Option Shares:	Up to 60,000,000 Option Shares (upon the Share Consolidation becoming effective) to be issued upon exercise of the Share Options  The aggregate nominal value of 60,000,000 Option Shares is HK\$6,000,000
Option Period:	Period of six (6) months from the date of grant of the Share Options
Option Exercise Price:	HK\$0.10 per Option Share (upon the Share Consolidation becoming effective) (subject to customary adjustments upon occurrence of certain events such as consolidation or sub-division of the share capital of the Company, capitalisation of profits or reserves, share dividends or other dividends and distributions), which was determined based on nominal value

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## LETTER FROM THE BOARD

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Ranking of Option Shares to be allotted and issued on exercise of the Share Options	All Options Shares to be allotted and issued on exercise of the Share Options shall rank <i>pari passu</i> in all respects with the fully paid new Consolidated Shares in issue on the relevant date of exercise of the Share Options, and shall accordingly entitle the holders to participate in full in all dividends or other distributions paid or made on the Consolidated Shares on or after the relevant date of exercise of the Share Options, other than any dividend or other distribution previously declared, or recommended or resolved to be paid or made, if the record date is before the relevant date of exercise of the Share Options and notice of the amount and record date for which is given to the Stock Exchange prior to the relevant date of exercise of the Share Options
Alteration in capital structure:	In the event of any alteration in the capital structure of the Company whilst any Share Option is able to be vested or remains exercisable, whether by way of capitalisation of profits or reserves, consolidation or sub-division of the share capital of the Company in accordance with the legal requirements and requirements of the Stock Exchange, other than any alteration in the capital structure of the Company as a result of an issue of Shares pursuant to, or in connection with, any share option scheme, share appreciation rights scheme or any arrangement for remunerating or incentivising any employee, consultant or advertiser to the Company or any employee, consultant or adviser to the Group, or in the event of any distribution of the Company's legal assets to the Shareholders on a pro rata basis other than dividends paid out of the net profits attributable to the Shareholders for each financial year of the Company, such corresponding alterations (if any) shall be made to the Option Exercise Price subject to the written confirmation of a firm of accountant or independent financial adviser of the Company that the adjustment shall be in compliance with the Listing Rules or such other guidance by the Stock Exchange
Rights on liquidation:	In the case of a compulsory winding-up of the Company, the Share Options in so far as not exercised shall lapse on an order having been made by the court for winding-up of the Company
Transferability:	Save for the transfer of the Share Options to the Company by virtue of the exercise of the Put Options, the Share Options are not transferable

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## LETTER FROM THE BOARD

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Listing: No listing of the Share Options will be sought on the Stock Exchange or other stock exchanges

### **The Put Options**

Pursuant to the terms and conditions of the Restructuring Agreement, the Company undertakes to grant the Put Options to the Creditors who elect the Equity Option under the Creditors Schemes. The holder of the Put Options will have the right to sell the Share Options back to the Company (i) at a Put Option Price A of HK\$0.6667 per Share Option during the Put Option Exercise Period A; and/or (ii) at a Put Option Price B of HK\$0.8333 per Share Option during the Put Option Exercise Period B. Principal terms of the Put Options are set out below:

Grantor: The Company

Grantee: The Creditors who elect the Equity Option under the Creditors Schemes

Exercise of Put Options: The Company shall purchase the Share Options and the Grantee shall sell the Share Options free from any encumbrance, equities, claims and adverse interests whatsoever, and together with all rights now and hereafter attaching or accruing to them on or after the date of the exercise notice given by the Grantee to the Grantor

Put Option Exercise Period A: The 14-day period immediately preceding the date falling three (3) months from the date of grant of the Share Options

Put Option Exercise Period B: The 14-day period immediately preceding the date of expiry of the Option Period

Put Option Price A: HK\$0.6667 per Share Option for the Put Option Exercise Period A

Put Option Price B: HK\$0.8333 per Share Option for the Put Option Exercise Period B

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## LETTER FROM THE BOARD

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The Put Option Price A represents a total consideration of HK\$40,000,000 payable by the Company to the Creditors who elect the Equity Option and intend to exercise the Put Options within the Put Option Exercise Period A, divided by the maximum number of Share Options to be issued. The Put Option Price B represents a total consideration of HK\$50,000,000 payable by the Company to the Creditors who elect the Equity Option and intend to exercise the Put Options within the Put Option Exercise Period B, divided by the maximum number of Share Options to be issued.

Pursuant to the terms and conditions of the Restructuring Agreement, One Oak shall guarantee the due and punctual payment and performance of the obligations of the Company in connection with the Put Options in favour of the Creditors, provided that any liability of One Oak under the Option Deed and the Option Guarantee shall be limited to an amount of HK\$30.0 million. Such guaranteed amount of HK\$30.0 million represents the difference between (i) the maximum purchase price for the Share Options assuming all Creditors opt for the Equity Option and exercise the Put Options within the Put Option Exercise Period B (i.e. HK\$50.0 million); and (ii) a cash payment of HK\$20.0 million which would be payable by the Company by the funding under One Oak Funding Agreement.

### **Conditions of the grant of the Share Options and the Put Options**

The grant of the Share Options and the Put Options shall be conditional upon:

- (i) a copy of an order of the Cayman Court sanctioning the Cayman Scheme pursuant to the Companies Act having been delivered to the Registrar of Companies in the Cayman Islands for registration and an office copy of an order of the Hong Kong Court sanctioning the Hong Kong Scheme pursuant to the Companies Ordinance having been delivered to the Registrar of Companies in Hong Kong for registration;
- (ii) the signing of the Option Deed by the Company and the Option Guarantee by One Oak both in favour of the Scheme Administrators for the benefit of the Creditors;
- (iii) the Share Consolidation and the Increase in Authorised Share Capital becoming effective;
- (iv) the passing of the necessary resolutions by the Shareholders or Independent Shareholders (as the case may be) at the EGM for the Creditors Schemes, the Restructuring Agreement and the transactions contemplated thereunder (including the Share Consolidation, the Increase in Authorised Share Capital, the Subscription and the grant of the Share Options and Put Options) and not having been revoked or vitiated; and

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## LETTER FROM THE BOARD

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- (v) the Company having obtained either conditional approval or approval-in-principle from the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Option Shares on the Stock Exchange.

The grant of the Put Options shall be conditional upon the grant of the Share Options becoming unconditional. As at the Latest Practicable Date, none of the above conditions had been fulfilled.

### **The Option Shares**

Pursuant to the terms and conditions of the Restructuring Agreement, the Creditors with Admitted Scheme Claims who elect the Equity Option will have the rights, which may be exercised at any time during the Option Period to subscribe at the Option Exercise Price for up to 60,000,000 Option Shares.

If the Creditors with Admitted Scheme Claims who elect the Equity Option shall exercise the Share Options in entirety, an aggregate of 60,000,000 Option Shares will be newly issued, representing 10.00% of the enlarged issued share capital of the Company immediately after the completion of the Subscription and the Placing.

### **The Option Exercise Price**

The Option Exercise Price of HK\$0.10 per Option Share represents:

- (i) a discount of approximately 94.54% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 94.54% to the theoretical average closing price of HK\$1.832 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK\$0.1832 as quoted on the Stock Exchange for the last five trading days prior to the Last Trading Day.

The Option Exercise Price, being HK\$0.10 per Option Share (upon the Share Consolidation becoming effective) which represents the nominal price of the Consolidated Share and the lowest possible issued price of the Consolidated Share, was determined after arm's length negotiation between the Company, the Joint Provisional Liquidators and One Oak with reference to (i) the financial position of the Company; (ii) the prevailing market prices of the Shares; (iii) the prevailing market conditions; and (iv) the fact that trading in the Shares on the Stock Exchange

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## LETTER FROM THE BOARD

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has been suspended since 2 July 2020 and the proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange.

### **The Put Option Price A and the Put Option Price B**

The Put Option Price A and the Put Option Price B were determined after arm's length negotiation between the Company, the Joint Provisional Liquidators and One Oak after taking into account the timing for settlement of the Admitted Scheme Claim(s) with the Creditors. In the event that all the Creditors elected the Equity Option, the Company will not be required to make the cash payment of HK\$20 million upon Completion but will grant the Share Options to the Creditors. If the Creditors do not exercise the Share Options, they are entitled to exercise the Put Option to sell the Share Option back to the Company at the Put Option Price A of HK\$0.6667 per Share Option during the Put Option Exercise Period A (which is about 3 months from the date of grant of the Share Options) and/or at the Put Option Price B of HK\$0.8333 per Share Option during the Put Option Period B (which is about 6 months from the date of grant of the Share Options). In essence, the grant of the Put Option would provide incentives for the Creditors to consider deferred settlement of their Admitted Scheme Claim(s). The maximum total price payable by the Company if all the Creditors who elected the Equity Option choose to only exercise the Put Option at a later date during the Put Option Exercise Period B would be HK\$50 million, while only HK\$40 million would be payable by the Company if the Creditors choose to exercise the Put Option at a sooner date during the Put Option Exercise Period A. Taking into account the aforesaid factors, the Directors (excluding the independent non-executive Directors whose view is expressed and set forth in the letter from the Independent Board Committee having considered the advice of the Independent Financial Adviser) considered that the Put Option Price A and the Put Option Price B are fair and reasonable and the grant of the Put Option is in the interests of the Company and the Shareholders as a whole.

### **Expected effective date of the grant of the Share Options and the Put Options**

The proposed issue of the Share Options and the Put Options will be effective upon the conditions mentioned above being fulfilled. The Share Options shall lapse automatically on the earliest of (i) the expiry of the Option Period; and (ii) a voluntary or compulsory winding-up of the Company.

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## LETTER FROM THE BOARD

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### F. THE FUNDING

#### One Oak Funding Agreement

On 17 September 2021, One Oak as lender, the Company as borrower and the Joint Provisional Liquidators entered into the One Oak Funding Agreement (as amended and restated on 17 March 2022), pursuant to which One Oak conditionally agreed to grant a credit facility in the principal amount of up to HK\$30.0 million at an interest rate of 3.0% per annum to the Company subject to and upon the terms and conditions of the One Oak Funding Agreement to ensure sufficient funding for payment of the Creditors Schemes so as to facilitate the preparation and implementation of the Restructuring plan of the Company and support the general working capital of the Group.

The principal terms of the One Oak Funding Agreement are set out below.

Date:	17 September 2021 (as amended and restated on 17 March 2022)
Parties:	(i) One Oak  (ii) the Company  (iii) the Joint Provisional Liquidators
Principal amount of Funding:	up to HK\$30.0 million to be provided subject to the fulfilment (or waiver, as the case may be) of all conditions precedent for the Funding under the One Oak Funding Agreement
Interest:	3.0% per annum  Interest shall be payable monthly in advance on the first Business Day of each month after the relevant drawdown date.

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## LETTER FROM THE BOARD

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- Default interest: If the Company defaults in the payment on the due date of any sum payable thereunder, the Company shall pay default interest on the overdue sum from the due date to the date of actual payment in full (both before and after judgment) at the rate of 5.0% per annum.
- Conditions precedent to Funding: The obligation of One Oak to provide Funding to the Company is conditional upon:
- (a) the Schemes becoming effective;
  - (b) the Stock Exchange having conditionally or unconditionally approved or decided to allow the Company to proceed with the resumption of trading in the Shares (or the Consolidated Shares upon the Share Consolidation becoming effective) on the Stock Exchange and all the conditions attached to such approval or decision (if any) having been fulfilled or waived by the Stock Exchange;
  - (c) the Subscription Agreement having become unconditional;
  - (d) the passing of the ordinary resolutions by the Shareholders at the EGM for the approval of the Creditors Schemes, the Restructuring Agreement, the Subscription Agreement and the transactions contemplated thereunder respectively (including the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, and the grant of the Share Options and the Put Options), and the passing of a special resolution by the Independent Shareholders at the EGM for the approval of the Whitewash Waiver, all of which not having been revoked or vitiated; and
  - (e) the Whitewash Waiver having been granted by the Executive and such Whitewash Waiver not having been subsequently revoked or withdrawn.



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## LETTER FROM THE BOARD

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One Oak has its absolute discretion at any time to waive in writing any of the conditions above.

If the conditions above have not been fulfilled (or waived by One Oak, as the case may be) on or before 30 June 2022 or such later date as the parties thereto may agree in writing, One Oak shall no longer have the obligation to provide the Funding to the Company.

Application of the Funding:

The Company undertakes to apply the Funding towards the following payment (or reimbursement) of:

- (a) the Joint Provisional Liquidators' Fees and Expenses;
- (b) any fees, costs and expenses (except for the Joint Provisional Liquidators' Fees and Expenses), including legal fees and other professional fees and expenses, incurred or to be incurred in connection with the Restructuring and the resumption proposal of the Company;
- (c) any fees, costs, charges and expenses (including legal costs) in connection with the negotiation, preparation and execution of any transactions contemplated under the One Oak Funding Agreement, the Restructuring Agreement and the Creditors Schemes, including but not limited to the legal, accounting, financial, consultants' and professional fees, expenses and other costs incurred or to be incurred whether in Hong Kong or elsewhere in advising the Company and/or the Joint Provisional Liquidators in relation to the One Oak Funding Agreement, the Restructuring Agreement and the Creditors Schemes;
- (d) the working capital of the Group, including but not limited to, any fees, costs and expenses (except for the Joint Provisional Liquidators' Fees and Expenses) incurred or to be incurred in connection with the general working capital of the Group;

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## LETTER FROM THE BOARD

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- (e) a sum of not less than HK\$20.0 million for the purposes of the Creditors Schemes between the Company and the Creditors, including but not limited to (i) as dividends and/or (ii) any other cash consideration to be distributed and/or payable by the Company to the Creditors under the transactions contemplated under the Creditors Schemes; and/or
- (f) any other purpose(s) as may be agreed between the Company, the Joint Provisional Liquidators and One Oak from time to time in writing.

**Repayment:**

Unless otherwise agreed between One Oak and the Company in writing, the Funding actually drawn down together with all the interest accrued thereon shall be repaid by the Company to One Oak in the event of the following, whichever is earlier:-

- (a) 18 months from the first drawdown date of the Funding;
- (b) immediately upon the issue of a written notice by One Oak to the Company and the Joint Provisional Liquidators pursuant to the terms of the One Oak Funding Agreement; or
- (c) immediately upon the making of a winding-up order against the Company.

**Prepayment:**

The Company may, if it gives One Oak not less than five (5) Business Days' prior notice, prepay the whole or any part of the Funding actually provided together with any accrued but unpaid interest (but, if in part, being an integral multiple of HK\$100,000) without penalty. The Company shall not re-borrow any part of the Funding which is repaid or prepaid.

As at the Latest Practicable Date, One Oak Funding Agreement had not yet been drawn.

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## LETTER FROM THE BOARD

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### CKA Loan Agreement

In order to better facilitate the ongoing business development of the Group, on 17 March 2022, One Oak, as lender and CKA, a direct wholly-owned subsidiary of the Company, entered into the CKA Loan Agreement, pursuant to which One Oak conditionally agreed to grant a term loan in the principal amount of up to HK\$70.0 million at an interest rate of 3.0% per annum to CKA subject to and upon the terms and conditions of the CKA Loan Agreement to finance the business and general working capital of CKA.

The principal terms of the CKA Loan Agreement are set out below.

Date: 17 March 2022

Parties: (i) One Oak, as lender  
(ii) CKA, as borrower

Principal amount of CKA Loan: up to HK\$70.0 million to be provided subject to the fulfilment (or waiver, as the case may be) of all conditions precedent for the CKA Loan under the CKA Loan Agreement.

Interest: 3.0% per annum

Interest shall be payable monthly in advance on the first Business Day of each month after the relevant drawdown date.

Default interest: If the Company defaults in the payment on the due date of any sum payable thereunder, the Company shall pay default interest on the overdue sum from the due date to the date of actual payment in full (both before and after judgment) at the rate of 5.0% per annum.

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## LETTER FROM THE BOARD

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Conditions precedent to CKA Loan: The obligation of One Oak to advance CKA Loan to CKA is conditional upon:

- (a) One Oak having received from CKA certified true copies of its (i) certificate of incorporation, (ii) memorandum and articles of association, (iii) register of members, (iv) register of directors; (v) register of mortgages, charges and other encumbrances of CKA; (vi) the current Business Registration Certificate of CKA; (vii) the latest Annual Return of CKA; and (viii) resolutions of the board of directors of CKA authorising the borrowing of the CKA Loan subject to the terms and conditions of the CKA Loan Agreement and other security documents under the CKA Loan Agreement (the “**CKA Security Documents**”) and authorising any director of CKA to sign on its behalf the CKA Loan Agreement and other CKA Security Documents; and
- (b) One Oak having received the CKA Loan Agreement and all other CKA Security Documents (including but not limited to the CKA Charge over Account (as defined below), the CKA Charge over Receivables (as defined below) and the CKA Debenture (as defined below)) duly executed by CKA;
- (c) all necessary waivers, approvals, consents, authorisations and confirmation of any relevant party required to be obtained on the part of CKA in relation to the transactions contemplated under the CKA Loan Agreement and other CKA Security Documents having been obtained;

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## LETTER FROM THE BOARD

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- (d) all representations and warranties made by CKA in the CKA Loan Agreement and other CKA Security Documents or in connection therewith shall be true and correct with the same effect as though made on and as of the date(s) of drawdown of the CKA Loan with reference to the facts and circumstances then subsisting;
- (e) no event of default shall have occurred or prospective event of default shall have occurred (or would be likely to occur as a result of the CKA Loan being made); and
- (f) One Oak having received and found satisfactory such additional information and documents relating to CKA, the CKA Loan Agreement, the relevant security documents and/or other documents as One Oak may reasonably require from time to time.

Save as disclosed above, there is no other waiver, approval, consent, authorisation and confirmation required to be obtained in respect of condition (c) above.

One Oak has its absolute discretion at any time to waive in writing any of the conditions above. As at the Latest Practicable Date, all the above conditions have been satisfied.

Availability Period:

The period commencing on the date of the CKA Loan Agreement and ending on the first to occur of (i) six (6) months thereafter; or (ii) the date on which the CKA Loan is fully drawn, cancelled or terminated in accordance with the provisions of the CKA Loan Agreement (the “**Availability Period**”).

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## LETTER FROM THE BOARD

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Drawing(s):

CKA may request drawing(s) of the loan on any Business Day during the Availability Period, provided that:-

- (a) the outstanding principal amount of the loan drawn by CKA (the “**CKA Loan**”) shall not exceed HK\$6,000,000 as at 31 March 2022;
- (b) the outstanding principal amount of the CKA Loan shall not exceed HK\$23,000,000 as at 30 April 2022;
- (c) the outstanding principal amount of the CKA Loan shall not exceed HK\$45,000,000 as at 31 May 2022; and
- (d) the outstanding principal amount of the CKA Loan shall not exceed HK\$70,000,000 as at 30 June 2022.

Each drawing(s) of the CKA Loan shall be at a minimum sum of HK\$1,000,000 and an integral multiple of HK\$1,000,000 to be requested by CKA in accordance with the terms of the CKA Loan Agreement.

Repayment:

CKA shall repay the outstanding principal amount of the CKA Loan together with any accrued and unpaid interest thereon and all other moneys payable by CKA thereunder in full in one lump sum on the date falling 18 months from the first drawdown date of the CKA Loan, or such other date as One Oak may agree in writing in accordance with the terms of the CKA Loan Agreement.

Prepayment:

CKA may prepay to One Oak the whole or part of the outstanding principal amount of the CKA Loan together with the interest accrued provided that:

- (a) the amount of any partial prepayment shall not be less than HK\$1,000,000 or any integral multiples thereof;

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## LETTER FROM THE BOARD

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- (b) CKA shall have given to One Oak not less than one (1) Business Day's notice in writing of its intention to make such prepayment, specifying the date on which prepayment is to be made;
- (c) CKA shall, on the date of prepayment, pay to One Oak all accrued interest on the amount prepaid; and
- (d) One Oak shall have consented in writing to such prepayment (such consent One Oak shall have unfettered right to give (with or without conditions) or withhold at its sole and absolute discretion).

### Security:

As security for the performance of CKA's obligations under the CKA Loan Agreement and all documents ancillary to or derived from any of them, CKA entered into the following security documents on 17 March 2022:

- (a) a charge over the bank accounts in the name of CKA maintained with two licensed banks in Hong Kong, including any renewal or redesignation of such accounts and all sub-accounts, or such other account(s) as One Oak and CKA may from time to time agree, in favour of One Oak (the **"CKA Charge over Account"**);
- (b) a legal charge over all the account receivables of CKA in favour of One Oak (the **"CKA Charge over Receivables"**); and
- (c) first ranking debenture in respect of all of CKA's assets executed by CKA in favour of One Oak (the **"CKA Debenture"**).

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## LETTER FROM THE BOARD

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### III. REASONS AND BENEFITS FOR THE ENTERING OF THE RESTRUCTURING AGREEMENT, THE SUBSCRIPTION AGREEMENT AND THE USE OF PROCEEDS

The Group is principally engaged in designing, developing, manufacturing and selling in plastic and other household products.

References are made to the announcements dated 7 January 2020, 8 January 2020, 22 January 2020, 3 February 2020, 12 February 2020, 10 March 2020, 24 June 2020, 6 July 2020, 8 July 2020, 4 August 2020, 1 September 2020, 23 September 2020, 8 January 2021, 17 May 2021, 26 July 2021, 27 September 2021, 31 December 2021, 17 March 2022, 25 March 2022 and 31 March 2022 of the Company in relation to several litigation and winding up petitions. The Restructuring, along with the One Oak Funding Arrangement, form a vital part of the resumption plan of the Company as it provides the Group with the necessary financing to resolve the debts of the Company by the implementation of the Creditors Schemes.

In view of the above and considering the financial situation of the Group and the willingness of One Oak to finance the Group in order to relieve the indebtedness of the Company and to support the business operations and development of the Group, the Joint Provisional Liquidators and the Board consider that the entering into of the Restructuring Agreement and the Subscription Agreement will facilitate the debt restructuring of the Group and to satisfy the Resumption Guidance set out by the Stock Exchange. With the introduction of One Oak as a Shareholder, it is expected that the experience and network of Mr. Kabir Haresh Shah (“**Mr. Shah**”) and Mr. David Michael Halley (“**Mr. Halley**”), both being the shareholders and directors of One Oak, in the corporate management and industrial and supply chain industry could help the Group to expand and develop its business. Having considered the factors above, the Joint Provisional Liquidators and the Directors consider that the terms of the Restructuring Agreement and the Subscription Agreement are on normal commercial terms that are fair and reasonable and the entering into of the Restructuring Agreement and the Subscription Agreement are in the interests of the Company and the Shareholders as a whole.

The total subscription price of HK\$80,000,000 for the Subscription Shares shall be satisfied by One Oak (i) firstly, by way of set-off of the Company’s Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the Company’s Outstanding Debts, if any, upon completion; (ii) secondly, by way of set-off of the CKA Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the CKA Outstanding Debts, if any, upon Completion; and (iii) finally, the balance of the total subscription price for the Subscription Shares (if any) shall be payable by One Oak (or its nominee) to the Company by way of cash. As at the Latest Practicable Date, One Oak intended to settle the subscription monies by way of set-off against the funding to



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## LETTER FROM THE BOARD

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be drawn down pursuant to the One Oak Funding Agreement and the CKA Loan Agreement. For avoidance of doubt, One Oak shall have the sole discretion to decide the amount of setting-off against any Company's Outstanding Debts and/or CKA Outstanding Debts and the payment in cash for the balance of the subscription monies.

Whether the Subscription will be fully set off against the outstanding amounts under the One Oak Funding Agreement shall depend on the actual amounts drawn down therefrom. Assuming that the consideration of the Subscription is fully settled by way of cash, the Company is expected to receive net proceeds of approximately HK\$75.0 million from the Subscription after the deduction of the relevant expenses incidental to the Subscription. The net issue price per Subscription Share after the deduction of the relevant expenses incidental to the Subscription is approximately HK\$0.1543.

Assuming the full exercise of the Share Options at the Option Exercise Price, it is expected that net proceeds of HK\$6,000,000 will be raised. Accordingly, the aggregate net proceeds from the Subscription and exercise of the Share Options in full will become approximately HK\$81.0 million, of which the majority of the net proceeds is expected to be applied for the set-off of the amount of the CKA Outstanding Debts, which is for the Group's working capital purpose, and the remaining net proceeds will be applied for the relevant cost for the Restructuring and general working capital of the Group.

#### IV. INFORMATION OF THE GROUP

The Group is principally engaged in designing, developing, manufacturing and selling plastic and other household products.

Trading in the Shares was suspended on 2 July 2020 in light of the auditors' disclaimer of opinion for the financial year ended 31 December 2019 (as a result of the loss of Chase On and its two PRC subsidiaries (the “**Deconsolidated Subsidiaries**”)). Since then, the Stock Exchange has informed the Company of a number of resumption guidance (the “**Resumption Guidance**”) which was set out in the announcements of the Company dated 6 August 2020, 21 April 2021 and 23 August 2021, respectively. On 15 December 2021, the Company submitted a resumption proposal to the Stock Exchange and explained that the Company has substantially implemented the steps that will lead to the resumption of trading in accordance with the Resumption Guidance, with the limited exception of certain procedural steps to be taken with respect to the Creditors Schemes and thereby one of the resumption guidance relating to the withdrawal of the winding-up petitions (or winding orders, if made) against the Company. The Company thus requested that the resumption deadline be extended to 30 June 2022 (the “**Extension Request**”).

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## LETTER FROM THE BOARD

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On 23 December 2021, the Listing Division of the Stock Exchange (the “**Listing Division**”) informed the Company that it did not consider the Company’s situation constituted “exceptional circumstances” warranting an extension, and stated that it would recommend the de-listing of the Company, if the Company failed to demonstrate its fulfilment of the Resumption Guidance by 31 December 2021. Subsequently, the Listing Division informed the Company on 10 January 2022 that it intended to recommend to the Listing Committee of the Stock Exchange (the “**Listing Committee**”) at a meeting on 13 January 2022 that the Extension Request be refused and the Company be de-listed. On 14 January 2022, the Company was informed that the Listing Committee has refused the Extension Request as it was of the view that the Company had not demonstrated that it had substantially implemented the steps that, it had shown with sufficient certainty, would lead to resumption of trading but due to factors outside its control, it became unable to meet its planned timeframe, and thus that the Listing Committee has decided to cancel the Company’s listing under Rule 6.01A of the Listing Rules.

The Company disagreed with the decision made by the Listing Committee. On 21 January 2022, the Company submitted an application to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) and requested the Listing Review Committee to overturn the decision of the Listing Committee and grant the Company an extension of time to resume trading of its Shares to 30 June 2022 for completion of the remaining procedures of the Creditors Schemes. A hearing for the review by the Listing Review Committee has been scheduled for 20 April 2022.

Since 2020 with the loss of the Deconsolidated Subsidiaries and even after the suspension of trading of Shares, the Company resolutely exhausted all means to continue with and to strengthen the business operation of the Group. It promptly reached out to its customers to assure them that its business was ongoing and to secure fresh purchase orders from them and it also ensured that it had the production capability in Heyuan, the PRC (the “**Heyuan Factory**”) (at the Heyuan Factory which it has conducted operations since October 2019) to execute these orders.

Despite the loss of the Deconsolidated Subsidiaries in the midst of the unprecedented COVID-19 pandemic, the Group was able to swiftly reconfirm and secure sales orders once its customers’ doubts about its financial circumstances were dispelled with the passing of the Creditors Schemes on 7 January 2022.

The Group also managed to develop new key client relationships including Pricerite Home Limited, one of the largest home furnishing specialists in Hong Kong, and The Continuity Company Limited, a retail loyalty marketing company.

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## LETTER FROM THE BOARD

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The Group also continued its design, research and development work (including engaging an external designer, Studio Goons) to create new products to cater to new market trends, including a stackable lunch box and a lego-type box container. Besides, the Group has onboarded experienced sales personnel with strong presence in Europe to develop its business in Europe/the United Kingdom and has expanded into the United States, and is planning to expand to Australia. The Group is also developing new products such as wellness products, sales of which have been made including in the confirmed orders. As at the Latest Practicable Date, the Group has a sales and product development team of four staffs.

Under the leadership of the Board and the Company's executive Director and Chief Executive Officer, Mr. Jason Martin Westcott, who possesses extensive experience and network in the plastic product industry, the Group will continue to develop and grow its business.

Last but not least, on 17 March 2022, CK & Associates, a wholly-owned subsidiary of the Company, entered into the CKA Loan Agreement with One Oak to uplift the condition of the sanction of the Cayman Court and the Hong Kong Court of the original One Oak Funding Agreement entered into between the Company and One Oak, which is incapable of being waived. Pursuant to the CKA Loan Agreement, an amount up to HK\$70.0 million can be drawn down by the Group for its business and working capital which is no longer subject to sanctioning by the Courts of which the Court's availability cannot be guaranteed. This demonstrates the unwavering supporting from One Oak for the business operation of Group and would undoubtedly facilitate the Group to have the necessary funding for its business development. At present, the Group has managed to negotiate favourable payment terms with suppliers so that the Group has sufficient internal resources to fund its operations. As such, no drawdown of the CKA Loan has been made as at the Latest Practicable Date. The Company will continue to assess the funding requirements for its operation and will make drawdowns as and when appropriate.

Upon Completion, the Group will become free from financial distress and will therefore be able to deploy considerable financial resources to expand and grow its business over the next few years. As such, the Board believes that the Group would be able to continue to develop its business with experienced and capable staff, its production capability, and at the same time secure new customers to continue expanding the size of the business.

Taking account of the aforesaid, the Board is confident about the business prospect of the Group.

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## LETTER FROM THE BOARD

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### V. INFORMATION OF ONE OAK AND PARTIES ACTING IN CONCERT WITH IT

One Oak is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, One Oak was owned as to 50% by Mr. Shah and 50% by Mr. Halley, both are directors of One Oak.

Mr. Shah has spent over a decade in Hong Kong and China, primarily focused on large, industrialized businesses and investing in venture capital. Mr. Shah has invested and worked with businesses ranging from LPG logistics, commodity trading, manufacturing, advertising, and education. Mr. Shah has a master's degree in Public Policy from Georgetown University and a Bachelor of Arts, with honors, from Trinity College.

Mr. Shah was previously a member of the board of directors at Horizon Oil & Gas Co. Ltd., while at the company, Mr. Shah focused on the chemicals supply chain through the import, transport, storage, and distribution of products such as liquified petroleum gas (LPG), propane, butane, and natural-gas condensate; primarily feeding into the plastics, heating, and other industries in mainland China.

Mr. Shah also previously served as a member of the board of directors at Peau de Fée LLC, a consumer-focused manufacturer of beauty care and wellness products and related packaging (paper, plastics, and glass) for products such as shampoos, lotions, and masks, supplying both in-house brands, as well as white label products for hotel chains including the Kempinski Hotels and the Four Seasons Hotels and Resorts in mainland China.

Mr. Halley has 25 year experience in banking, asset management and commodities in London and Hong Kong. He has previously worked for companies including JP Morgan and Man-Vector hedge fund, and successfully exited a number of businesses that he has built. The most recent exit is the sale of Capstone Financial (HK) Limited.

One Oak has confirmed that, during the Relevant Period, none of One Oak, its ultimate beneficial owners and/or parties acting in concert or presumed to be acting in concert with any of them (i) owned or had control or direction over any voting rights and rights over any Shares or options, warrants or convertible securities in respect of the Shares or outstanding derivatives in respect of the relevant securities of the Company; (ii) had borrowed or lent any relevant securities of the Company; and (iii) had dealt for value in any Shares or convertible securities, warrants or options in respect of the Shares or derivatives in respect of the relevant securities of the Company.

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## LETTER FROM THE BOARD

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Each of One Oak and its ultimate beneficial owners is an Independent Third Party and there is not any side arrangement, understanding or agreement between One Oak and Cachet Group or the Receiver (or their respective connected persons) in connection with the Restructuring.

### **VI. INTENTION OF ONE OAK**

As at the Latest Practicable Date, One Oak intended to continue the existing business of the Group and did not intend to introduce any major changes to the existing operation and business of the Group, save for supporting the business development of the Group as mentioned in the section headed “Information of the Group” by way of providing the financial funding to the Group and introducing business partners such as customers and/or suppliers in relation to the Group’s business. One Oak also did not intend to dispose of or redeploy of any of the assets of the Group, or to discontinue the employment of the employees of the Group other than in the ordinary course of business.

### **VII. SHAREHOLDING STRUCTURE OF THE COMPANY**

For illustrative purposes only, having made all reasonable enquiries, set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation having become effective; (iii) immediately after the Share Consolidation and completion of the Subscription; (iv) immediately after the Share Consolidation, completion of the Subscription and the Placing, assuming all the Creditors with Admitted Scheme Claims opt for

## LETTER FROM THE BOARD

the Cash Option; and (v) immediately after the Share Consolidation, completion of the Subscription and the Placing, assuming all the Creditors with Admitted Scheme Claims opt for Equity Option and exercise their Share Options:

Shareholder	As at the Latest Practicable Date		Immediately after the Share Consolidation having become effective		Immediately after the Share Consolidation and Subscription		Immediately after the Share Consolidation, completion of the Subscription and Placing assuming all the Creditors with Admitted Scheme Claims opt for the Cash Option		Immediately after the Share Consolidation, completion of the Subscription and Placing assuming all the Creditors with Admitted Scheme Claims opt for Equity Option and exercise their Share Options	
	Number of Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %	Number of Consolidated Shares	Approx. %
Uni-Pro Ltd (Notes 1 and 3)	270,256,500	50.05%	27,025,650	50.05%	27,025,650	5.00%	27,025,650	5.00%	27,025,650	4.50%
Chan Kam Hon Ivan (Notes 2 and 3)	98,613,000	18.26%	9,861,300	18.26%	9,861,300	1.83%	9,861,300	1.83%	9,861,300	1.64%
One Oak	—	—	—	—	486,000,000	90.00%	405,000,000	75.00%	405,000,000	67.50%
Placees	—	—	—	—	—	—	81,000,000	15.00%	81,000,000	13.50%
Creditors	—	—	—	—	—	—	—	—	60,000,000	10.00%
Other Public Shareholders	171,130,500	31.69%	17,113,050	31.69%	17,113,050	3.17%	17,113,050	3.17%	17,113,050	2.85%
Total:	540,000,000	100%	54,000,000	100%	540,000,000	100%	540,000,000	100%	600,000,000	100%

*Notes:*

- These Shares were held by Uni-Pro Ltd, a company incorporated in the British Virgin Islands and is wholly-owned by Sun Cheong Creative Development Limited. Sun Cheong Creative Development Limited is a company incorporated in Hong Kong and is held as to 50% by Mr. Tong Ying Chiu and as to 50% by Ms. Ng Siu Kuen Sylvia. Both of Mr. Tong Ying Chiu and Ms. Siu Kuen Sylvia were the former directors of the Company who resigned with effect from 6 December 2019. Mr. Tong Ying Chiu is the spouse of Ms. Ng Siu Kuen Sylvia. As at the Latest Practicable Date, these Shares were held in the name of Uni-Pro Ltd.
- Mr. Chan Kam Hon Ivan was a former Director who resigned as an executive Director with effect from 10 June 2020. As at the Latest Practicable Date, these Shares were held in the name of Mr. Chan Kam Hon Ivan.
- On 3 June 2020, Mr. Cheung Hok Hin, Alan of Wing United CPA Limited was appointed as the receiver over 270,256,500 Shares and 98,613,000 Shares which were registered under the names of Uni-Pro Ltd and Mr. Chan Kam Hon Ivan, respectively, pursuant to the powers contained in a debenture dated 16 January 2020 and executed by Uni-Pro Ltd in favour of Cachet Multi Strategy Fund SPC and a share charge dated 1 April 2019 and executed by Mr. Chan Kam Hon Ivan in favour of Cachet Multi Strategy Fund SPC (as amended and supplemented by a supplemental deed dated 16 January 2020) in connection with a loan agreement dated 1 April 2019 and entered into among Uni-Pro Ltd (as borrower), Cachet Multi Strategy Fund SPC (as lender), and Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia and Mr. Chan Kam Hon Ivan (as guarantors). Details of which are set out in the announcement of the Company dated 16 June 2020.

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## LETTER FROM THE BOARD

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### VIII. DILUTION EFFECT OF THE SUBSCRIPTION AND EXCEPTIONAL CIRCUMSTANCES

Trading in the Shares on the Stock Exchange has been suspended since 2 July 2020, and the Company is facing imminent possibility of the Shares being delisted, as the 18-month remedial period pursuant to Rule 6.01A(1) of the Listing Rules have passed on 1 January 2022.

The Subscription forms an integral part of the Restructuring and the rescue plan of the Company from the suspension of trading of the Shares, as it provides funds to the Group to undergo a debt restructuring and to continue and expand its existing businesses. Given that the trading of the Shares on the Stock Exchange has been suspended, there would be practicable difficulties in raising funds via equity means without a substantial discount.

However, it should be noted that if the Subscription fails to proceed, Completion will not take place and the Restructuring will not be able to materialise. In such case, the Company may be delisted from the Stock Exchange, and the Shares held by the existing Shareholders would lose liquidity and corresponding value.

Other than the Subscription, the Company considered that other fundraising methods such as debt financing from bank or money lenders and other forms of equity financing to finance the relevant cost for the Restructuring, general working capital and business development of the Group may not be feasible or practicable.

During the years ended 31 December 2019, 2020 and 2021, the Group recorded finance costs of approximately HK\$15.1 million, HK\$10.5 million and HK\$10.5 million, respectively. Moreover, the Group recorded gross loss of approximately HK\$2.1 million for the year ended 31 December 2019 and gross profit of approximately HK\$2.4 million and HK\$2.6 million for the years ended 31 December 2020 and 2021, respectively. Accordingly, the finance costs for the years ended 31 December 2020 and 2021 accounted for approximately 437.5% and 403.8% of the gross profit for the corresponding years. For debt financing from banks or money lenders, the Board considered that it will incur further interest expenses and leverage on the Group. Due to the prolonged loss-making performance of the Group, the net current liabilities position and the high leverage status of the Group, it may not be feasible for the Group to obtain additional debt financing with terms favorable to the Group. Debt financing from banks or money lenders may also be subject to lengthy due diligence and internal risk assessment by the institutions. Under the current circumstances of several litigations and winding up petitions against the Group as well as the reasons mentioned herein and the trading in the Shares on the Stock Exchange has been suspended since 2 July 2020, the Board consider that the debt financing from banks or money lenders and other forms of equity financing may not be feasible or practicable.

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## LETTER FROM THE BOARD

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In light of the above, the Board considers that there are exceptional circumstances for the Company to undertake the Subscription resulting in a theoretical dilution effect of over 25%. The Board considers that the Subscription is essential to rescue the Company from the immense indebted position. Despite exceeding the 25% theoretical dilution threshold as stipulated under Rule 7.27B of the Listing Rules, the Board is of the view that the Subscription is in the interests of the Company and its Shareholders as a whole.

### **IX. APPLICATION FOR LISTING**

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares, the Subscription Shares, and the Option Shares on the Stock Exchange.

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

### **X. SPECIFIC MANDATE**

The Subscription Shares and Option Shares will be issued pursuant to a specific mandate to be obtained upon approval by the Shareholders, or Independent Shareholders, as the case may be, at the EGM.

### **XI. FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

Save for the entering into of the Subscription Agreement, the Company had not conducted any equity fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the Latest Practicable Date.



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## LETTER FROM THE BOARD

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### XII. TAKEOVERS CODE IMPLICATIONS

As at the Latest Practicable Date, One Oak and parties acting in concert with it did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities in the Company.

Assuming that (i) the Share Consolidation and the Increase in Authorised Share Capital have become effective; (ii) completion of the Subscription has taken place; and (iii) there is no other change in the issued share capital of the Company from the date of this announcement and up to Completion (other than as a result of the Share Consolidation and the Subscription), One Oak will be interested in 486,000,000 Consolidated Shares, representing 90.0% of the then enlarged issued share capital of the Company.

As such, One Oak would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by One Oak and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by One Oak to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions (i.e. the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, and the transactions contemplated under the Creditors Schemes, including the grant of specific mandate for the issue and allotment of the Option Shares), in which One Oak and those who are involved in or interested in the proposed Restructuring will abstain from voting on the relevant resolution(s). The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval by the Independent Shareholders by three-fourths majority at the SGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders and granted by the Executive, One Oak and parties acting in concert with it will hold more than 50% of the voting rights of the Company after completion of the Subscription. One Oak may further increase its shareholding in the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

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## LETTER FROM THE BOARD

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### XIII. INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date and during the Relevant Period, save for the Restructuring Agreement, the Subscription Agreement, and the One Oak Funding Arrangement and the CKA Loan Agreement, the Directors confirm that:

- (a) none of One Oak, its directors or parties acting in concert with it owned, held, controlled or had direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or held any securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;
- (b) save for the Receiver's Indication, none of One Oak or parties acting in concert with it had received any irrevocable commitment in relation to voting of the resolutions in respect of the transactions contemplated under the Restructuring Agreement and the Subscription Agreement, including the Subscription, the possible grant of the Share Options and the Put Options, the Creditors Schemes or the Whitewash Waiver at the EGM;
- (c) there was no outstanding derivative in respect of the securities of the Company which has been entered into by One Oak or parties acting in concert with it;
- (d) there was no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of One Oak or parties acting in concert with it or the Company and which might be material to the transactions contemplated under the Restructuring Agreement and the Subscription Agreement, including the Subscription, the possible grant of the Share Options and the Put Options, the Creditors Schemes or the Whitewash Waiver;
- (e) there was no agreement or arrangement to which One Oak or parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the transactions contemplated under the Restructuring Agreement and the Subscription Agreement, including the Subscription, the grant of the Share Options and the Put Options, the Creditors Schemes or the Whitewash Waiver;
- (f) none of One Oak or parties acting in concert with it had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period;

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## LETTER FROM THE BOARD

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- (g) none of One Oak or parties acting in concert with it had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person during the Relevant Period;
- (h) there was no other consideration or compensation or benefit in whatever form paid or to be paid by One Oak or parties acting in concert with it to the Company or any party acting in concert with it in connection with the transactions contemplated under the Restructuring Agreement and the Subscription Agreement, including the Subscription, the possible grant of the Share Options and the Put Options, the Creditors Schemes or the Whitewash Waiver;
- (i) there was no understanding, arrangement, agreement or special deal (including any compensation arrangement) between One Oak or parties acting in concert with it on the one hand, and the Company and parties acting in concert with it on the other hand;
- (j) there was no understanding, arrangement or agreement or special deal (including any compensation arrangement) (as defined under Rule 25 of the Takeovers Code) between (a) any Shareholder; and (b) either (i) One Oak and any parties acting in concert with it; or (ii) the Company, its subsidiaries or associated companies;
- (k) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in any member of One Oak and persons acting in concert with it and it has not dealt for value in any such securities of any member of the Subscriber and persons acting in concert with it during the Relevant Period;
- (l) none of the Directors held, controlled or had direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities in any member of One Oak and persons acting in concert with it or any shares and any options, warrants, derivatives or convertible securities in respect of securities in the Company and none of them has dealt for value in any such securities of One Oak and persons acting in concert with it or any such securities of the Company during the Relevant Period;
- (m) no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” in the Takeovers Code or an associate of the Company by virtue of class (2) of the definition of “associate” in the Takeovers Code but excluding exempt principal traders and exempt fund managers during the Relevant Period;

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## LETTER FROM THE BOARD

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- (n) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code during the Relevant Period;
- (o) no shareholding in the Company was managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company during the Relevant Period;
- (p) none of the Directors and their respective associates owned or controlled any shares and any options, warrants, derivatives or convertible securities in respect of securities in the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period, therefore none of the Directors will vote for or against the resolutions to be proposed at the EGM to approve the Subscription Agreement, the specific mandate for the allotment and issue of the Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder;
- (q) neither the Company nor any of the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;
- (r) there was no agreement, arrangement or understanding pursuant to which the Subscription Shares to be issued to One Oak or parties acting concert with it under the Subscription or may be issued to One Oak pursuant to the fulfillment of its obligations under the Subscription Agreement would be transferred, charged or pledged to any other persons;
- (s) no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Restructuring, including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver;
- (t) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Restructuring, including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver or otherwise connected with any of them;
- (u) there was no material contracts which have been entered into by One Oak in which any Director has any a material personal interest; and

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## LETTER FROM THE BOARD

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- (v) there was no agreement, arrangement or understanding (including any compensation arrangement) between One Oak or parties acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection which have any connection with or dependence upon the outcome of the Subscription and the Whitewash Waiver.

### XIV. EGM

The EGM will be held at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong on 13 May 2022, at 12:00 p.m. for the purpose of considering and, if deemed appropriate, approving, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, the Creditors Schemes, the grant of the Share Options and the Put Options, the Whitewash Waiver and the respective transactions contemplated thereunder. Voting on the resolutions at the EGM will be taken by way of poll.

As at the Latest Practicable Date, none of the Shareholders was required to abstain from voting on the resolutions to be proposed at the EGM.

On 3 June 2020, the Receiver was appointed as the receiver over 270,256,500 Shares (the “**Uni-Pro’s Shares**”) and 98,613,000 Shares (“**Mr. Chan’s Shares**”) which were registered under the names of Uni-Pro Ltd and Mr. Chan, respectively. Pursuant to the terms of each of the debenture dated 16 January 2020 and executed by Uni-Pro Ltd in favour of Cachet Multi Strategy Fund SPC and the share charge dated 1 April 2019 and executed by Mr. Chan in favour of Cachet Multi Strategy Fund SPC (as amended and supplemented by a supplemental deed dated 16 January 2020) and the terms of the deed of appointment in relation to the receivership of each of Uni-Pro’s Shares and Mr. Chan’s Shares, for the purpose of exercising all the rights, powers and discretion as a receiver of Uni-Pro’s Shares and Mr. Chan’s Shares respectively, the Receiver shall act as the agent of each of Uni-Pro Ltd and Mr. Chan and shall be entitled to exercise all the powers and rights of an absolute owner of each of Uni-Pro’s Shares and Mr. Chan’s Shares and have power to do all acts and to execute, in the name and on behalf of Uni-Pro Ltd and Mr. Chan respectively, all deeds, agreements and other documents. As such, as at the Latest Practicable Date, despite Uni-Pro Ltd and Mr. Chan remained to be the beneficial owner of Uni-Pro’s Shares and Mr. Chan’s Shares, respectively, the Receiver (but not Uni-Pro Ltd or Mr. Chan) shall be entitled to exercise the voting rights attached to each of Uni-Pro’s Shares and Mr. Chan’s Shares.

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## LETTER FROM THE BOARD

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The Receiver, who has assumed the voting rights of the 270,256,500 Shares and 98,613,000 Shares which were registered under the names of Uni-Pro Ltd and Mr. Chan Kam Hon Ivan, respectively, representing in aggregate of approximately 68.31% of the total issued share capital of the Company as at the Latest Practicable Date, has given a letter to the Company stating the Receiver's Indication that he will vote in favour of the necessary resolutions of the Company (the "**Resolutions**") to be proposed at the EGM to approve, among other things, the Restructuring and the Whitewash Waiver, provided that (i) the Independent Financial Adviser considers to the effect that the Subscription, the possible issue and allotment of the Option Shares and the Whitewash Waiver are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole and advises the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolutions; and (ii) the Independent Board Committee considers the same and recommends the Independent Shareholders to vote in favour of the Resolutions.

Given that the Independent Financial Adviser has advised the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Resolutions and the Independent Board Committee also has recommended the Independent Shareholders to vote in favour of the Resolutions, the Board expects that the Receiver will also vote in favour of the Resolutions.

Saved as disclosed above, none of the Directors held any beneficial shareholdings in the Company which would otherwise entitle them to vote in favour of Resolutions.

### **XV. SPECIAL ARRANGEMENTS FOR THE EGM**

In view of the ongoing development of COVID-19 and recent requirements for prevention and control of its spread by the Government, the Company strongly encourages the Shareholders not to attend the EGM in person. The Shareholders are reminded that physical attendance at the EGM is not necessary for the purpose of exercising the voting rights. The Company would like to remind the Shareholders that it is possible that Shareholders and/or their representatives may not be able to attend in person at the EGM venue depending on prevailing regulations imposed by the Hong Kong Government, including but not limited to any ban on conducting physical general meetings of companies under the Regulations. Shareholders and/or their representatives who are denied entry to the venue of the EGM will, subject to the Regulations, be provided with voting slips of the EGM at the door and may complete, sign and return the voting slips to exercise their voting rights. For the health and safety of Shareholders, the Company strongly encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy at the Company's branch share registrar and transfer office not less than 48 hours before the time fixed for holding the EGM (i.e. on or

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## LETTER FROM THE BOARD

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before 11 May 2022 at 12:00 p.m.), instead of attending the EGM in person. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach the Company's branch share registrar and transfer office not less than 48 hours before the time fixed for holding the EGM. Shareholders are reminded that completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjournment thereof should the ban on the conducting of physical general meetings be lifted by the date of the EGM under the Regulations.

The Company is closely monitoring the impact of COVID-19 in Hong Kong. Should any changes be made to the EGM arrangements, the Company will publish further announcement(s) to notify the Shareholders. Shareholders are being reminded that physical attendance of the EGM will be subject to the latest development of COVID-19 and requirements under the Regulations in Hong Kong.

In the event that the ban on conducting physical general meetings of companies be extended by the Hong Kong Government (the "**Extension**"), the EGM will be conducted in combination of an in-room meeting at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong and a live webcast, with the minimum number of persons as is legally required to form a quorate meeting by the Directors who are Shareholders or proxy. Shareholders will be able to access the live webcast at the start of the EGM until its conclusion. Please refer to the section "PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR EGM" on pages 1 to 3 of the Circular for details. Shareholders may submit questions related to the resolution to be proposed at the EGM in advance or during the EGM by sending their questions to the email address at [bill@cknassociates.com](mailto:bill@cknassociates.com) or calling us at +852 9295 8875 for further assistance, if any. In the event that the Company is required to hold a combination of in-room meeting and live webcast due to the Extension, Shareholders should note that no remote voting system is provided at the live webcast. For the avoidance of doubt, presence at the live webcast is not counted as quorum or attendance of the meeting, and will not revoke any proxy instrument previously delivered to the Company by the same Shareholder. The Board considers that the EGM is an important opportunity for Shareholders to participate and express their views by raising questions and voting. As such, the Board wishes to emphasise that the Shareholders can raise questions during a question and answer session towards the end of the EGM through the live webcast. The questions raised by Shareholders at the EGM and those submitted beforehand will be addressed at the EGM as far as possible.

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## LETTER FROM THE BOARD

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### **XVI. FORMATION OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all the independent non-executive Director, namely Mr. Wong Chi Kei, Ms. Lin Weiqi Wendy and Dr. Chan Kai Yue Jason, who has no direct or indirect interest in the Restructuring and the Whitewash Waiver, had established in accordance with the Takeovers Code to advise the Independent Shareholders on (i) whether the terms of the Restructuring Agreement and transactions contemplated thereunder (including the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, the Creditors Schemes and the grant of the Equity Option) and the Whitewash Waiver are fair and reasonable and on normal commercial terms; and (ii) whether the Restructuring and transactions contemplated thereunder, and the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole, and as to the voting thereof.

Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser, with the approval of the Independent Board Committee, to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **XVII. RECOMMENDATION**

The Directors (excluding members of the Independent Board Committee whose views are set out in the letter from the Independent Board Committee) consider that the terms of the Restructuring including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and the transaction contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding members of the Independent Board Committee whose views are formed and set out in the letter from the Independent Board Committee) recommend the Shareholders to vote in favour of the ordinary resolutions and special resolutions (as the case may be) to be proposed at the EGM to approve Restructuring including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver.

### **XVIII. FURTHER INFORMATION**

Your attention is drawn to the letter from the Independent Board Committee set out on pages 64 to 65 of this circular which contains its recommendation to the Independent Shareholders in relation to Restructuring including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver, and the letter from Independent Financial Adviser set out on pages 66 to 102 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.



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## LETTER FROM THE BOARD

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

### **XIX. CONTINUED SUSPENSION OF TRADING**

Trading in the Shares on the Stock Exchange has been suspended since 2 July 2020 pending the Company's fulfillment of all the resumption conditions imposed by the Stock Exchange. Given that the resumption deadline expired on 1 January 2022, the Stock Exchange is entitled to delist the Company under the Listing Rules. On 14 January 2022, the Listing Committee decided that, among others, the Company had failed to meet all the resumption guidance and should be delisted under Rule 6.01A. Such decision is currently subject to review by the Listing Review Committee, who may either uphold or overturn the delisting decision. The publication of this circular does not indicate any decision or conclusion from the Stock Exchange not to delist the Company nor warrant any approval from the Stock Exchange on the resumption of trading in the Shares on the Stock Exchange, nor indicate that the Exchange considers that the Company has met all the resumption guidance and comply with all the applicable Rule requirements. Shareholders and potential investors of the Company should note that the transactions contemplated under the Restructuring and the Whitewash Waiver are subject to certain conditions including but not limited to the resumption of trading in the Shares on the Stock Exchange which may or may not proceed.

Shareholders and potential investors of the Company should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their positions, they should consult their professional adviser(s).

Yours faithfully,

By order of the Board

**Sun Cheong Creative Development Holdings Limited**

**Chan Sai On Bill**

*Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver:*

### SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

新昌創展控股有限公司

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

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock code: 1781)**

14 April 2022

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RESTRUCTURING INVOLVING**  
**(1) PROPOSED SHARE CONSOLIDATION**  
**AND**  
**INCREASE IN AUTHORISED SHARE CAPITAL;**  
**(2) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER**  
**SPECIFIC MANDATE;**  
**(3) CREDITORS SCHEMES INVOLVING POSSIBLE GRANT OF**  
**THE SHARE OPTIONS AND THE PUT OPTIONS;**  
**AND**  
**(4) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 14 April 2022 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether (i) the terms of the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver are fair and reasonable; and (ii) the Subscription, the possible grant of the Share Options and Put Options and the Whitewash Waiver, are in the interests of the Company and the Shareholders as a whole, and as to the voting thereof. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation as set out on pages 66 to 102 of the Circular; (ii) the letter from the Board as set out on pages 18 to 63 of the Circular; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Restructuring, including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Restructuring, including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions relating to the Restructuring, including the Subscription, the possible grant of the Share Options and the Put Options and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Ms. Lin Weiqi Wendy**

*Independent  
non-executive Director*

**Mr. Wong Chi Kei**

*Independent  
non-executive Director*

**Dr. Chan Kai Yue Jason**

*Independent  
non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Lego Corporate Finance Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription; (ii) the Creditors Schemes involving possible grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors; and (iii) the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.*



14 April 2022

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs or Madams,

- (1) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC  
MANDATE;  
(2) CREDITORS SCHEMES INVOLVING POSSIBLE GRANT OF THE SHARE  
OPTIONS AND THE PUT OPTIONS;  
AND  
(3) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription; (ii) the Creditors Schemes involving possible grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors; and (iii) the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders on 14 April 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

References are made to the Announcement and the Letter from the Board, that, on 8 November 2021, the Company, the Joint Provisional Liquidators and One Oak entered into the Subscription Agreement (as amended and supplemented by the supplemental subscription agreement dated 17 March 2022), pursuant to which, the Company has conditionally agreed to allot and issue, and One Oak has conditionally agreed to subscribe for, a total of 486,000,000 Subscription Shares, at the subscription price of HK\$0.1646 per Subscription Share.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Company proposed that the Creditors Schemes will be implemented, pursuant to which each Creditor with Admitted Scheme Claim(s) may choose either the Cash Option or the Equity Option (but not a combination of the Cash Option and the Equity Option). Further, each Creditor with Admitted Scheme Claim(s) may be entitled to the Realisation Proceeds which may be realised by the Scheme Administrators from the disposal of the Transferred Claims.

Pursuant to the Restructuring Agreement and subject to the terms and conditions therein, as for Creditors with Admitted Scheme Claims who elect the Equity Option, the Company proposed to grant (1) up to 60,000,000 Share Options to subscribe for new Consolidated Shares at the Option Exercise Price of HK\$0.10 per Option Share to the Scheme Administrators for the benefit of the Creditors who elect the Equity Option; and (2) for each Share Option granted, a Put Option to sell the Share Options back to the Company (i) at a Put Option Price A of HK\$0.6667 per Share Option during the Put Option Exercise Period A; and/or (ii) at a Put Option Price B of HK\$0.8333 per Share Option during the Put Option Exercise Period B. The grant of the Put Options shall be conditional upon the grant of the Share Options becoming unconditional.

The Subscription Shares will be allotted and issued under the specific mandate to be sought for approval from the Independent Shareholders at the EGM. The grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors and the allotment and issue of the Option Shares will be subject to the approval from the Independent Shareholders at the EGM.

Assuming that (i) the Share Consolidation and the Increase in Authorised Share Capital have become effective; (ii) completion of the Subscription has taken place; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the Share Consolidation and the Subscription), One Oak will be interested in 486,000,000 Consolidated Shares, representing 90.0% of the then enlarged issued share capital of the Company. As such, One Oak would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by One Oak and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

An application has been made by One Oak to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions (i.e. the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, and the transactions contemplated under the Creditors Schemes, including the grant of specific mandate for the issue and allotment of the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Option Shares), in which One Oak and those who are involved in or interested in the proposed Restructuring will abstain from voting on the relevant resolutions. The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Agreement will terminate forthwith.

The Independent Board Committee, comprising all independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, has been established to advise the Independent Shareholders, among other things, as to whether the terms of (i) the Subscription; (ii) the Creditors Schemes involving possible grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors; and (iii) the Whitewash Waiver are fair and reasonable as well as in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the relevant resolutions to be proposed at the EGM to approve the Subscription, the Creditors Schemes involving possible grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors and the Whitewash Waiver. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regards.

### OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company, One Oak or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. We are not associated or connected with the Company, One Oak or any party acting, or presumed to be acting, in concert with any of them. In the last two years, there was no engagement between the Company and Lego Corporate Finance Limited. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we consider that we are eligible to give independent advice on the Subscription, the Creditors Schemes involving possible grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors and the Whitewash Waiver.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Company (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the time they were made and up to the Latest Practicable Date and may be relied upon. We have also assumed that all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management were true, accurate, complete and not misleading in all respects at the time they were made and continued to be so up to the Latest Practicable Date. The Company shall inform the Independent Shareholders as soon as possible if there is any material change to such information and/or change to our opinion up to and including the date of the EGM in accordance with Rule 9.1 of the Takeovers Code.

We consider that we have reviewed sufficient information currently available, including, but not limited to, the annual results announcement of the Company for the year ended 31 December 2021, and the announcements and circulars of the Company and other listed companies on the Stock Exchange, to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, One Oak or any of their respective subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Subscription, the Creditors Schemes involving possible grant of the Share Options and the Put Options to the Scheme Administrators to hold for the benefit of the Creditors and the Whitewash Waiver, we have considered the following principal factors and reasons:

#### **I. The Subscription and the Creditors Schemes**

##### ***1. Background information of the Group***

###### *Status of trading suspension*

The Group is principally engaged in designing, developing, manufacturing and selling plastic and other household products.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Trading in the Shares has been suspended since 2 July 2020 as a result of the auditors' disclaimer of opinion for the financial year ended 31 December 2019, due to the loss of Chase On and its two PRC subsidiaries (the “**Deconsolidated Subsidiaries**”). Since then, the Stock Exchange has informed the Company of a number of resumption guidance (the “**Resumption Guidance**”) which were set out in the announcements of the Company dated 6 August 2020, 21 April 2021 and 23 August 2021, respectively. On 15 December 2021, the Company submitted a resumption proposal to the Stock Exchange and explained that the Company has substantially implemented the steps that will lead to the resumption of trading in accordance with the Resumption Guidance, with the limited exception of certain procedural steps to be taken with respect to the Creditors Schemes and thereby one of the resumption guidance relating to the withdrawal of the winding-up petitions (or winding orders, if made) against the Company. The Company thus requested that the resumption deadline be extended to 30 June 2022 (the “**Extension Request**”).

On 23 December 2021, the Listing Division of the Stock Exchange (the “**Listing Division**”) informed the Company that it did not consider the Company's situation constituted “exceptional circumstances” warranting an extension, and stated that it would recommend the de-listing of the Company, if the Company failed to demonstrate its fulfilment of the Resumption Guidance by 31 December 2021. Subsequently, the Listing Division informed the Company on 10 January 2022 that it intended to recommend to the Listing Committee of the Stock Exchange (the “**Listing Committee**”) at a meeting on 13 January 2022 that the Extension Request be refused and the Company be de-listed. On 14 January 2022, the Company was informed that the Listing Committee has refused the Extension Request as it was of the view that the Company had not demonstrated that it had substantially implemented the steps that, it had shown with sufficient certainty, would lead to resumption of trading but due to factors outside its control, it became unable to meet its planned timeframe, and thus that the Listing Committee has decided to cancel the Company's listing under Rule 6.01A of the Listing Rules.

The Company disagreed with the decision made by the Listing Committee. On 21 January 2022, the Company submitted an application to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) and requested the Listing Review Committee to overturn the decision of the Listing Committee and grant the Company an extension of time to resume trading of its Shares to 30 June 2022 for completion of the remaining procedures of the Creditors Schemes. A hearing for the review by the Listing Review Committee has been scheduled for 20 April 2022.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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On 17 March 2022, CK & Associates, a wholly-owned subsidiary of the Company, entered into the CKA Loan Agreement with One Oak to uplift the condition of the sanction of the Cayman Court and the Hong Kong Court of the original One Oak Funding Agreement entered into between the Company and One Oak, which is incapable of being waived. Pursuant to the CKA Loan Agreement, an amount of up to HK\$70.0 million can be drawn down by the Group for its business and working capital which is no longer subject to sanctioning by the Courts of which the Court's availability cannot be guaranteed. The Directors are of the view that this demonstrates the unwavering supporting from One Oak for the business operation of Group and would undoubtedly facilitate the Group to have the necessary funding for its business development.

As disclosed in the Letter from the Board, the Group has managed to negotiate favourable payment terms with suppliers so that the Group has sufficient internal resources to fund its operations. As such, no drawdown of the CKA Loan has been made as at the Latest Practicable Date. The Company will continue to assess the funding requirements for its operation and will make drawdowns as and when appropriate.

As disclosed in the Letter from the Board, the Directors are of the view that upon Completion, the Group will become free from financial distress and will therefore be able to deploy considerable financial resources to expand and grow its business over the next few years. As such, the Board believes that the Group would be able to continue to develop its business with experienced and capable staff, its production capability, and at the same time secure new customers to continue expanding the size of the business.

Set out below is a summary of the financial information of the Group for the three years ended 31 December 2021 as extracted from the annual report of the Company for the years ended 31 December 2020 (the “**2020 Annual Report**”) and the annual result announcement of the Company for the year ended 31 December 2021 (the “**2021 Annual Result**”):

*Financial performance of the Group*

	For the year ended 31 December		
	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	23,487	21,468	260,389
Cost of sales	(20,866)	(19,032)	(262,509)
Gross profit/(loss)	2,621	2,436	(2,120)
Gross profit/(loss) margin	11.2%	11.3%	(0.8)%
Loss attributable to owners of the Company for the year	(18,103)	(75,921)	(297,440)

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Year ended 31 December 2020 vs 31 December 2019

For the year ended 31 December 2020, the revenue of the Group amounted to approximately HK\$21.5 million, representing a decrease of approximately HK\$238.9 million or 91.7% as compared to approximately HK\$260.4 million for the year ended 31 December 2019. The Group's overall gross profit margin increased from a gross loss margin of approximately 0.8% for the year ended 31 December 2019 to a gross profit margin of approximately 11.3% for the year ended 31 December 2020. The loss attributable to owners of the Company was recorded at approximately HK\$75.9 million for the year ended 31 December 2020 and approximately HK\$297.4 million for the year ended 31 December 2019, representing a decrease of approximately HK\$221.5 million or 74.5%. According to the 2020 Annual Report, such loss during the year was mainly attributable to continued assets impairment due to the Group's internal restructuring, the deconsolidation of certain subsidiaries, as well as the global impact of COVID-19 on sales and manufacturing across all industries. The Group incurred finance costs of approximately HK\$10.5 million for the year ended 31 December 2020. The finance costs represented the interest expenses on bank and other borrowings and overdrafts.

### Year ended 31 December 2021 vs 31 December 2020

For the year ended 31 December 2021, the revenue of the Group amounted to approximately HK\$23.5 million, representing an increase of approximately HK\$2.0 million or 9.3% as compared to approximately HK\$21.5 million for the year ended 31 December 2020. The Group's overall gross profit margin remained stable at approximately 11.2% for the year ended 31 December 2021 as compared to approximately 11.3% for the year ended 31 December 2020. The Group incurred administrative expenses of approximately HK\$10.4 million for the year ended 31 December 2021, representing a decrease of approximately 14.9% as compared to the previous year. Majority of the administrative expenses were professional service fee in relation to the Group's restructuring, staff costs and rental expenses. The Group incurred finance costs of approximately HK\$10.5 million for the year ended 31 December 2021. The finance costs represented the interest expenses on bank and other borrowings and overdrafts.

The loss attributable to owners of the Company was recorded at approximately HK\$18.1 million for the year ended 31 December 2021 and approximately HK\$75.9 million for the year ended 31 December 2020, representing a decrease of approximately HK\$57.8 million or 76.2%. According to the 2021 Annual Result, such loss during the year was mainly attributable to the global impact of COVID-19 on sales and manufacturing across all industries and the Company's internal restructuring costs. The

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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decrease in net loss for the year ended 31 December 2021 was mainly due to the non-recurring impairment loss recognised in respect of property, plant and equipment of approximately HK\$54.3 million recognised in the previous year.

### *Financial position of the Group*

	As at 31 December		
	2021	2020	2019
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Total assets	13,142	8,426	82,213
Total liabilities	224,106	201,287	199,149
Net current liabilities	(217,875)	(200,437)	(180,509)
Net liabilities	(210,964)	(192,861)	(116,936)

### 31 December 2020 vs 31 December 2019

As at 31 December 2020, the Group had current assets of approximately HK\$0.9 million and current liabilities of approximately HK\$201.3 million, resulting in net current liabilities of approximately HK\$200.4 million. The total assets and total liabilities of the Group were approximately HK\$8.4 million and HK\$201.3 million, respectively, leading to a net liabilities position of approximately HK\$192.9 million, representing an increase in net liabilities of approximately HK\$75.9 million or 64.9% as compared to approximately HK\$116.9 million as at 31 December 2019.

### 31 December 2021 vs 31 December 2020

As at 31 December 2021, the Group had current assets of approximately HK\$6.2 million and current liabilities of approximately HK\$224.1 million, resulting in net current liabilities of approximately HK\$217.9 million. The current assets of the Group mainly comprised bank balances and cash, and other receivables in the amount of approximately HK\$0.4 million and HK\$5.8 million, respectively. Current liabilities of the Group mainly comprised bank and other borrowing and bank overdrafts of approximately HK\$168.4 million, and other payables and accrued charges of approximately HK\$54.4 million. The total assets and total liabilities of the Group were approximately HK\$13.1 million and HK\$224.1 million, respectively, leading to a net liabilities position of approximately HK\$211.0 million, representing an increase of approximately HK\$18.1 million or 9.4% as compared to approximately HK\$192.9 million as at 31 December 2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at 31 December 2021, the current ratio of the Group was approximately 0.028 times due to high level of borrowings. Taking into account its latest net liabilities position and limited internal cash, the Group has insufficient financial resources to fulfil the repayment obligations of its current and non-current liabilities on or before their maturity date in the absence of the Creditor Schemes.

As at 28 February 2022, the Group had an outstanding secured borrowings of approximately HK\$168.4 million, which comprised bank and other borrowings of approximately HK\$165.9 million and bank overdrafts of approximately HK\$2.5 million, a loan from a related party of approximately HK\$1.6 million and lease liabilities of approximately HK\$11.7 million.

As at 28 February 2022, the Joint Provisional Liquidators have received the Claims from multiple alleged bondholders and the former directors, demanding for the repayment of bonds and loans in an aggregate amount of approximately HK\$135.7 million. All claims received by the Joint Provisional Liquidators that are substantiated will be considered for the restructuring purpose under the Creditors Schemes.

For more details in relation to the Group's financial information, please refer to Appendix I to the Circular.

### *Recent business development*

Since 2020 with the loss of the Deconsolidated Subsidiaries and even after the suspension of trading of Shares, the Company resolutely exhausted all means to continue with and to strengthen the business operation of the Group. It promptly reached out to its customers to assure them that its business was ongoing and to secure fresh purchase orders from them and it also ensured that it had the production capability in Heyuan, the PRC (the “**Heyuan Factory**”) (at the Heyuan Factory which it has conducted operations since October 2019) to execute these orders.

Despite the loss of the Deconsolidated Subsidiaries in the midst of the unprecedented COVID-19 pandemic, the Group was able to swiftly reconfirm and secure sales orders once its customers regained confidence about the Group's financial conditions with the passing of the Creditors Schemes on 7 January 2022.

The Group also managed to develop new key client relationships including Pricerite Home Limited, one of the largest home furnishing specialists in Hong Kong, and The Continuity Company Limited, a retail loyalty marketing company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group also continued its design, research and development work (including engaging an external designer, Studio Goons) to create new products to cater to new market trends, including a stackable lunch box and a lego-type box container. Besides, the Group has onboarded experienced sales personnel with strong presence in Europe to develop its business in Europe/the United Kingdom. The Group has expanded into the United States of America (“US”), and is planning to expand to Australia. The Group is also developing new products such as wellness products, sales of which have been made including in the confirmed orders. As at the Latest Practicable Date, the Group has a sales and product development team of four staffs.

Under the leadership of the Board and the Company’s executive Director and Chief Executive Officer, Mr. Jason Martin Westcott, who possesses extensive experience and network in the plastic product industry, the Directors are of the view that the Group will continue to develop and grow its business.

### *Industry overview*

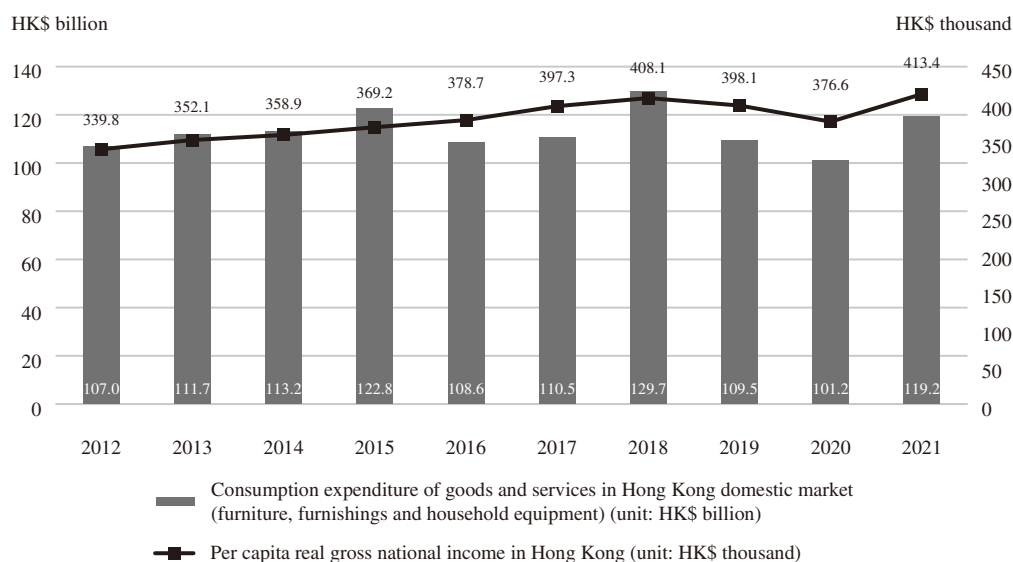
As mentioned above, the Group is principally engaged in designing, developing, manufacturing and selling plastic and other household products. As disclosed in the 2021 Annual Result, the revenue of the Group is mainly derived from customers located in Hong Kong, the PRC and the US, contributing in aggregate of approximately 94.3% of the revenue of the Group for the year ended 31 December 2021 and 95.4% of the revenue of the Group for the year ended 31 December 2020, respectively.

In order to understand the outlook of the Group’s plastic and other household products business segment, we have looked into the expenditure on household-related products and per capita income in each of the Hong Kong, the PRC and the US markets which contributed the most revenue to the Group from 2020 to 2021.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Hong Kong market

According to the statistics published by the Census and Statistics Department of the Government of Hong Kong, the consumption expenditure of goods and services in Hong Kong domestic market — furniture, furnishings and household equipment segment has increased from approximately HK\$107.0 billion in 2012 to approximately HK\$119.2 billion in 2021, representing a compound annual growth rate (“CAGR”) of approximately 1.2%. Furthermore, the real gross national income per capita in Hong Kong has risen from HK\$339,833 to HK\$413,385 during 2012 to 2021, representing a CAGR of approximately 2.2%. Declines in both consumption expenditure on household-related products and real gross national income per capita from 2018 to 2020 were observed predominantly due to the social unrest in 2019 and the outbreak of COVID-19 in 2020. In light of several social distancing measures that have been implemented by the Hong Kong government, the COVID-19 pandemic was under control in 2021 and the economy has been gradually recovering, driving the consumption expenditure on household-related products and real gross national income per capita in 2021 to achieve a year-on-year (“YoY”) growth of approximately 17.8% and 9.8%, respectively. The following chart shows the consumption expenditure of goods and services in Hong Kong domestic market — furniture, furnishings and household equipment segment and real gross national income per capita in Hong Kong for the period from 2012 to 2021:

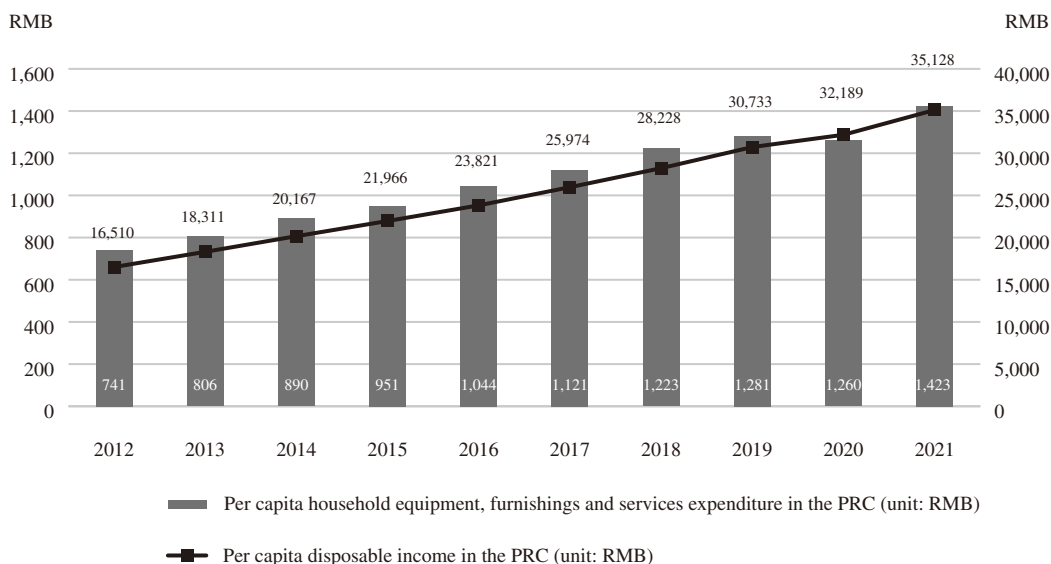


Source: Census and Statistics Department of the Government of Hong Kong

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### PRC market

According to the statistics published by the National Bureau of Statistics of China, the household equipment, furnishings and services expenditure per capita in the PRC has surged from RMB741 in 2012 to RMB1,423 in 2021, representing a CAGR of approximately 7.5%. Moreover, the disposable income per capita in the PRC has skyrocketed from RMB16,510 to RMB35,128 during 2012 to 2021, representing a CAGR of approximately 8.8%. There was a slight decline in the consumption expenditure on household-related products in 2020 due to the outbreak of COVID-19, whereby the PRC government has implemented shutdowns and quarantines to limit human contact as it sought to contain disruptions caused by the COVID-19 pandemic to economic activities. Due to a series of measures to prevent and control the pandemic, the economy of the PRC has revitalised in 2021. Accordingly, the consumption expenditure on household-related products per capita and the disposable income per capita in the PRC in 2021 rose at a YoY growth of approximately 12.9% and 9.1%, respectively. The following chart shows the household equipment, furnishings and services expenditure per capita and the disposable income per capita in the PRC for the period from 2012 to 2021:

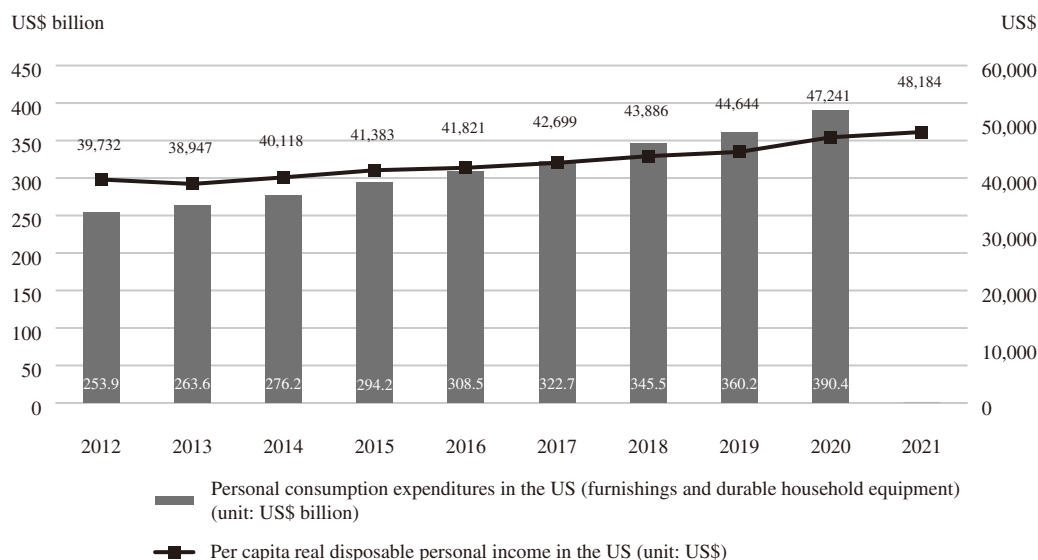


Source: National Bureau of Statistics of China

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### US market

According to the statistics published by the Bureau of Economic Analysis, US Department of Commerce, the personal consumption expenditures in the US — furnishings and durable household equipment segment has increased from approximately US\$253.9 billion in 2012 to approximately US\$390.4 billion in 2020, representing a CAGR of approximately 5.5%. On the other hand, the real disposable personal income per capita in the US has steadily risen from US\$39,732 to US\$48,184 during 2012 to 2021, representing a CAGR of approximately 2.17%. Both consumption expenditure on household-related products and real disposable personal income per capita in the US have shown a constant upward trend in the past few years. The following chart shows the personal consumption expenditures in the US — furnishings and durable household equipment segment and the real disposable personal income per capita in the US for the periods from 2012 to 2020 and from 2012 to 2021, respectively:



Source: Bureau of Economic Analysis, US Department of Commerce

Note: The data of the personal consumption expenditures in the US — furnishings and durable household equipment segment in 2021 is not available.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In the light of the above, we are of the view that the demand for plastic and other household products in each of the Hong Kong, the PRC and the US markets is sustainable, and hence the Group's business in these markets are promising.

Having discussed with the management of the Group and taken into account the following factors:

- (i) the Heyuan Factory, which has conducted operations since October 2019 (i.e., prior to the deconsolidation of certain subsidiaries) and its lease has been extended to 31 December 2027, is able to execute the purchase orders of the Group;
- (ii) the Group has onboarded experienced sales personnel with strong presence in Europe to develop its business in Europe/the United Kingdom. As advised by the Directors, we are given to understand that the experienced sale personnel has been onboarded recently and their contributions were yet to be reflected in the revenue of the Group for the year ended 31 December 2021. The Group has recently expanded into the US, and is planning to expand into Australia;
- (iii) Mr. Jason Martin Westcott, who possesses over 20 years of experience in the plastic and household goods industry and has extensive network in the industry, has been appointed as an executive Director and the Chief Executive Officer with effect from 16 February 2022 and 4 February 2022, respectively. His extensive experience and network are expected to lead the Group to seize business opportunities and develop new markets;
- (iv) the Group's financial performance has improved for the year ended 31 December 2021 as discussed in detail in the section headed "I. The Subscription and the Creditors Schemes — 1. Background information of the Group — Financial performance of the Group"; and
- (v) the abovementioned promising industry outlook,

we are of view that the recent business development of the Group is satisfactory and the future prospects of the Group's business is positive.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *2. Background information of One Oak and parties acting in concert with it*

One Oak is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. As at the Latest Practicable Date, One Oak was owned as to 50% by Mr. Shah and 50% by Mr. Halley, both are directors of One Oak.

Mr. Shah has spent over a decade in Hong Kong and China, primarily focused on large, industrialised businesses and investing in venture capital. Mr. Shah has invested and worked with businesses ranging from LPG logistics, commodity trading, manufacturing, advertising, and education. Mr. Shah has a master's degree in Public Policy from Georgetown University and a Bachelor of Arts, with honors, from Trinity College.

Mr. Shah was previously a member of the board of directors at Horizon Oil & Gas Co. Ltd., while at the company, Mr. Shah focused on the chemicals supply chain through the import, transport, storage, and distribution of products such as liquified petroleum gas (LPG), propane, butane, and natural-gas condensate; primarily feeding into the plastics, heating, and other industries in mainland China.

Mr. Shah also previously served as a member of the board of directors at Peau de Fée LLC, a consumer-focused manufacturer of beauty care and wellness products and related packaging (paper, plastics, and glass) for products such as shampoos, lotions, and masks, supplying both in-house brands, as well as white label products for hotel chains including the Kempinski Hotels and the Four Seasons Hotels and Resorts in mainland China.

Mr. Halley has 25 years of experience in banking, asset management and commodities in London and Hong Kong. He has previously worked for companies including JP Morgan and Man-Vector hedge fund, and successfully exited a number of businesses that he has built. The most recent exit is the sale of Capstone Financial (HK) Limited in 2021.

#### *Future intention of One Oak*

As at the Latest Practicable Date, One Oak intended to continue the existing business of the Group and did not intend to introduce any major changes to the existing operation and business of the Group, save for supporting the business development of the Group as mentioned in the section headed "I. The Subscription and the Creditors Schemes — 1. Background information of the Group" by way of providing the financial funding to the Group and introducing business partners such as customers and/or suppliers in relation to the Group's business. One Oak also did not intend to dispose of or redeploy of any of the assets of the Group, or to discontinue the employment of the employees of the Group other than in the ordinary course of business.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***3. Use of proceeds and reasons for and benefits of the entering into of the Subscription Agreement***

The total subscription price of HK\$80,000,000 for the Subscription Shares shall be satisfied by One Oak (i) firstly, by way of set-off of the Company's Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the Company's Outstanding Debts, if any, upon Completion; (ii) secondly, by way of set-off of the CKA Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the CKA Outstanding Debts, if any, upon Completion; and (iii) finally, the balance of the total subscription price for the Subscription Shares (if any) shall be payable by One Oak (or its nominee) to the Company by way of cash. For avoidance of doubt, One Oak shall have the sole discretion to decide the amount of setting-off against any Company's Outstanding Debts and/or CKA Outstanding Debts and the payment in cash for the balance of the subscription monies.

Assuming that the consideration of the Subscription is fully settled by way of cash, the Company is expected to receive net proceeds of approximately HK\$75.0 million from the Subscription after the deduction of the relevant expenses incidental to the Subscription. The net issue price per Subscription Share after the deduction of the relevant expenses incidental to the Subscription is approximately HK\$0.1543. The majority of the net proceeds from the Subscription is expected to be applied for the set-off of the amount of the CKA Outstanding Debts, which is for the Group's working capital purpose, and the remaining net proceeds will be applied for the relevant cost for the Restructuring and general working capital of the Group.

References are made to the announcements dated 7 January 2020, 8 January 2020, 22 January 2020, 3 February 2020, 12 February 2020, 10 March 2020, 24 June 2020, 6 July 2020, 8 July 2020, 4 August 2020, 1 September 2020, 23 September 2020, 8 January 2021, 17 May 2021, 26 July 2021, 27 September 2021, 31 December 2021, 17 March 2022, 25 March 2022 and 31 March 2022 of the Company in relation to several litigation and winding up petitions. The Company had appointed the Joint Provisional Liquidators on 30 July 2020. The Joint Provisional Liquidators are authorised to take all necessary steps with a view to develop and propose a restructuring of the Company's financial indebtedness with a view to making a compromise or arrangement with the Company's creditors or any class thereof. The Board retains all powers of management conferred upon it by the Company immediately prior to the date of the appointment of the Joint Provisional Liquidators.

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As discussed in the section headed “I. The Subscription and the Creditors Scheme — 1. Background information of the Group”, the Group was at a net current liability and net liability position of approximately HK\$217.9 million and HK\$211.0 million, respectively as at 31 December 2021. The Group has been recording losses during the three years ended 31 December 2021 under review. As at 31 December 2021, the Group had bank balances and cash of approximately HK\$0.4 million.

As at 28 February 2022, the Group had an outstanding secured borrowings of approximately HK\$168.4 million, which comprised bank and other borrowings of approximately HK\$165.9 million and bank overdrafts of HK\$2.5 million, a loan from a related party of approximately HK\$1.6 million and lease liabilities of approximately HK\$11.7 million.

As at the Latest Practicable Date, the Company had an estimated total amount of Claims of approximately HK\$306.8 million, of which approximately HK\$197.0 million was indebted to a number of bank creditors and approximately HK\$109.8 million was Claims by certain alleged bondholders. This indebtedness figure is indicative only and the claims of the Creditors will be subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Creditors Schemes. The current financial resources of the Group is insufficient to support the debt repayment obligation of the Company and the capital requirement of the Group’s operation. Therefore, the Company is in need of capital to fulfil its debt repayment obligation under the Creditors’ Schemes and finance the Restructuring Costs and the Group’s business operation.

The Group has entered into the One Oak Funding Agreement and the CKA Loan Agreement, pursuant to which One Oak agreed to provide funding to the Group for up to HK\$100.0 million in aggregate to be used for payments for the Restructuring Costs and the Creditors Schemes, and the working capital and business of the Group. The subscription price of the Subscription will be set off with the Company’s Outstanding Debts and the CKA Outstanding Debts. Therefore, the loans under the One Oak Funding Agreement and the CKA Loan Agreement, together with the Subscription form a vital part of the resumption plan of the Company as they provide the Group with the necessary funding to facilitate the debt restructuring by the implementation of the Creditors Schemes, and to support the capital requirements of the Group’s business operations.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Alternative financing methods*

As advised by the Company, other than the Subscription, the Company considered that other fundraising methods such as debt financing from bank or money lenders and other forms of equity financing to finance the relevant cost for the Restructuring, general working capital and business development of the Group may not be feasible or practical.

During the years ended 31 December 2019, 2020 and 2021, the Group recorded finance costs of approximately HK\$15.1 million, HK\$10.5 million and HK\$10.5 million, respectively. Moreover, the Group recorded gross loss of approximately HK\$2.1 million for the year ended 31 December 2019 and gross profit of approximately HK\$2.4 million and HK\$2.6 million for the years ended 31 December 2020 and 2021, respectively. Accordingly, the finance costs for the years ended 31 December 2020 and 2021 accounted for approximately 437.5% and 403.8% of the gross profit for the corresponding years. For debt financing from banks or money lenders, the Directors considered, and we concur, that it will incur further interest expenses and leverage on the Group. Due to the prolonged loss-making performance of the Group, the net current liabilities position and the high leverage status of the Group, it may not be feasible for the Group to obtain additional debt financing with terms acceptable to the Group. Debt financing from banks or money lenders may also be subject to lengthy due diligence and internal risk assessment by the institutions. Under the current circumstances of several litigations and winding up petitions against the Group as well as the reasons mentioned herein, we concur with the Directors' view that debt financing from banks or money lenders is not practical.

In light of the prolonged loss-making record of the Group and the suspension of trading of Shares, if the Company raises the necessary funds by way of placing, rights issue or open offer of new Shares, we concur with the Directors that the public may not be interested in a listed company with financial difficulties and going-concern issue. As such, the Directors considered, and we concur, that placing, rights issue or open offer of new Shares is not feasible to the Group.

Having considered that (i) the Group has recorded net losses and net current liabilities positions since 2019; (ii) the Group is lack of sufficient financial resources to meet its capital requirements and debt repayment obligations; (iii) it is neither cost-effective nor feasible for the Group to obtain debt financing and/or carry out other forms of equity financing; (iv) the Subscription allows the Company to set-off with the Company's Outstanding Debt and/or CKA Outstanding Debts under the One Oak Funding Agreement and/or the CKA Loan Agreement, which in turn provides the

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necessary funding to facilitate the debt restructuring and support the capital requirements of the Group's operation; and (iv) the completion of the Restructuring is essential for the resumption plan of the Company, failing which may result in the delisting of the Shares on the Stock Exchange, we are of the opinion that the Subscription is in the interest of the Company and the Shareholders as a whole.

#### **4. *Principal terms of the Subscription Agreement***

On 8 November 2021, One Oak (as subscriber), the Company (as issuer) and the Joint Provisional Liquidators entered into the Subscription Agreement (as amended and supplemented by the supplemental subscription agreement dated 17 March 2022), pursuant to which, One Oak conditionally agreed to subscribe the Subscription Shares to be issued by the Company at the Subscription Price for the purpose of the Restructuring. Principal terms of the Subscription Agreement are set out below:

##### *Date*

8 November 2021 (as amended and supplemented by the supplemental subscription agreement dated 17 March 2022)

##### *Parties*

- (i) The Company (as issuer)
- (ii) One Oak (as subscriber)
- (iii) The Joint Provisional Liquidators

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

The Subscription Shares, when allotted and issued, will rank *pari passu* among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Subscription Shares.

##### *The Subscription Shares*

Pursuant to the terms and conditions of the Subscription Agreement, One Oak shall subscribe for a total of 486,000,000 Subscription Shares for a total subscription price of HK\$80,000,000, representing approximately HK\$0.1646 per Subscription Share, which shall be satisfied by One Oak in the following manner:

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- (i) firstly, by way of set-off of the Company's Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the Company's Outstanding Debts, if any, upon Completion;
- (ii) secondly, by way of set-off of the CKA Outstanding Debts in whole or in part on dollar-for-dollar basis against and towards the payment of the total subscription price for the Subscription Shares for such amount of the CKA Outstanding Debts, if any, upon Completion; and
- (iii) finally, the balance of the total subscription price for the Subscription Shares (if any) shall be payable by One Oak (or its nominee) to the Company by way of cash.

Pursuant to the terms and conditions of the One Oak Funding Agreement, the maximum exposure amounts of the Company's Outstanding Debts would be in the principal amount of HK30.0 million together with the interests accrued thereon. Pursuant to the terms and conditions of the CKA Loan Agreement, the maximum exposure amounts of the CKA Outstanding Debts would be in the principal amount of HK70.0 million together with the interests accrued thereon.

The total number of Subscription Shares to be allotted and issued under the Subscription represents:

- (i) 90% of the enlarged issued share capital of the Company immediately after the completion of the Subscription;
- (ii) approximately 75% of the enlarged issued share capital of the Company immediately after the completion of the Subscription and the Placing, assuming all Creditors accept the Cash Option; and
- (iii) approximately 67.5% of the enlarged issued share capital of the Company immediately after the completion of the Subscription and the Placing, assuming all Creditors accept the Equity Option, and all Creditors accepting the Equity Option have exercised the Share Options.

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### *The Subscription Price*

The Subscription Price of HK\$0.1646 per Subscription Share represents:

- (i) a discount of approximately 91.01% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 91.02% to the theoretical average closing price of HK\$1.832 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK\$0.1832 as quoted on the Stock Exchange for the last five trading days prior to the Last Trading Day.

As disclosed in the Letter from the Board, the Subscription Price was determined after arm's length negotiation between the Company, the Joint Provisional Liquidators and One Oak with reference to (i) the financial position of the Company (recording a total deficit of HK\$116,936,000 and HK\$135,086,000 as at 31 December 2019 and 30 June 2020, respectively, according to the 2019 annual report and 2020 interim report of the Company) and that the Company is insolvent; (ii) the prevailing market prices of the Shares; (iii) the prevailing market condition; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2020 and the proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange.

In assessing the fairness and reasonableness of the Subscription Price, we identified transactions in relation to restructuring announced and/or completed by the companies listed on the Stock Exchange (the "**Resumption Comparables**") which (i) published announcement/circular during the period from 1 January 2020 to 31 December 2021 (the "**Review Period**"); (ii) suspended of trading for more than 12 months prior to the publication of the restructuring announcement/circular; and (iii) conducted resumption plan that involved creditors' scheme and application of whitewash waiver. Based on the criteria above, we identified an exhaustive list of six Resumption Comparables as below. Despite the business and operation of the Resumption Comparables are not the same as the Group, the research result of Resumption Comparables can demonstrate the market practice of similar transactions in relation to restructuring conducted by companies being suspended of trading during the Review Period.



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No.	Company Name (Stock code)	Principal business	Date of announcement/ circular	Date of suspension of trading	Date of resumption of trading	Discount of the subscription price to the closing price on the last trading date	Theoretical dilution effect (Note 1)
1.	Samson Paper Holdings Limited (731)	Paper products trading	Circular date: 31 December 2021	2 July 2020	26 January 2022	96.68%	88.55%
2.	Freeman FinTech Corporation Limited (279) (Note 2)	Financial business	Circular date: 26 May 2021	28 February 2020	1 November 2021	82.1% (Note 3)	77.35%
3.	Burwill Holdings Limited (24)	Steel trading	Announcement date: 5 May 2021	19 August 2019	N/A (Note 4)	94.37%	87.84%
4.	China Oil Gangran Energy Group Holdings Limited (8132)	Power and data cords business	Circular date: 19 March 2021	2 July 2019	28 June 2021	87.55%	77.2%
5.	Flyke International Holdings Limited (1998)	Manufacture and sales of footwear, apparels and accessories	Announcement date: 18 June 2020	31 March 2014	N/A (Note 5)	83.82%	51.58%
6.	China Solar Energy Holdings Limited (155)	Solar photovoltaic businesses	Announcement date: 22 May 2020	16 August 2013	N/A (Note 6)	91.67%	88.8%
<b>Maximum</b>						<b>96.68%</b>	<b>88.80%</b>
<b>Minimum</b>						<b>82.10%</b>	<b>51.58%</b>
<b>Average</b>						<b>89.37%</b>	<b>78.55%</b>
<b>The Company</b>			<b>Announcement date: 8 November 2021</b>	<b>2 July 2020</b>	<b>N/A (Note 7)</b>	<b>91.01%</b>	<b>83.18%</b>

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*Notes:*

1. The theoretical dilution effect is calculated based on Rule 7.27B of the Listing Rules and Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as the case may be.
2. Currently known as Arta TechFin Corporation Limited.
3. Taken into account the higher discount, given a price discount ranged from approximately 81.5% to 82.1%.
4. The company was delisted with effect from 13 August 2021.
5. The company was delisted with effect from 29 January 2021.
6. As disclosed in the announcement published on 28 March 2022 by the company, it is coordinating with the relevant parties for the renewal of its new listing application.
7. The application of the resumption of trading of the Group is still in progress.

*Source: Stock Exchange*

Taken into account, (i) the closing price of the Resumption Comparables' shares on their respective last trading date has reflected their respective market value in the open market; (ii) the respective subscription price and terms were determined after arm's length negotiation between the Resumption Comparables and their subscribers; (iii) the comparable analysis demonstrated the market practice of similar transactions during the Review Period; and (iv) the comparable analysis has not shown a large variance in the discount of subscription price between the Main Board cases and the GEM case among the Resumption Comparables, we consider that there is no difference as to whether the Resumption Comparables were listed on the GEM or Main Board of the Stock Exchange with regards to the determination of the subscription price.

The respective subscription transaction of the Resumption Comparables numbered 1, 2 and 4 has been approved by their respective independent shareholders and the respective subscription transaction of the Resumption Comparables numbered 3, 5 and 6 has yet to be approved by their respective independent shareholders. Notwithstanding the respective subscription transaction of the Resumption Comparables numbered 3, 5 and 6 has yet to be approved by their respective independent shareholders, having considered that (i) the respective subscription price and terms of the Resumption Comparables were determined after arm's length negotiation between the Resumption Comparables and their subscribers; (ii) the respective subscription transaction has been agreed upon between the companies and their subscribers when the respective announcement was published; and (iii) the comparable analysis illustrated that the discount of the subscription price to the last trading day of the Resumption Comparables only varies within a narrow range, regardless whether they have been approved by their

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respective independent shareholders, we are of the view that the Resumption Comparables demonstrated the general market practice of similar transactions on an arm's length basis during the Review Period; therefore, we consider that it is appropriate to include the Resumption Comparables that have not been approved by independent shareholders in the comparable analysis.

The delisting of the respective issuer of the Resumption Comparables numbered 3 and 5 was mainly due to the failure in fulfilling all the conditions set out in their resumption guidance set by the Stock Exchange within the 18-month period. The required resumption conditions included, but not limited to, the compliance with Rule 13.24 of the Listing Rules and the establishment of adequate and effective financial reporting procedures and internal control systems to meet the obligation under the Listing Rules. As the reasons for delisting of the two companies were not caused by the shareholders' disapproval of their restructuring plan, we consider that it is appropriate to include the delisted companies for our comparable analysis. For the avoidance of doubt, the two companies that were delisted had yet to convene any general meeting to seek shareholders' approval for their resumption plan; therefore, their failure to resume trading was not due to their restructuring plan being disapproved by the shareholders.

The subscription prices of the Resumption Comparables recorded a discount against respective closing price/adjusted closing price on their last trading day before the suspension of share trading. The discount ranged from approximately 82.10% to 96.68%, with an average discount of approximately 89.37%. The Subscription Price of HK\$0.1646 per Subscription Share, which represents a discount of approximately 91.01% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on the Last Trading Day, falls within the abovementioned discount range and is slightly above the average discount of the Resumption Comparables.

It is noted that the Subscription Price of approximately HK\$0.1646 is lower than the issue price of the Option Shares of approximately HK\$0.433 (analysis of the issue price of the Option Shares is set out in the section headed "I. The Subscription and the Creditors Schemes — 5. The Creditors Schemes — 5.2 Grant of the Share Options and the Put Options — The Option Exercise Price" below). Given the Group is in financial distress and trading of the Shares has been long suspended, we consider that it is reasonable to offer a generous discount to the white knight in order to provide incentive for it to agree to provide funding to rescue the Company. Without the funding of One Oak, the Company would be unable to implement the Restructuring and face the risks of

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liquidation and delisting from the Stock Exchange. Given the difference in nature of the Subscription and the issue of the Option Shares, we consider the difference between the Subscription Price and the issue price of the Option Shares justified.

Having considered that (i) the Group has recorded net losses and net current liabilities positions since 2019; (ii) the Group is lack of sufficient financial resources to meet its debt repayment obligations; (iii) the proceeds from the Subscription is crucial to the Restructure and failing of which may result in the delisting of the Shares on the Stock Exchange; (iv) the reasons for and benefits of the Subscriptions as aforementioned; and (v) the discount of the Subscription Price to the closing Share price on the Last Trading Day falls within the discount range and is slightly above the average discount of the Resumption Comparables, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Based on the principal terms of the Subscription as discussed above, we are of the opinion that the terms of the Subscription Agreement 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.

### **5. *The Creditors Schemes***

#### *5.1 Principal terms of the Creditors Schemes*

As disclosed in the Letter from the Board, it is proposed that the debts of the Company be restructured from funds to be made available out of the funding under the One Oak Funding Agreement.

Under the Creditors Schemes, each Creditor with Admitted Scheme Claim(s) may choose either the Cash Option or the Equity Option (but not a combination of the Cash Option and Equity Option). Further, each Creditor with Admitted Scheme Claim(s) may be entitled to the Realisation Proceeds which may be realised by the Scheme Administrators from the disposal of the Transferred Claims.

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Those Creditors who elect to receive the Cash Option would share in the distribution of HK\$20.0 million with other Creditors by reference to the following formula:

$$\text{HK\$20.0 million} \quad \times \quad \frac{\text{Admitted Scheme Claim(s) of the individual Creditor}}{\text{Total Admitted Scheme Claims of all Creditors}}$$

Those Creditors who elect to receive the Equity Option will receive the benefit of the Share Options granted by the Company to be held by the Scheme Administrators for the benefit of such Creditors to subscribe for new Consolidated Shares at a nominal exercise fee of HK\$0.10 per Option Share by reference to the below formula:

$$\begin{array}{l} 60,000,000 \\ \text{Share Options} \end{array} \quad \times \quad \frac{\text{Admitted Scheme Claim(s) of the individual Creditor}}{\text{Total Admitted Scheme Claims of all Creditors}}$$

Additionally, such Creditors may exercise the Put Option and require the Company to purchase the Share Options granted. If the Put Option is exercised within the Put Option Exercise Period A or the Put Option Exercise Period B, the relevant Creditor will be entitled to require the Company to purchase the Share Option(s) at HK\$0.6667 per Share Option (i.e. the Put Option Price A) and/or HK\$0.8333 per Share Option (i.e. the Put Option Price B), respectively.

In the absence of any election, a Creditor will be deemed to have elected the Cash Option.

Pursuant to the Creditors Schemes:

- (i) all Scheme Claims against the Company shall be compromised, discharged and/or settled; and
- (ii) the Creditors shall receive distribution of the Scheme Funds on the terms of the Creditors Schemes.

As at the Latest Practicable Date, the Company had an estimated total amount of Claims of approximately HK\$306.8 million, of which approximately HK\$197 million was indebted to a number of bank creditors and approximately HK\$109.8 million was Claims by certain alleged bondholders. This indebtedness figure is indicative only and the claims of the Creditors will be subject to final determination by the Scheme Administrators and (if applicable) adjudication under the Creditors Schemes.

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### 5.2 *Grant of the Share Options and the Put Options*

#### The Share Options

Pursuant to the terms and conditions of the Restructuring Agreement, the Company undertakes to execute the Option Deed and to grant up to 60,000,000 Share Options to the Creditors who elect the Equity Option under the Creditors Schemes. Up to 60,000,000 Share Options will be issued by the Company to the Scheme Administrators to hold for the benefit of such Creditors as soon as practicable after the Scheme Administrators or the adjudicator has/have determined or adjudicated all the Scheme Claim(s) (as the case may be) in accordance with the Creditors Schemes and within 21 days from the date of resumption of trading in the Shares (whichever is later). Principal terms of the Share Options are set out below:

Issuer:	The Company
Grantee:	The Creditors who elect the Equity Option under the Creditors Schemes
Number of Share Option:	Up to 60,000,000 Share Options entitling the holder(s) to subscribe for a maximum of 60,000,000 Option Shares (upon the Share Consolidation becoming effective). Each Share Option carries the rights of its holder to subscribe for one Option Share
Number of Option Shares:	Up to 60,000,000 Option Shares (upon the Share Consolidation becoming effective) to be issued upon exercise of the Share Options
	The aggregate nominal value of 60,000,000 Option Shares is HK\$6,000,000
Option Period:	Period of six (6) months from the date of grant of the Share Options

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Option Exercise Price:	HK\$0.10 per Option Share (upon the Share Consolidation becoming effective) (subject to customary adjustments upon occurrence of certain events such as consolidation or sub-division of the share capital of the Company, capitalisation of profits or reserves, share dividends or other dividends and distributions), which was determined based on nominal value
Transferability:	Save for the transfer of the Share Options to the Company by virtue of the exercise of the Put Options, the Share Options are not transferable
Listing:	No listing of the Share Options will be sought on the Stock Exchange or other stock exchanges

### The Option Shares

Pursuant to the terms and conditions of the Restructuring Agreement, the Creditors with Admitted Scheme Claims who elect the Equity Option will have the rights, which may be exercised at any time during the Option Period to subscribe at the Option Exercise Price for up to 60,000,000 Option Shares.

If the Creditors with Admitted Scheme Claims who elect the Equity Option shall exercise the Share Options in entirety, an aggregate of 60,000,000 Option Shares will be newly issued, representing 10.00% of the enlarged issued share capital of the Company immediately after the completion of the Subscription and the Placing.

### The Option Exercise Price

The Option Exercise Price of HK\$0.10 per Option Share represents:

- (i) a discount of approximately 94.54% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on the Last Trading Day; and

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- (ii) a discount of approximately 94.54% to the theoretical average closing price of HK\$1.832 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the average closing price of HK\$0.1832 as quoted on the Stock Exchange for the last five trading days prior to the Last Trading Day.

As disclosed in the Letter from the Board, the Option Exercise Price, being HK\$0.10 per Option Share (upon the Share Consolidation becoming effective) which represents the nominal price of the Consolidated Share and the lowest possible issued price of the Consolidated Share, was determined after arm's length negotiation between the Company, the Joint Provisional Liquidators and One Oak with reference to (i) the financial position of the Company; (ii) the prevailing market prices of the Shares; (iii) the prevailing market conditions; and (iv) the fact that trading in the Shares on the Stock Exchange has been suspended since 2 July 2020 and the proposed Restructuring is the only viable resumption proposal to rescue the Company to avert the delisting of the Shares on the Stock Exchange.

Based on the total distribution of HK\$20.0 million to the Creditors and that up to 60,000,000 Option Shares may be issued, plus the Option Exercise Price of HK\$0.1 per Option Share, the implied issue price of the Option Shares is approximately HK\$0.433 per Option Share. The issue price of the Option Shares represented a discount of approximately 76.3% to the theoretical closing price of HK\$1.830 per Consolidated Share as adjusted for the effect of the Share Consolidation based on the closing price of HK\$0.1830 per Share as quoted on the Stock Exchange on the Last Trading Day, which is lower than the minimum discount of the Resumption Comparables of approximately 82.1%. Having considered that the issue price of the Option Shares is at a smaller discount than the Resumption Comparables, such issue price is fair and reasonable so far as the Independent Shareholders are concerned and favourable to the Company and the Shareholders as a whole.

### The Put Options

Pursuant to the terms and conditions of the Restructuring Agreement, the Company undertakes to grant the Put Options to the Creditors who elect the Equity Option under the Creditors Schemes. The holder of the Put Options will have the right to sell the Share Options back to the Company (i) at a Put Option Price A of HK\$0.6667 per Share Option during the Put Option Exercise Period A; and/or (ii) at a Put Option Price B of HK\$0.8333 per Share Option during the Put Option Exercise Period B. Principal terms of the Put Options are set out below:



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Grantor:	The Company
Grantee:	The Creditors who elect the Equity Option under the Creditors Schemes
Exercise of Put Options:	The Company shall purchase the Share Options and the Grantee shall sell the Share Options free from any encumbrance, equities, claims and adverse interests whatsoever, and together with all rights now and hereafter attaching or accruing to them on or after the date of the exercise notice given by the Grantee to the Grantor
Put Option Exercise Period A:	The 14-day period immediately preceding the date falling three (3) months from the date of grant of the Share Options
Put Option Exercise Period B:	The 14-day period immediately preceding the date of expiry of the Option Period
Put Option Price A:	HK\$0.6667 per Share Option for the Put Option Exercise Period A
Put Option Price B:	HK\$0.8333 per Share Option for the Put Option Exercise Period B

The Put Option Price A represents a total consideration of HK\$40,000,000 payable by the Company to the Creditors who elect the Equity Option and intend to exercise the Put Options within the Put Option Exercise Period A, divided by the maximum number of Share Options to be issued. The Put Option Price B represents a total consideration of HK\$50,000,000 payable by the Company to the Creditors who elect the Equity Option and intend to exercise the Put Options within the Put Option Exercise Period B, divided by the maximum number of Share Options to be issued.

Pursuant to the terms and conditions of the Restructuring Agreement, One Oak shall guarantee the due and punctual payment and performance of the obligations of the Company in connection with the Put Options in favour of the Creditors, provided that any liability of One Oak under the Option Deed and the Option Guarantee shall be limited to an amount of HK\$30.0 million. Such guaranteed amount of HK\$30.0 million represents the difference between (i) the maximum purchase price for the Share Options assuming all Creditors opt for the Equity Option and exercise the Put Options within the

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Put Option Exercise Period B (i.e. HK\$50.0 million); and (ii) a cash payment of HK\$20.0 million which would be payable by the Company by the funding under One Oak Funding Agreement.

As disclosed in the Letter from the Board, the Put Option Price A and the Put Option Price B were determined after arm's length negotiation between the Company, the Joint Provisional Liquidators and One Oak after taking into account the timing for settlement of the Admitted Scheme Claim(s) with the Creditors. In the event that all the Creditors elected the Equity Option, the Company will not be required to make the cash payment of HK\$20.0 million upon Completion but will grant the Share Options to the Creditors. If the Creditors do not exercise the Share Options, they are entitled to exercise the Put Option to sell the Share Option back to the Company at the Put Option Price A of HK\$0.6667 per Share Option during the Put Option Exercise Period A (which is about 3 months from the date of grant of the Share Options) and/or at the Put Option Price B of HK\$0.8333 per Share Option during the Put Option Period B (which is about 6 months from the date of grant of the Share Options). In essence, the grant of the Put Option would provide incentives for the Creditors to consider deferred settlement of their Admitted Scheme Claim(s). The maximum total price payable by the Company if all the Creditors who elected the Equity Option choose to only exercise the Put Option at a later date during the Put Option Exercise Period B would be HK\$50.0 million, while only HK\$40.0 million would be payable by the Company if the Creditors choose to exercise the Put Option at a sooner date during the Put Option Exercise Period A.

In assessing the fairness and reasonableness of the Put Option Price A and the Put Option Price B, we have compared the implied haircut of the scheme claims of the Creditors Schemes based on the Put Option Price A and the Put Option Price B against that of the Resumption Comparables. As at the Latest Practicable Date, the Company had an estimated total amount of Claims of approximately HK\$306.8 million, of which approximately HK\$197.0 million was indebted to a number of bank creditors and approximately HK\$109.8 million was Claims by certain alleged bondholders. Based on the estimated Claims of approximately HK\$306.8 million, the implied haircuts are approximately 87.0% and 83.7% based on the Put Option Price A and Put Option Price B, respectively. Comparatively, the haircut of the Resumption Comparables (excluding outliers) ranged between approximately 76.5% and 94.9%, with an average of approximately 87.1%. Given that the respective implied haircut of the Put Option Price A and Put Option Price B falls within the range of haircut of the Resumption Comparables, we are of the opinion that the Put Option Price A and Put Option Price B are fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

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### Reasons for and benefits of the grant of Share Options and Put Options

The Equity Option increases the attractiveness of the Creditors Schemes to the Creditors taking into account the potential gain on the price of the Consolidated Shares following the exercise of the Share Options and the resumption of trading of the Shares, and the maximum guaranteed proceeds from the exercise of the Put Option of HK\$0.8333 per Share Option. The Equity Option helps to enlarge the shareholder base of the Company if the option holders exercise their Share Options and increase the public float after the Subscription. Having considered that (i) the grant of Share Options not only can settle the debt owed to the Creditors, but also may strengthen the shareholder base of the Company; and (ii) the grant of the Put Options provide incentives for the Creditors to consider deferred settlement of their Admitted Scheme Claim(s), we are of the opinion that the Creditors Schemes with the possible grant of Share Options and Put Options is fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

**Shareholders and potential investors should note that the grant of Share Options will strengthen the shareholder base of the Company *only if* the option holders will exercise their Share Options.**

#### ***6. Possible dilution effect on the shareholding interests of the public Shareholders***

Reference is made to the shareholding table in the section headed “VII. Shareholding Structure of the Company” disclosed in the Letter from the Board, the shareholding interests of the public Shareholders would be diluted from approximately 31.69% as at the Latest Practicable Date to (i) approximately 3.17% immediately after the Share Consolidation having become effective and completion of the Subscription; (ii) approximately 18.17% immediately after the Share Consolidation, completion of the Subscription and the Placing, assuming all the Creditors with Admitted Scheme Claims opt for the Cash Option; and (iii) approximately 26.35% immediately after the Share Consolidation, completion of the Subscription and the Placing, assuming all the Creditors with Admitted Scheme Claims opt for Equity Option and exercise their Share Options.

In addition, the Subscription and the grant of Share Options together would result in a theoretical dilution effect of approximately 83.18%, which is exceeding the 25% theoretical dilution threshold as stipulated under Rule 7.27B of the Listing Rules. Based on our analysis of the seven Resumption Comparables as disclosed above, we noted that the Resumption Comparables recorded a theoretical dilution effect in the range from

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approximately 51.58% to 88.80%, and the theoretical dilution effect of the Subscription and the grant of Share Options of approximately 83.18% falls within the range of the said comparables. Despite the dilution effect to the public Shareholders, we also have taken into account, in particular, the following factors:

- (i) the trading in the Shares on the Stock Exchange has been suspended since 2 July 2020, the Company is facing imminent possibility of the Shares being delisted pursuant to the 18-months remedial period limit under Rule 6.01A(1) of the Listing Rules;
- (ii) the Group is currently lack of sufficient financial resources to repay its outstanding debts;
- (iii) the other fundraising methods is not feasible to the Group based on the discussion on the section headed “I. The Subscription and the Creditors Schemes — 3. Use of proceeds and reasons for and benefits of the entering into of the Subscription Agreement — Alternative financing methods”;
- (iv) the net proceeds from the Subscription and the issue of the Share Options (an aggregate of up to approximately HK\$81.0 million) is expected to be used for the Restructuring costs, and general working capital and business development of the Group. In particular, it provides an opportunity for the Group to set-off the Company’s Outstanding Debts and the CKA Outstanding Debts in whole or in part, pursuant to which, the Company’s Outstanding Debts under the One Oak Funding Agreement provides necessary funding to resolve the debts of the Company by the implementation of the Creditors Schemes; and
- (v) the Subscription and the Creditors Schemes together raise an opportunity to the Group that all Scheme Claims against the Company to be compromised, discharged and/or settled in full, which in turn facilitating the Company to fulfill the resumption conditions imposed by the Stock Exchange and resume the trading of the Shares.

We consider that the abovementioned reasons and benefits of the Subscription and the Creditors Schemes (including the grant of the Share Options) outweighed the possible dilution effect to the public Shareholders, and hence we are of the view that the possible dilution effect on the shareholding interests of the public Shareholders due to the Subscription and the grant of the Share Options acceptable.

**7. *Financial Effect of Subscriptions and the Creditors Schemes****Assets and liabilities*

As disclosed in the 2021 Annual Result, the Group recorded net liabilities of approximately HK\$211.0 million as at 31 December 2021. Upon the completion of the Subscription and the Creditors Schemes, the assets of the Group are expected to increase due to the net proceeds of One Oak funding arrangement, the CKA funding arrangement and the Subscription is expected to improve the working capital of the Group, vice versa, the liabilities of the Group are expected to reduce as a result of the settlement of indebtedness due to the Creditors. It is expected the Group will be in a net asset position upon Completion. Consequently, the financial position of the Group is expected to be strengthened.

*Working capital*

As the indebtedness due to the Creditors compromised, discharged and/or settled in full under the Creditors Schemes, substantial future cash outflow by the Group would be avoided in repaying the Scheme Claims and interests thereon in cash.

The Group has entered into the One Oak Funding Agreement and the CKA Loan Agreement, which One Oak agreed to provide funding the Group for up to HK\$100.0 million in aggregate to be used for payments for the Restructuring Costs and the Creditors Schemes, and the working capital and business of the Group. The estimated outstanding Restructuring Costs is approximately HK\$20.0 million, and HK\$20.0 million is earmarked for distribution to the Creditors. If all the Creditors opt for the Equity Option and exercised their Put Option, the total consideration payable by the Company would be HK\$40.0 million at the Put Option Price A and HK\$50.0 million at the Put Option Price B. The majority of the net proceeds from the Subscription is expected to be applied for the set-off of the amount of the CKA Outstanding Debts, which is for the Group's working capital purpose, and the remaining net proceeds will be applied for the relevant cost for the Restructuring and general working capital of the Group. Based on the foregoing, it is expected that the One Oak funding arrangement, the CKA funding arrangement and the Subscription together will improve the financial resources available for the Group's general working capital and business development after deducting the payments obligations of the Restructuring Costs and the Creditors Schemes.

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It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial performance and the financial position of the Group will be upon the completion of the Subscription and the Creditors Schemes.

### II. The Whitewash Waiver

As disclosed in the Letter from the Board, as at the Latest Practicable Date, One Oak and parties acting in concert with it did not hold, own, control or have direction over any Shares, outstanding options, warrants or any securities that are convertible into Shares or any derivatives in respect of the securities in the Company, or hold any relevant securities in the Company.

Assuming that (i) the Share Consolidation and the Increase in Authorised Share Capital have become effective; (ii) completion of the Subscription has taken place; and (iii) there is no other change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the Share Consolidation and the Subscription), One Oak will be interested in 486,000,000 Consolidated Shares, representing 90.0% of the then enlarged issued share capital of the Company.

As such, One Oak would be required to make a mandatory general offer for all the issued shares of the Company (not already owned or agreed to be acquired by One Oak and parties acting in concert with it) under Rule 26.1 of the Takeovers Code, unless a waiver from strict compliance with Rule 26.1 of the Takeovers Code is granted by the Executive.

One Oak has made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the votes cast by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver and the approval by more than 50% of the Independent Shareholders at the EGM in respect of the underlying transactions (i.e. the Share Consolidation, the Increase in Authorised Share Capital, the Subscription, and the transactions contemplated under the Creditors Schemes, including the grant of specific mandate for the issue and allotment of the Option Shares), in which Shareholders who are involved in or interested in the proposed Restructuring will abstain from voting on the relevant resolution(s). The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted, the Restructuring Agreement will terminate forthwith.

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Given that the grant of the Whitewash Waiver by the Executive is part of the conditions for the Subscription, the Creditors Schemes would not proceed if the Whitewash Waiver is voted down by the Independent Shareholders at the EGM. Having considered that (i) as one of the resumption conditions is having the winding-up petitions (or winding order, if made) against the Company withdrawn or dismissed, if the Creditors Schemes is voted down at the EGM, the Company would have to suggest another proposal acceptable to the Creditors for settling their claims, which the approval from the Creditors is not guaranteed; (ii) the Company had been loss-making and recorded net liabilities positions for the recent financial years and is in an unfavourable financial conditions which render it lacking the ability to repay the claims from the Creditors through its internal financial resources; (iii) the Subscription forms part of the Restructuring that would enable the Company to implement the Creditors Schemes if the Creditors Schemes is approved at the EGM; and (iv) the proceeds of the Subscription is expected to be used for the Restructuring Costs, and the general working capital and business development of the Group, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Subscription, is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Independent Shareholders as a whole.

### RECOMMENDATION

#### Subscription Agreement

Having considered the abovementioned principal factors and reason, in particular that:

- (i) the Group is in an urgent need for cash to finance the costs in relation to the Restructuring and resumption; and
- (ii) the proceeds from the Subscription enable the Group to set-off against the outstanding amounts under the One Oak Funding Agreement and/or the CKA Loan Agreement, the funding of which are essential components of the Restructuring, which in turn reduce the liabilities of the Group and facilitate the resumption of trading of the Shares,

we consider that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder (including the grant of the specific mandate for the issue and allotment of the Subscription Shares).



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### Creditors Schemes

As mentioned in the section headed “I. The Subscription and the Creditors Schemes — 3. Use of proceeds and reasons for and benefits of the entering into of the Subscription Agreement”, the Company received several litigations and winding up petitions against the Company and the Shares have been suspended of trading since 2 July 2020. Having considered that (i) the Group is incapable to repay the indebtedness due to the Creditors by its internal financial resources and the implementation of the Creditors Schemes discharges the Company from the indebtedness owed to the Creditors and is an integral part of the resumption plan of the Company; (ii) the grant of Share Options not only can settle the debt owed to the Creditors, but also strengthen the shareholders base of the Company; and (iii) the grant of the Put Options enhances the attractiveness of the Creditors Schemes and in turn increases the possibility of the Creditors Schemes being approved by the Creditors, we are of the view that the Creditors Schemes with the possible grant of Share Options and Put Options is fair and reasonable so far as the Independent Shareholders are concerned, and the Creditors Schemes with the possible grant of Share Options and Put Options is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Creditors Schemes and the transactions contemplated thereunder (including the grant of the specific mandate for the issue and allotment of the Option Shares).

### Whitewash Waiver

In view of (i) the aforesaid reasons for and benefits of the Subscription; and (ii) the Whitewash Waiver is one of the conditions precedent to the Subscription, we are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the special resolutions to be proposed at the EGM to approve the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Lego Corporate Finance Limited**  
**Kristie Ho**  
*Managing Director*

*Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 15 years of experience in the securities and investment banking industries.*



**1. HISTORICAL FINANCIAL STATEMENTS**

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.cknassociates.com](http://www.cknassociates.com)).

Annual report for the year ended 31 December 2019 (pages 51 to 125):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0707/2020070700792.pdf>

Annual report for the year ended 31 December 2020 (pages 82 to 148):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0104/2022010402448.pdf>

Annual results announcement for the year ended 31 December 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0331/2022033103757.pdf>

**2. FINANCIAL SUMMARY**

The following is a summary of the audited consolidated results of the Group for each of the years ended 31 December 2019, 2020 and 2021 as extracted from the relevant annual reports or annual result announcement.

	For the year ended 31 December		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
	(audited)	(audited)	(audited)
Revenue	260,389	21,468	23,487
Loss before taxation	(297,222)	(19,032)	(18,103)
Income tax expenses	(221)	—	—
Loss for the year	<u>(297,443)</u>	<u>(75,921)</u>	<u>(18,103)</u>
Attributable to:			
Owners of the Company	(297,440)	(75,921)	(18,103)
Non-controlling interests	<u>(3)</u>	<u>—</u>	<u>—</u>
Total comprehensive loss attributable to:			
Owners of the Company	(296,797)	(75,921)	(18,103)
Non-controlling interests	<u>(95)</u>	<u>—</u>	<u>—</u>
Dividend per Share ( <i>HK cents</i> )	—	—	—
Loss per Share attributable to owners of the Company			
Basic ( <i>Note</i> )	(55.08)	(14.06)	(3.35)

*Note:* No diluted loss per share is presented for 2019, 2020 and 2021 as the Company did not have any potential ordinary share in issue during the years.

For the year ended 31 December 2019, the Company recognised loss on de-consolidation of subsidiaries of approximately HK\$54.3 million and impairment loss on amounts due from de-consolidated subsidiaries of approximately HK\$147.1 million due to de-consolidation (the “**De-consolidation**”) of certain subsidiaries of the Group. The details of the De-consolidation was extracted from the 2019 annual report of the Company as per below:

#### De-Consolidation of Certain Subsidiaries of the Group

Following the substantial change in the composition of the Board effective from 7 December 2019, despite repeated requests, the Directors has been unable to contact the legal representative and management personnel of the Group’s operating subsidiaries in the PRC, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公

司 (Foshan Haichang New Materials Technology Co., Ltd.) (together referred to as the “**De-consolidated Subsidiaries**”). Due to the claims (including wages) made by several creditors of the De-consolidated Subsidiaries, the factories of the De-consolidated Subsidiaries were sealed off by the Shenzhen Longgang District People’s Court (深圳市龍崗區人民法院) subsequent to the end of the reporting period. During the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, the Directors had been unable to have access to and obtain the complete set of books and records together with the supporting documents of the De-consolidated Subsidiaries for the period from 1 January 2019 to 31 December 2019 due to the inability to contact the management and accounting personnel of the De-consolidated Subsidiaries.

The Group had consolidated the assets and liabilities of the De-consolidated Subsidiaries up to 7 December 2019 and their financial performance for the period from 1 January 2019 to 6 December 2019 based on unaudited management information received. However, in the absence of access to complete set of books and records and the non-cooperation of the management and accounting personnel of the de-consolidated Subsidiaries, the Directors considered that the Group had lost control over the De-consolidated Subsidiaries and had de-consolidated their financial performance, assets and liabilities from the consolidated financial statements of the Group on 7 December 2019 accordingly.

The de-consolidation of the De-consolidated Subsidiaries had resulted in a net loss on De-consolidation of subsidiaries of approximately HK\$54,330,000 for the year ended 31 December 2019. The carrying values of the amounts due from the De-consolidated Subsidiaries were not recoverable and, accordingly, an impairment loss of approximately HK\$147,053,000 had been recognised in consolidated profit or loss upon the de-consolidation.

The following is the financial information, before intra-group balances and transactions elimination, of the De-consolidated Subsidiaries.

*Consolidated financial statements of financial position of the De-consolidated Subsidiaries as at the date of De-consolidation*

2019

HK\$'000

(a) Details of the net assets of the De-consolidated Subsidiaries as at 7 December 2019 are set out below:	
Property, plant and equipment	173,039
Deposits paid for acquisition of property, plant and equipment	42,102
Right-of-use assets	27,165
Inventories	29,474
Other receivables, deposits and prepayments	12,308
Lease liabilities	(23,093)
Trade and other payables	(46,409)
Tax payables	(8,455)
Bank and other borrowings	(3,355)
Deferred tax liabilities	(327)
Amounts due to the Group	(147,053)
Net assets disposed of	55,396
Loss on De-consolidation:	
Net assets disposed of	(55,396)
Non-controlling interests	5,226
Release of translation reserve upon De-consolidation	(4,160)
Loss on De-consolidation	(54,330)
(b) Impairment of amounts due from De-consolidated Subsidiaries:	
Amounts due from De-consolidated Subsidiaries as at 7 December 2019	147,053

During the year ended 31 December 2019, impairment loss of approximately HK\$147,053,000 has been recognised since the amount due from De-consolidated Subsidiaries are considered to be highly unrecoverable with reference to the estimation of the cash flows expected to be generated from De-consolidated Subsidiaries.

*Transactions of the De-consolidated Subsidiaries included in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019*

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
— from the Remaining Group	194,885	257,207
Cost of sales		
— to the Remaining Group	136,306	199,804
— to third parties	140,527	82,766
Gross loss	(81,948)	(25,363)
Other income		
— from the Remaining Group	95,688	53,824
— from third parties	388	115
Other gains and losses	(83)	1,535
Selling expenses	(9,458)	(5,435)
Administrative expenses	(10,532)	(7,992)
Finance costs	(1,616)	(1,041)
(Loss)/profit before tax	(7,561)	15,643
Income tax expense	(249)	(6,995)
(Loss)/profit of the year	(7,810)	8,648

For the year ended 31 December 2020, the Company recognised impairment loss of approximately HK\$54.3 million in respect of the moulds due to obsolescence as the Group ceased to produce certain plastic household products and loss on de-consolidation of subsidiaries of approximately HK\$1.8 million due to the De-consolidation. Save for the above, there were no material items of income or expense in any of the years ended 31 December 2019, 2020 and 2021.

### 3. MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORTS

Set out below is the reproduction of the qualified opinion issued by KTC Partners CPA Limited on the consolidated financial statements of the Company for the three years ended 31 December 2019, 2020 and 2021, respectively, which are contained in the annual reports of the Company for each of the year ended 31 December 2019, 2020 and 2021, respectively.

- (i) In respect of the consolidated financial statements of the Company for the year ended 31 December 2019

*Disclaimer of Opinion*

We were engaged to audit the consolidated financial statements of Sun Cheong Creative Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 51 to 125, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Basis for Disclaimer of Opinion*

*1. De-Consolidation of Certain Subsidiaries During the year ended 31 December 2019*

As disclosed in note 3 to the consolidated financial statements, the directors of the Company (the “**Directors**”) were unable to obtain access to complete set of accounting books and records together with the supporting documents of the Group’s subsidiaries in the People’s Republic of China, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (together referred to as the “**De-consolidated Subsidiaries**”), due to the non-cooperation of Mr. Tong Ying Chiu (“**Mr. Tong**”), the former ultimate controlling party and former executive director of the Company and the legal representative of the Deconsolidated Subsidiaries. The factories of the De-consolidated subsidiaries were subsequently sealed off by the Shenzhen Longgang District People’s Court, on 17 January 2020.

Due to the non-cooperation of the management personnel of the De-consolidated Subsidiaries, and the sealing off of the factories of the De-consolidated subsidiaries, the Directors were unable to have access to the complete accounting books and records of the De-consolidated Subsidiaries. As a result, the Directors were of the opinion that the Company

was unable to govern the financial and operating decisions of the De-consolidated Subsidiaries and the control over the De-consolidated subsidiaries was lost upon Mr. Tong's resignation as the executive director of the Company on 7 December 2019 (the **"Deconsolidation Date"**). In this connection, the financial results, assets and liabilities of the De-consolidated Subsidiaries have been de-consolidated from the consolidated financial statements of the Group since the Deconsolidation Date.

The de-consolidation of the De-consolidated Subsidiaries had resulted in the recognition of a net loss of approximately HK\$54,330,000 in consolidated profit or loss for the year ended 31 December 2019. As disclosed in note 3 to the consolidated financial statements, the Company included the transactions of the De-consolidated Subsidiaries for the period from 1 January 2019 to 6 December 2019 in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019 based on the unaudited management accounts of the De-consolidated Subsidiaries.

We have not been provided with sufficient information and explanations on the de-consolidation of the De-consolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Group had lost control over the De-consolidated Subsidiaries on the De-consolidation Date and hence as to whether it was appropriate to de-consolidate the assets and liabilities of the De-consolidated Subsidiaries and cease consolidating their results of operations in the consolidated financial statements of the Group with effect from the De-consolidation Date.

Further, due to the lack of access to accounting books and records of the De-consolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanation to support the recording of the transactions and balances included in the consolidated financial statements of the Group before and up to the date of de-consolidation of the De-consolidated Subsidiaries. Hence we were unable to satisfy ourselves about the financial performance and cash flows of the De-consolidated Subsidiaries included in the consolidated statements of profit or loss and other comprehensive income and of cash flows of the Group for the years ended 31 December 2019 and 2018, the loss on de-consolidation of subsidiaries recognised in consolidated profit or loss for the year ended 31 December 2019 and the resulting movements recorded in the consolidated statement of changes in equity for the years ended 31 December 2019 and 2018. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence or occurrence, valuation, ownership, classification and disclosures of the transactions undertaken by and account balances of the De-consolidated Subsidiaries included in the consolidated financial statements. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatements. Consequently, we were unable to carry out audit procedures

that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments, related party transactions and events after the reporting period relating to the Deconsolidated Subsidiaries.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities or assets as at 31 December 2019 and 2018 and the financial performance and cash flows of the Group for the years ended 31 December 2019 and 2018 and may have resulted in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the De-consolidated Subsidiaries.

## *2. Scope Limitation Investment in Joint Venture Company*

On 12 November 2019, Chase On Development Limited ("**Chase On**"), a wholly owned Hong Kong subsidiary of the Company under a winding-up order dated 31 March 2020 (see note 38), entered into a business cooperation agreement ("**Agreement**") with Bridging Wealth Capital Management Limited ("**JV Partner**"), an independent third party, relating to formation of a joint venture company "Chase On Plastic Houseware Limited" (formerly known as Ocean Regal Enterprises Limited) (the "**JV company**") to explore the market of the trading and wholesaling of variety of household products worldwide.

Pursuant to the Agreement, the Group and the JV Partner own 49% and 51% of the JV company respectively. In consideration for the 49% shareholding in the joint venture company, the Group provided business support including expertise in plastic business and transferred Chase On's certain trademarks, whose carrying amount was zero, to the JV company.

However, subsequent to the formation of the JV company, the former executive directors of the Company, Mr. Tong and his son, Mr. Tong Kam Nam Billy resigned from their directorship in the JV company on 9 December 2019 and 9 January 2020 respectively. Since their resignations, the Company was unable to obtain the financial information of the JV company. Under these circumstances, no financial information including the investment cost of the JV company has been accounted for by the Group in its consolidated financial statements for the year ended 31 December 2019.

In the absence of the financial information of and explanations in relation to the JV company, there were no alternative audit procedure that we could perform to satisfy ourselves as to the nature of the Group's interests in the JV company and whether and how the JV



company should be accounted for in the consolidated financial statements of the Group. Any adjustments that might have been found to be necessary in respect of the above issues would have a significant effect on the net liabilities of the Group as at 31 December 2019, its net loss for the year then ended and the related disclosures in the consolidated financial statements.

### *3. Amounts Due from The De-Consolidated Subsidiaries*

During the year ended 31 December 2019, the Group recorded an impairment loss in respect of amounts due from the Deconsolidated Subsidiaries of approximately HK\$147,053,000 due to the circumstances described in paragraph (1) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the De-consolidated Subsidiaries as at 31 December 2019 because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the De-consolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the De-consolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the De-consolidated Subsidiaries were properly carried out and recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”); and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due from the De-consolidated Subsidiaries as at 31 December 2019 were free from material misstatement. In addition, the scope limitation explained in (1) above as to the date when the Group lost control over the De-consolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised.

Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts due from the De-consolidated Subsidiaries and hence on the net liabilities of the Group as at 31 December 2019 and the loss and cash flows of the Group for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

### *4. Contingent Liabilities and Commitment*

Due to the lack of access to the books and records of the De-consolidated Subsidiaries and the incomplete records of Group, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS

37 “Provisions, Contingent Liabilities and Contingent Assets” and HKFRS 9 “Financial Instruments”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group’s net liabilities or assets as at 31 December 2019 and 2018 and consequently the financial performance and cash flows of the Group for the years ended 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

*5. Events after the Reporting Period*

Due to the lack of access to the books and records of the De-consolidated Subsidiaries and the incomplete records of the Group, we have not been able to obtain sufficient appropriate audit evidence as to whether the events after the reporting period were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards including Hong Kong Accounting Standard 10 “Events after the Reporting Period”. There were no practical alternative procedures that we could perform over the significant transactions which occurred during the period from 1 January 2020 to the date of this auditors’ report. Any adjustments that might have been found necessary may have a consequential effect on the Group’s net liabilities as at 31 December 2019, and consequently the financial performance and cash flows of the Group for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

*6. Related Parties Transactions*

Due to the lack of access to the books and records of the De-consolidated Subsidiaries and the incomplete records of the Group, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions and balances were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standard 24 “Related Party Disclosures”. There were no practical alternative procedures that we could perform over the related party transactions and balances which occurred during the years ended 31 December 2019 and 2018. Any adjustments that might have been found necessary may have a consequential effect on the Group’s net liabilities or assets as at 31 December 2019 and 2018 and consequently the financial performance and cash flows of the Group for the years ended 31 December 2019 and 2018, and the related disclosures thereof in the consolidated financial statements.

*7. Financial Guarantee Contract*

As disclosed in notes 23 and 36 to the consolidated financial statements, a wholly owned subsidiary of the Company, has issued financial guarantees to banks in respect of banking facilities granted to companies owned by Mr. Tong of an aggregate amount of approximately HK\$4,000,000, which represented the aggregate maximum amounts that the Group could be required to pay if the guarantees were called upon in entirety. At 31 December 2019 and 2018, the amount of approximately HK\$542,000 financial guarantee obligations in the consolidated statement of financial position. We have not been provided with documentary evidence and explanations of the fair value measurement of the financial guarantee obligations as at the inception of the financial guarantees and the assessments for expected credit loss allowances as at 31 December 2019 and 2018, and we have been unable to obtain sufficient appropriate audit evidence in respect of the financial guarantee obligations. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was fairly stated as at 31 December 2019 and 2018.

Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the year ended 31 December 2019 and 2018 and the financial position of the Group as at 31 December 2019 and 2018.

*8. Opening Balances, Corresponding Figures and Comparative Financial Statements*

The consolidated financial statements of the Group for the year ended 31 December 2018, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements were not audited by us. Due to the lack of access to the books and records of the De-consolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence about whether the opening balances as at 1 January 2019 contain misstatements that materially affect the current year's consolidated financial statements. There were no satisfactory audit procedures for us to ascertain the existence, accuracy, presentation and completeness of the opening balances, corresponding figures and other related disclosures (as further details explained in the above paragraphs) shown in the current year consolidated financial statements.

*9. Material Uncertainty Relating to the Going Concern Basis*

The disclosures in note 1 to the consolidated financial statements indicate the Group incurred a loss of approximately HK\$297,443,000 for the year ended 31 December 2019; and had net current liabilities and net liabilities of approximately HK\$180,509,000 and

HK\$116,936,000 respectively in the consolidated statement of financial position of the Group as at 31 December 2019, and have pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of the extent of the uncertainties relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

**(ii) In respect of the consolidated financial statements of the Company for the year ended 31 December 2020**

***Disclaimer of Opinion***

We were engaged to audit the consolidated financial statements of Sun Cheong Creative Development Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 82 to 148, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

***Basis for Disclaimer of Opinion***

***1. Deconsolidation of Certain Subsidiaries of the Group***

As disclosed in note 3 to the consolidated financial statements, the directors of the Company (the “**Directors**”) were unable to obtain access to complete set of accounting books and records together with the supporting documents of the Group's subsidiaries in the People's Republic of China, namely 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (together referred to as the “**Deconsolidated Subsidiaries**”), due to the non-cooperation of Mr. Tong Ying Chiu (“**Mr. Tong**”), the former ultimate controlling party

and former executive director of the Company and the legal representative of the Deconsolidated Subsidiaries. The factories of the Deconsolidated subsidiaries were sealed off by the Shenzhen Longgang District People's Court, on 17 January 2020.

Due to the non-cooperation of the management personnel of the Deconsolidated Subsidiaries, and the sealing off of the factories of the Deconsolidated subsidiaries, the Directors were unable to have access to the complete accounting books and records of the Deconsolidated Subsidiaries. As a result, the Directors were of the opinion that the Company was unable to govern the financial and operating decisions of the Deconsolidated Subsidiaries and the control over the Deconsolidated subsidiaries was lost upon Mr. Tong's resignation as the executive director of the Company on 7 December 2019 (the "**Deconsolidation Date**"). In this connection, the financial results, assets and liabilities of the Deconsolidated Subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the Deconsolidation Date.

The deconsolidation of the Deconsolidated Subsidiaries had resulted in the recognition of a net loss of approximately HK\$54,330,000 in consolidated profit or loss for the year ended 31 December 2019. As disclosed in note 3 to the consolidated financial statements, the Company included the transactions of the Deconsolidated Subsidiaries for the period from 1 January 2019 to 6 December 2019 in the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2019 based on the unaudited management accounts of the Deconsolidated Subsidiaries.

During the current financial year ended 31 December 2020, Chase On Development Limited ("**Chase On**"), a wholly owned Hong Kong subsidiary of the Company which was the intermediate holding company of the Deconsolidated Subsidiaries, was wound up under a winding-up order dated 31 March 2020 (see note 3). The deconsolidation of Chase On upon its winding-up had resulted in a net loss on deconsolidation of approximately HK\$1,829,000 recognised in consolidated profit or loss for the year ended 31 December 2020. The net loss from deconsolidation of Chase On is determined by the Group based on the unaudited management accounts of Chase On. We have not been provided with sufficient information and explanations on the deconsolidation of the Deconsolidated Subsidiaries and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Group had lost control over the Deconsolidated Subsidiaries on the Deconsolidation Date, or on 31 March 2020 when Chase On was wound up, and hence as to whether it was appropriate to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries and cease consolidating their results of operations in the consolidated financial statements of the Group with effect from the Deconsolidation Date. We were also unable to perform audit procedures on the management accounts of Chase On and hence unable to satisfy ourselves as to whether the loss on deconsolidation of Chase On is materially misstated.

Further, due to the lack of access to accounting books and records of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence and explanation to support the recording of the transactions and balances included in the consolidated financial statements of the Group before and up to the date of deconsolidation of the Deconsolidated Subsidiaries. Hence we were unable to satisfy ourselves about the financial performance and cash flows of the Deconsolidated Subsidiaries included in the consolidated statements of profit or loss and other comprehensive income and of cash flows of the Group for the year ended 31 December 2019, the loss on deconsolidation of subsidiaries recognised in consolidated profit or loss for the year ended 31 December 2019 and the resulting movements recorded in the consolidated statement of changes in equity for the year ended 31 December 2019. We were therefore unable to carry out satisfactory audit procedures to obtain reasonable assurance regarding the completeness, accuracy, existence or occurrence, valuation, ownership, classification and disclosures of the transactions undertaken by and account balances of the Deconsolidated Subsidiaries in respect of the financial year ended 31 December 2019 included as comparative figures in the consolidated financial statements. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the above transactions and balances were free from material misstatements.

Consequently, we were also unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments and related party transactions relating to the Deconsolidated Subsidiaries.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the Group's net liabilities as at 31 December 2019 and the financial performance and cash flows of the Group for the years ended 31 December 2020 and 2019 and the elements making up the consolidated financial statements and their related disclosures and may result in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Deconsolidated Subsidiaries.

## *2. Investment in Joint Venture Company*

On 12 November 2019, Chase On entered into a business cooperation agreement (“**Agreement**”) with Bridging Wealth Capital Management Limited (“**JV Partner**”), an independent third party, relating to formation of a joint venture company “Chase On Plastic Houseware Limited” (formerly known as Ocean Regal Enterprises Limited) (the “**JV company**”) to explore the market for the trading and wholesaling of variety of household products worldwide.

Pursuant to the Agreement, the Group and the JV Partner own 49% and 51% of the JV company respectively. In consideration for the 49% shareholding in the joint venture company, the Group provided business support including expertise in plastic business and transferred Chase On's certain trademarks, whose carrying amount was zero, to the JV company.

However, subsequent to the formation of the JV company, the former executive directors of the Company, Mr. Tong and his son, Mr. Tong Kam Nam Billy resigned from their directorship in the JV company on 9 December 2019 and 9 January 2020 respectively. Since their resignations, the Company was unable to obtain the financial information of the JV company. Under these circumstances, no financial information including the investment cost of the JV company has been accounted for by the Group in its consolidated financial statements for the year ended 31 December 2019.

In the absence of the financial information of and explanations in relation to the JV company, there were no alternative audit procedure that we could perform to satisfy ourselves as to the nature of the Group's interests in the JV company and whether and how the JV company should be accounted for in the consolidated financial statements of the Group up until 31 March 2020, the date Chase On was wound up. Any adjustments that might have been found to be necessary in respect of the above issues would have a significant effect on the net liabilities of the Group as at 31 December 2019, its net loss for the years ended 31 December 2020 and 2019 and the elements making up the consolidated financial statements, and the related disclosures in the consolidated financial statements.

### *3. Amounts Due from the Deconsolidated Subsidiaries*

During the year ended 31 December 2019, Chase On recorded an impairment loss in respect of amounts due from the Deconsolidated Subsidiaries of approximately HK\$147,053,000 due to the circumstances described in paragraph (1) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the Deconsolidated Subsidiaries as at 31 December 2019 because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to whether the impairment testing in respect of the amounts due from the Deconsolidated Subsidiaries were properly carried out and recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards ("HKFRSs"); and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves



as to whether the amounts due from the Deconsolidated Subsidiaries as at 31 December 2019 were free from material misstatement. In addition, the scope limitation explained in (1) above as to the date when the Group lost control over the Deconsolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised.

Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts due from the Deconsolidated Subsidiaries and hence on the net liabilities of the Group as at 31 December 2019 and the loss and cash flows of the Group for the years ended 31 December 2020 and 2019 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

#### *4. Contingent Liabilities and Commitment*

Due to the lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Group, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and HKFRS 9 “Financial Instruments”. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group’s net liabilities as at 31 December 2019 and consequently the financial performance and cash flows of the Group for the years ended 31 December 2020 and 2019 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

#### *5. Related Parties Transactions*

Due to the lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Chase On, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions and balances were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standard 24 “Related Party Disclosures”. There were no practical alternative procedures that we could perform over the related party transactions and balances which occurred during the years ended 31 December 2020 and 2019. Any adjustments that might have been found necessary may have a consequential effect on the Group’s net liabilities as at 31 December 2019 and



consequently the financial performance and cash flows of the Group for the years ended 31 December 2020 and 2019 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

6. *Financial Guarantee Contract*

As disclosed in notes 3 and 30 to the consolidated financial statements, Chase On has issued financial guarantees to banks in respect of banking facilities granted to companies owned by Mr. Tong of an aggregate amount of approximately HK\$4,000,000, which represented the aggregate maximum amounts that the Group could be required to pay if the guarantees were called upon in entirety. At 31 December 2019, the amount of approximately HK\$542,000 was recognised as financial guarantee obligations in the consolidated statement of financial position. We have not been provided with documentary evidence and explanations of the fair value measurement of the financial guarantee obligations as at the inception of the financial guarantees and the assessments of expected credit loss allowances as at 31 December 2019, and we have been unable to obtain sufficient appropriate audit evidence in respect of the financial guarantee obligations. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was materially misstated as at 31 December 2019.

Any adjustment found necessary might have a consequential significant effect on the consolidated financial performance and cash flows of the Group for the years ended 31 December 2020 and 2019 and the financial position of the Group as at 31 December 2019 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

7. *Unrecorded Liabilities*

As disclosed in notes 30(ii) and 36(ii), the joint and several provisional liquidators of the Company (the “JPLs”) circulated a letter with JPLs order from Cayman Court to the known or potential creditors of the Company regarding the details of the JPLs arrangement. The JPLs have received several claims against the Company from multiple unknown creditors and the former directors of the Company demanding for the repayment of bonds and loans in an aggregate amount of approximately HK\$135.7 million (the “Claims”). Since the Company and the JPLs have proposed the Creditors Scheme, all claims received by the JPLs that are substantiated will be considered for restructuring purposes. However, due to the lack of sufficient supporting documents to corroborate the said creditors’ claims, the Directors are of the opinion that the Claims are unsubstantiated and remote, thus no provision or other liability is recognised in the consolidated financial statements of the Group for the year ended 31 December 2020. Due to this lack of sufficient supporting documents, we were unable to

obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the validity of the Claims. There were no alternative audit procedures that we could perform to satisfy ourselves as to the completeness of liabilities recognised in the consolidated financial statements and hence whether they were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group's net liabilities as at 31 December 2020 and 2019 and the financial performance and cash flows of the Group for the years then ended and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

*Material Uncertainty Relating to the Going Concern Basis*

As disclosed in note 1 to the consolidated financial statements, the Group incurred a loss of approximately HK\$75,921,000 for the year ended 31 December 2020; and had net current liabilities and net liabilities of approximately HK\$200,437,000 and HK\$192,861,000 respectively in the consolidated statement of financial position of the Group as at 31 December 2020, and have pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions and other creditors. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In view of the extent of the uncertainties relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

**(iii) In respect of the consolidated financial statements of the Company for the year ended 31 December 2021**

*Disclaimer of Opinion*

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

*Basis for Disclaimer of Opinion**1. UNRECORDED LIABILITIES*

As disclosed in note 15, the joint and several provisional liquidators of the Company (the “JPLs”) circulated a letter with the JPLs order from Cayman Court to the known or potential creditors of the Company regarding the details of the JPLs arrangement. The JPLs have received several claims against the Company from multiple unknown creditors and the former directors of the Company demanding for the repayment of bonds and loans in an aggregate amount of approximately HK\$135.7 million (the “Claims”). Since the Company and the JPLs have proposed the Creditors Scheme, all claims received by the JPLs that are substantiated will be considered for restructuring purposes. However, due to the lack of sufficient supporting documents to corroborate the Claims, the Directors are of the opinion that the Claims are unsubstantiated, thus no provision or other liability is recognised in the consolidated financial statements of the Group for the years ended 31 December 2021 and 2020. Up to the date of this report, the Claims are not yet substantiated by the JPLs. Due to this lack of sufficient supporting documents, we were unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the validity of the Claims. There were no alternative audit procedures that we could perform to satisfy ourselves as to the completeness of liabilities recognised in the consolidated financial statements and hence whether they were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the Group’s net liabilities as at 31 December 2021 and 2020 and the financial performance and cash flows of the Group for the years then ended and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

*2. MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS*

As disclosed in note 1 to the consolidated financial statements, the Group incurred a loss of approximately HK\$18,103,000 for the year ended 31 December 2021; and had net current liabilities and net liabilities of approximately HK\$217,875,000 and HK\$210,964,000 respectively in the consolidated statement of financial position of the Group as at 31 December 2021, and have pending litigations and winding up petitions against the Company. The Group also had late payment issues with financial institutions and other creditors. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. In view of the extent of the uncertainties relating to the future working capital sufficiency of the Group, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

### 3. CORRESPONDING FIGURES

The matters described in sub-paragraphs (a) to (f) below were amongst the matters that led us to issue a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2020. Any adjustments that might have been found to be necessary in respect of these matters might have a consequential significant effect on the financial performance and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements and their related disclosures and might result in additional information being disclosed in the consolidated financial statements. Hence our disclaimer of opinion on the current year's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures in the consolidated financial statements.

#### (a) DECONSOLIDATION OF CERTAIN SUBSIDIARIES OF THE GROUP

As disclosed in note 3 to the consolidated financial statements, the directors of the Company (the “**Directors**”) were unable to obtain access to complete set of accounting books and records together with the supporting documents of 深圳新昌塑膠用品有限公司 (Shenzhen Xincang Plastic Article Co., Ltd.) and 佛山市海昌新材料科技有限公司 (Foshan Haichang New Materials Technology Co., Ltd.) (which were subsidiaries of the Group in the People's Republic of China and together referred to as the “**Deconsolidated Subsidiaries**”), during the course of the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, due to the non-cooperation of Mr. Tong Ying Chiu (“**Mr. Tong**”), the former ultimate controlling party and former executive director of the Company and the legal representative of the Deconsolidated Subsidiaries. The factories of the Deconsolidated subsidiaries were sealed off by the Shenzhen Longgang District People's Court on 17 January 2020.

Due to the non-cooperation of the management personnel of the Deconsolidated Subsidiaries and the sealing off of the factories of the Deconsolidated subsidiaries, the Directors were unable to have access to the complete accounting books and records of the Deconsolidated Subsidiaries. As a result, the Directors were of the opinion that the Company was unable to govern the financial and operating decisions of the Deconsolidated Subsidiaries and the control over the Deconsolidated subsidiaries was lost upon Mr. Tong's resignation as the executive director of the Company on 7 December 2019 (the “**Deconsolidation Date**”). In this connection, the financial results, assets and liabilities of the Deconsolidated Subsidiaries have been deconsolidated from the consolidated financial statements of the Group since the Deconsolidation Date.

During the financial year ended 31 December 2020, Chase On Development Limited (together with its subsidiaries referred to as “**Chase On**”), a wholly owned Hong Kong subsidiary of the Company which was the intermediate holding company of the Deconsolidated Subsidiaries, was wound up under a winding-up order dated 31 March 2020 (see note 3). The deconsolidation of Chase On upon its winding-up had resulted in a net loss on deconsolidation of approximately HK\$1,829,000 recognised in consolidated profit or loss for the year ended 31 December 2020. The net loss from deconsolidation of Chase On was determined by the Group based on the unaudited management accounts of Chase On. We have not been provided with sufficient information and explanations on the deconsolidation of the Deconsolidated Subsidiaries with effect from 7 December 2019 and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the Group had lost control over the Deconsolidated Subsidiaries on the Deconsolidation Date, or on 31 March 2020 when Chase On was wound up, and hence as to whether it was appropriate to deconsolidate the assets and liabilities of the Deconsolidated Subsidiaries and cease consolidating their results of operations in the consolidated financial statements of the Group with effect from the Deconsolidation Date. We were also unable to perform audit procedures on the management accounts of Chase On and hence unable to satisfy ourselves as to whether the loss on deconsolidation of Chase On was materially misstated.

Consequently, we were also unable to carry out audit procedures that we consider necessary to satisfy ourselves as to the completeness and existence or occurrence of any other significant transactions, inter-group transactions, contingent liabilities, commitments and related party transactions relating to the Deconsolidated Subsidiaries.

Any adjustments that might have been found to be necessary in respect of the above would have a consequential significant effect on the financial performance and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements and their related disclosures and may result in additional information being disclosed in the consolidated financial statements as to the nature of the transactions and any contingent liabilities, commitments, related party transactions and significant non-adjusting subsequent events relating to the Deconsolidated Subsidiaries.

#### (b) INVESTMENT IN JOINT VENTURE COMPANY

On 12 November 2019, Chase On entered into a business cooperation agreement (“**Agreement**”) with Bridging Wealth Capital Management Limited (“**JV Partner**”), an independent third party, relating to formation of a joint venture company “Chase On

Plastic Houseware Limited” (formerly known as Ocean Regal Enterprises Limited) (the “JV company”) to explore the market for the trading and wholesaling of variety of household products worldwide.

Pursuant to the Agreement, the Group and the JV Partner own 49% and 51% respectively of the JV company. In consideration for the 49% shareholding in the joint venture company, the Group provided business support including expertise in plastic business and transferred Chase On’s certain trademarks, whose carrying amount was zero, to the JV company.

However, subsequent to the formation of the JV company, the former executive directors of the Company, Mr. Tong and his son, Mr. Tong Kam Nam Billy resigned from their directorship in the JV company on 9 December 2019 and 9 January 2020 respectively. Since their resignations, the Company was unable to obtain the financial information of the JV company. Under these circumstances, no financial information including the investment cost of the JV company has been accounted for by the Group in its consolidated financial statements.

In the absence of the financial information of and explanations in relation to the JV company, there were no alternative audit procedure that we could perform to satisfy ourselves as to the nature of the Group’s interests in the JV company and whether and how the JV company should be accounted for in the consolidated financial statements of the Group up until 31 March 2020, the date Chase On was wound up. Any adjustments that might have been found to be necessary in respect of the above issues would have a significant effect on the net loss of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures in the consolidated financial statements.

(c) AMOUNTS DUE FROM THE DECONSOLIDATED SUBSIDIARIES

During the year ended 31 December 2019, Chase On recorded an impairment loss in respect of amounts due from the Deconsolidated Subsidiaries of approximately HK\$147,053,000 due to the circumstances described in paragraph (a) above. We were unable to obtain sufficient appropriate audit evidence regarding the validity, existence and impairment assessment of the amounts due from the Deconsolidated Subsidiaries because: (i) there was inadequate documentary evidence available for us to verify the validity, existence and nature of the amounts due from the Deconsolidated Subsidiaries; (ii) we were unable to carry out any effective confirmation procedures in relation to the amounts due from the Deconsolidated Subsidiaries for the purpose of our audit; (iii) there was inadequate documentary evidence available for us to satisfy ourselves as to

whether the impairment testing in respect of the amounts due from the Deconsolidated Subsidiaries were properly carried out and recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”); and (iv) there were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due from the Deconsolidated Subsidiaries were free from material misstatement. In addition, the scope limitation explained in (a) above as to the date when the Group lost control over the Deconsolidated Subsidiaries would also affect the appropriate accounting period in which the impairment loss should be recognised.

Any adjustments that might have been found necessary may have a significant consequential effect on the carrying amount of, and impairment loss on, the amounts due from the Deconsolidated Subsidiaries included in the net liabilities of Chase On as at 31 March 2020, the date of deconsolidation of Chase On, and hence the net loss on deconsolidation of Chase On and the loss and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

**(d) CONTINGENT LIABILITIES AND COMMITMENT**

Due to the lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Group, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” and HKFRS 9 “Financial Instruments“. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments were free from material misstatements. Any adjustments that might have been found necessary may have a consequential effect on the net liabilities of Chase On as at 31 March 2020 and hence net loss on deconsolidation of Chase On and the loss and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

**(e) RELATED PARTIES TRANSACTIONS**

Due to the lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Chase On, we have not been able to obtain sufficient appropriate audit evidence as to whether the related party transactions



and balances were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standard 24 “Related Party Disclosures“. There were no practical alternative procedures that we could perform over the related party transactions and balances which occurred during the year ended 31 December 2020. Any adjustments that might have been found necessary may have a consequential effect on the fair presentation of the financial performance and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

**(f) FINANCIAL GUARANTEE CONTRACT**

As disclosed in note 3 to the consolidated financial statements, Chase On has issued financial guarantees to banks in respect of banking facilities granted to companies owned by Mr. Tong of an aggregate amount of approximately HK\$4,000,000, which represented the aggregate maximum amounts that the Group could be required to pay if the guarantees were called upon in entirety. At 1 January 2020, the amount of approximately HK\$542,000 was recognised as financial guarantee obligations in the consolidated statement of financial position. We have not been provided with documentary evidence and explanations of the fair value measurement of the financial guarantee obligations as at the inception of the financial guarantees and the assessments of expected credit loss allowances as at 31 December 2019, and we have been unable to obtain sufficient appropriate audit evidence in respect of the financial guarantee obligations. There were no other satisfactory audit procedures that we could perform to satisfy ourselves as to whether the aforesaid balance was materially misstated as at 1 January 2020 and the date of deconsolidation of Chase On.

Any adjustments that might have been found necessary may have a significant consequential effect on the net liabilities of Chase On as at 31 March 2020 and hence the net loss on deconsolidation of Chase On and the loss and cash flows of the Group for the year ended 31 December 2020 and the elements making up the consolidated financial statements, and the related disclosures thereof in the consolidated financial statements.

**4. COMPANY’S VIEWS ON THE AUDIT MODIFICATIONS**

In respect of audit modifications for the year ended 31 December 2019 (“**FY2019**”), 2020 (“**FY2020**”) and 2021 (“**FY2021**”), the Company is of the view that such audit modifications were non-recurring in nature and shall no longer be applicable to the Company following the Completion and in the forthcoming financial year (i.e. 31 December 2022).



A summary of the basis of the disclaimer opinion for FY2021 and the Company's view as to how the audit modification can be addressed as well as the view of the auditor is set out as follows:

<b>Basis of disclaimer opinion</b>	<b>Company's view as to how the audit modification can be addressed</b>	<b>Auditor's view</b>
Unrecorded liabilities — the Claims of approximately HK\$135.7 million against the Company on unsettled bonds and loans and as a result, the completeness of liabilities	<ul style="list-style-type: none"> <li>• Due to the lack of sufficient supporting documents to corroborate the Claims, the Directors are of the opinion that the Claims are unsubstantiated, thus no provision or other liability is recognised in the consolidated financial statements of the Group for the years ended 31 December 2020 and 2021.</li> <li>• Provided that the Creditors Schemes can be implemented successfully by June 2022, and all the Group's claims by the creditors will be substantiated and settled; the audit modification would be confined to the corresponding figures in FY2021.</li> <li>• The audit modification will be removed in financial year ending 31 December 2023.</li> </ul>	Auditor concurred with the Company's view
Material uncertainty relating to the going concern basis	<ul style="list-style-type: none"> <li>• After the Creditors Schemes becoming effective which is expected to take place by June 2022, (i) all the Group's claims by the Creditors will be settled; (ii) the winding-up petitions will be dismissed or withdrawn; and (iii) injection of new subscription monies of HK\$80 million from the subscription of the new shares of the Company by One Oak.</li> <li>• The audit modification will be removed in the financial year ending 31 December 2022.</li> </ul>	Auditor concurred with the Company's view

Basis of disclaimer opinion	Company's view as to how the audit modification can be addressed	Auditor's view
Corresponding figures — potential impact on the corresponding figures of the Group due to lack of access to the books and records of the Deconsolidated Subsidiaries and the incomplete records of the Group in previous years	<ul style="list-style-type: none"> <li>The audit modification was primarily attributable to the lack of access to the books and records of the Deconsolidated Subsidiaries and the Company recognised the losses on deconsolidation in FY2019 and the incident is an one-off event.</li> <li>The audit qualification will be removed in the Company's consolidated financial statements in the financial year ending 31 December 2022.</li> </ul>	Auditor concurred with the Company's view

## 5. INDEBTEDNESS STATEMENTS

As at 28 February 2022, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group is as follows:

### Borrowings

As at 28 February 2022, the Group had an outstanding secured borrowings of approximately HK\$168,427,000 which comprises bank and other borrowings of approximately HK\$165,898,000 and bank overdrafts of HK\$2,529,000, a loan from a related party of approximately HK\$1.6 million (AUD0.2 million) and lease liabilities of approximately HK\$11,713,000.

### Pledge of assets

As at 28 February 2022, the borrowings are unsecured by assets of the Group. The borrowings are secured and/or guaranteed by the followings:

- Personal guarantees from certain former directors of the Company and/or their family members;
- Corporate guarantees from the related companies which are controlled by the former directors of the Company; and
- Corporate guarantees from certain subsidiaries of the Company.

**Contingent liabilities*****Claims from multiple alleged bondholders and the former directors***

As at 28 February 2022, the JPLs have received the Claims from multiple alleged bondholders and the former directors, demanding for the repayment of bonds and loans in an aggregate amount of approximately HK\$135.7 million.

Since the Company and the JPLs have proposed the Creditors Scheme, all claims received by the JPLs that are substantiated will be considered for the restructuring purposes.

**6. MATERIAL CHANGES**

Save for bank balances and cash of the Group of approximately HK\$145,000 as at 28 February 2022, representing a decrease of approximately 66.0% as compared to the amount of approximately HK\$427,000 as at 31 December 2021, which was mainly due to the settlement of professional expenses incurred in connection with the Restructuring, as at the Latest Practicable Date, the Directors confirmed that there are no material changes in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**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.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

**2. MARKET PRICE**

The Takeovers Code requires information on the closing prices of the Shares as recorded on the Stock Exchange on (i) the last day on which dealings took place in each of the six months immediately preceding the date of the Rule 3.7 Announcement and ending on the Latest Practicable Date; (ii) the last business day immediately preceding the date of the Rule 3.7 Announcement; (iii) the last business day immediately preceding the date of the Announcement; (iv) the Last Trading Day; and (v) the Latest Practicable Date. Trading in the Shares has been suspended since 2 July 2020 and therefore no closing prices of the Shares were recorded since then. The closing price of the Shares on the Last Trading Day was HK\$0.183.

The table below shows the closing price of the Shares on the Stock Exchange on the last trading day of the Stock Exchange for each calendar month during the Relevant Period including and up to the Last Trading Day:

<b>Date</b>	<b>Closing price per Share HK\$</b>
31 December 2019	0.232
31 January 2020	0.145
28 February 2020	0.15
31 March 2020	0.092
29 April 2020	0.165
29 May 2020	0.188
15 June 2020 (being the last business day immediately preceding the date of the 3.7 Announcement)	0.172
30 June 2020 (being the Last Trading Date)	0.183

The highest and lowest closing prices of the Shares on the Stock Exchange during the Relevant Period were HK\$0.275 on 17 December 2019 and HK\$0.081 on 7 April 2020 respectively.

### 3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

#### (I) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and; (ii) upon completion of the Restructuring are as follows:

(i) *Share capital as at the Latest Practicable Date:*

<i>Authorised</i>	<i>HK\$</i>
<u>2,000,000,000</u> Shares	<u>20,000,000</u>
<i>Issued and fully paid or credited as fully paid</i>	<i>HK\$</i>
<u>540,000,000</u> Shares of the Company	<u>5,400,000</u>

Since 31 December 2021 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, no new Shares have been issued by the Company

As at the Latest Practicable Date, the Company had no outstanding options, warrants, derivatives or securities convertible into or exchangeable Shares.

#### **4. COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors, the substantial Shareholders, nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

#### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company or any of its subsidiaries or associated companies which (i) are not determinable by the employer within one year without payment of compensation (other than statutory compensation); (ii) (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of the Rule 3.7 Announcement; (iii) are continuous contracts with a notice period of 12 months or more; or (iv) are fixed term contracts with more than 12 months to run irrespective of the notice period.

#### **6. MATERIAL CONTRACTS**

During the two years immediately preceding the date of commencement of the offer period (i.e. 16 June 2020) and up to and including the Latest Practicable Date, the following contracts were entered into not in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by the Group and/or are material:

- (a) the deed of indemnity dated 16 August 2018 and entered into by Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia, Sun Cheong Creative Development Limited and Uni-Pro Ltd in favour of the Company (for itself and as trustee for each of its subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, to which the Group may be subject on or before the date on which the Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange;
- (b) the conditional public offer underwriting agreement dated 20 September 2018 relating to the 13,500,000 Shares being offered by the Company for subscription pursuant to the public offer (the “**Public Offer**”) entered into by, among other parties, the Company, as

the issuer, Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia, Sun Cheong Creative Development Limited and Uni-Pro Ltd, as the controlling Shareholders, and Giraffe Capital Limited, South China Securities Limited and Future Land Resources Securities Limited, as the underwriters of the Public Offer;

- (c) the conditional placing underwriting agreement dated 28 September 2018 relating to the placing of 121,500,000 Shares (the “**Placing**”) entered into by, among others, the Company, as the issuer, Mr. Tong Ying Chiu, Ms. Ng Siu Kuen Sylvia, Sun Cheong Creative Development Limited and Uni-Pro Ltd, as the controlling Shareholders, and Giraffe Capital Limited, South China Securities Limited and Future Land Resources Securities Limited, as the underwriters of the Placing;
- (d) the funding agreement dated 27 April 2021 and entered into amongst Cachet Group Limited (“**Cachet Group**”) as lender, the Company as borrower and the Joint Provisional Liquidators in relation to the grant of an initial funding of up to HK\$50.0 million and a further funding of up to HK\$50.0 million at an interest rate of 3.0% per annum (the “**Cachet Funding Agreement**”);
- (e) the funding agreement dated 27 April 2021 and entered into amongst KM International Holdings (Hong Kong) Company Limited (“**KM International**”) as lender, the Company as borrower and the Joint Provisional Liquidators in relation to the grant of a credit facility for a total sum of up to HK\$40.0 million to the Company at an interest rate of 3.0% per annum (the “**KM Funding Agreement**”);
- (f) the deed of termination dated 17 September 2021 and entered into amongst Cachet Group, the Company and the Joint Provisional Liquidators in relation to the termination of the Cachet Funding Agreement;
- (g) the deed of termination dated 17 September 2021 and entered into amongst KM International, the Company and the Joint Provisional Liquidators in relation to the termination of the KM Funding Agreement;
- (h) the funding agreement dated 17 September 2021 and entered into amongst One Oak as lender, the Company as borrower, and the Joint Provisional Liquidators in relation to the grant of the Initial Funding with principal amount up to HK\$50 million and the Further Funding with principal amount up to HK\$50 million at the interest rate of 3.0% per annum;

- (i) the restructuring framework agreement dated 8 November 2021 and entered into amongst the Company, the Joint Provisional Liquidators and One Oak (as may be amended or supplemented from time to time) relating to the Restructuring;
- (j) the conditional subscription agreement dated 8 November 2021 and entered into amongst One Oak (as subscriber), the Company (as issuer) and the Joint Provisional Liquidators, pursuant to which One Oak agreed to subscribe for 486,000,000 new Consolidated Shares at a subscription price of HK\$0.1646 per Subscription Share;
- (k) the amended and restated funding agreement dated 17 March 2022 and entered into amongst One Oak as lender, the Company as borrower, and the Joint Provisional Liquidators in relation to the grant of the Funding with principal amount of up to HK\$30.0 million at the interest rate of 3.0% per annum;
- (l) the supplemental restructuring framework agreement dated 17 March 2022 and entered into amongst One Oak, the Company and the Joint Provisional Liquidators, to amend and supplement certain terms of the restructuring framework agreement dated 8 November 2021; and
- (m) the supplemental subscription agreement dated 17 March 2022 and entered into amongst One Oak, the Company and the Joint Provisional Liquidators, to amend and supplement certain terms of the subscription agreement dated 8 November 2021.

## **7. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group; and none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.



## 8. MATERIAL LITIGATION

### HCCW 403 OF 2019

On 13 December 2019, the Company was served a winding-up petition filed by CTBC under action number HCCW 403 of 2019 in the High Court for an order that the Company be wound up by the High Court on the ground that the Company is insolvent and is unable to pay its debts of approximately US\$5,728,000 (equivalent to approximately HK\$44,604,000). The petition was filed against the Company as guarantor of Chase On's liability to CTBC.

The hearing in respect of the petition was originally adjourned until 21 March 2022 with liberty to restore by the Hong Kong Judiciary. Due to the outbreak of the fifth wave of the COVID-19 pandemic, on 4 March 2022, the Hong Kong Judiciary announced that in light of the latest public health situation and related developments, all hearings of the courts and tribunals originally scheduled between 7 March 2022 and 11 April 2022 will generally be adjourned (the “**General Adjourned Period**”). Due to the General Adjourned Period, the High Court directed that the hearing be re-fixed to 19 April 2022. On 11 April 2022, upon a joint application by way of consent summons, an order has been granted by the High Court that the hearing be adjourned with liberty to restore until 27 June 2022.

### HCCW 28 OF 2020

On 17 January 2020, the Company was served a winding-up petition filed by Orix Asia Limited (“**Orix**”) under action number HCCW 28 of 2020 in the High Court for an order that the Company be wound up by the High Court on the ground that the Company is insolvent and is unable to pay its debts of approximately HK\$7,033,000 in total. The petition was ordered to be dismissed by the High Court on 21 September 2020, and Orix is now acting as a supporting creditor in the petition filed under action number HCCW 403 of 2019.

### HCA 2241 OF 2019

On 3 December 2019, a legal proceeding was initiated by Nanyang Commercial Bank, Limited (“**NCB**”) as plaintiff under action number HCA 2241 of 2019 against Chase On, the Company, three former directors of the Company namely Mr. Tong Ying Chiu (“**Mr. Tong**”) and Ms. Ng Siu Kuen Sylvia (“**Ms. Ng**”), and Mr. Chan, in respect of Chase On's outstanding sums and interests due from banking facilities granted by NCB to Chase On. The Company and the aforesaid directors were guarantors of Chase On's liabilities to NCB.

NCB claims against Chase On, the Company and the aforesaid directors for (i) the outstanding balance of HK\$2,063,000 and its further interest payments accrued; and (ii) the outstanding principal of US\$2,231,000 and its outstanding interest of US\$16,000 (equivalent to approximately HK\$17,398,000 and HK\$123,000 respectively) and its interest accrued.

By an order of the Hong Kong Court dated 3 September 2020 (the “**Recognition Order**”), it was ordered that except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 2241 of 2019 have not been proceeded with as at the Latest Practicable Date.

#### **HCA 2259 OF 2019**

On 6 December 2019, a legal proceeding was initiated by Fubon Bank (Hong Kong) Limited (“**Fubon**”) as plaintiff under action number HCA 2259 of 2019 against Chase On, the Company, Mr. Tong and Mr. Chan, in respect of Chase On’s outstanding sums and interests due from banking facilities granted by Fubon to Chase On. The Company, Mr. Tong and Mr. Chan were guarantors of Chase On’s liabilities to Fubon.

As stated above, pursuant to the Recognition Order, except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 2259 of 2019 have not been proceeded with as at the Latest Practicable Date.

Fubon claims against Chase On, the Company, Mr. Tong and Mr. Chan for the sums of US\$871,000 (equivalent to approximately HK\$6,796,000) and HK\$367,000 and their interests accrued.

#### **HCA 2395 OF 2019**

On 24 December 2019, a legal proceeding was initiated by O-Bank Co., Ltd. (“**O-Bank**”) as plaintiff under action number HCA 2395 of 2019 against Chase On, the Company, and Mr. Tong, Ms. Ng, Mr. Chan, and Mr. Tong Bak Nam Billy (who resigned as director of the Company on 27

May 2020), in respect of Chase On's outstanding sums and interests due from credit facilities granted by O-Bank to Chase On. The Company and the aforesaid directors were guarantors of Chase On's liabilities to O-Bank.

The Plaintiff claims against Chase On, the Company and the aforesaid directors for the outstanding principal amounts of (i) HK\$6,182,000 and US\$3,647,000 (equivalent to approximately HK\$28,444,000), and (ii) the interest on the said principal amounts accrued.

As stated above, pursuant to the Recognition Order, except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 2395 of 2019 have not been proceeded with as at the Latest Practicable Date.

#### **HCA 354 OF 2020**

On 18 March 2020, a legal proceeding was initiated by DBS Bank (Hong Kong) Limited ("DBS") as plaintiff under action number HCA 354 of 2020 against Chase On and the Company, in respect of Chase On's outstanding sums and interests due from banking facilities granted by DBS to Chase On. The Company was guarantor of Chase On's liabilities to DBS.

DBS claims against Chase On and the Company for the sums of US\$999,000 (equivalent to approximately HK\$7,779,000) and their interests accrued.

As stated above, pursuant to the Recognition Order, except for the proceedings in HCCW 403/2019 and HCCW 28/2020, for so long as the Company remains in provisional liquidation in the Cayman Islands, no action or proceeding shall be proceeded with or commenced against the Company or its assets or affairs or its property within the jurisdiction of the courts of Hong Kong, except with leave of the Hong Kong Court and subject to such terms as the Hong Kong Court may impose. As such, the proceedings in HCA 354 of 2019 have not been proceeded with as at the Latest Practicable Date.

#### **LBTC 3483 OF 2020**

On 28 December 2020, five former employees of the Company commenced proceedings in the Labour Tribunal of Hong Kong against the Company, claiming for a total amount of approximately HK\$2,061,000 on the ground of inter alia the failure to pay their salaries, to provide annual leave and to pay in lieu of notice upon the termination of their employment, etc.

Pursuant to the orders of the Labour Tribunal dated 8 June 2021, the Labour Tribunal Proceedings are currently stayed indefinitely until further notice by the High Court.

As of the Latest Practicable Date, the salary payables, in the amount of approximately HK\$1,331,000 were provided and included in other payables as at 31 December 2020.

### **DCCJ 5164 OF 2020**

On 24 September 2020, a legal proceeding was initiated by Strategic Financial Relations Limited as the plaintiff under action number DCCJ 5164 of 2020 against the Company for a claim of approximately HK\$139,000 for the provision of public relation services.

No writ of summons had been duly served on the Company by Strategic Financial Relations Limited as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## **9. QUALIFICATION AND CONSENTS OF EXPERT**

The following sets out the qualifications of the expert who have given their opinions or advice or statements as contained in this circular:

<b>Name</b>	<b>Qualification</b>
Lego Corporate Finance Limited	A corporation licenced to carry on Type 6 (advising on corporate finance) regulated activity as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 December 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

As at the Latest Practicable Date, the Independent Financial Adviser had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

## **10. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the website of the SFC at [www.sfc.hk](http://www.sfc.hk), the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.cknassociates.com](http://www.cknassociates.com) from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the memorandum of association and articles of association of One Oak;
- (c) the annual reports of the Company for each of the two financial years ended 31 December 2019 and 2020;
- (d) the annual results announcement of the Company for the financial year ended 31 December 2021;
- (e) this circular;
- (f) the letter from the Board, the text of which is set out on pages 18 to 63 of this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out on pages 64 to 65 of this circular;
- (h) the letter from the Independent Financial Adviser, the text of which is set out on pages 66 to 102 of this circular;
- (i) the written consent from the Independent Financial Adviser as referred to in the paragraph headed “Expert” in this appendix; and
- (j) the material contracts as referred to in the paragraph headed “Material Contracts” in this appendix.

**11. MISCELLANEOUS**

- (a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands, and the head office and principal place of business in Hong Kong of the Company is at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon Hong Kong.
- (b) The company secretary of the Company is Mr. Ng Chun Chung, who obtained a bachelor degree in business administration from Lingnan University in Hong Kong in December 2005 and is currently as a member of the HKICPA. Mr. Ng is also an executive Director and the Chief Financial Officer of the Company.
- (c) The registered address of One Oak is at Sea Meadow House, Blackburne Highway, (P.O. Box 116), Road Town, Tortola, British Virgin Islands and its correspondence address is at C/O Tourbillon Group Limited, 19/F Two IFC, 8 Finance Street Central, Hong Kong.
- (d) The principal members of One Oak Concert Group are Mr. Kabir Haresh Shah and Mr. David Michael Halley, both are the shareholders and directors of One Oak. The address of Mr. Kabir Haresh Shah and the address of Mr. David Michael Halley is at C/O Tourbillon Group Limited, 19/F Two IFC, 8 Finance Street Central, Hong Kong.
- (e) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited and its registered office is situated at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (f) The Independent Financial Adviser is Lego Corporate Finance Limited and its registered office is situated at Room 1601, 16/F, China Building, 29 Queen's Road Central, Central, Hong Kong.

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## NOTICE OF EGM

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### SUN CHEONG CREATIVE DEVELOPMENT HOLDINGS LIMITED

#### 新昌創展控股有限公司

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

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock code: 1781)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Sun Cheong Creative Development Holdings Limited (Provisional Liquidators Appointed) (For Restructuring Purposes) (the “**Company**”) will be held at Unit 1501, 15/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong on Friday, 13 May 2022 at 12:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 14 April 2022 (the “**Circular**”)):

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional restructuring agreement dated 8 November 2021 (as amended and supplemented by a supplemental agreement thereto dated 17 March 2022) (the “**Restructuring Agreement**”) (a copy of which is produced to the Meeting marked “**A**” and signed by the Chairman of the Meeting for the purpose of identification) and entered into amongst the Company, the Joint Provisional Liquidators, and One Oak, in relation to the restructuring of the debts and liabilities and capital structure of the Company, or its subsidiaries, associated companies or other entities in which the Company holds an interest (as the case may be) and which comprise (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the Subscription; and (iv) the Creditors Schemes involving the grant of the Share Options and the Put Options and the transactions contemplated thereunder (the “**Restructuring**”) be and are hereby approved, confirmed and ratified; and
- (b) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Restructuring Agreement and the transactions contemplated thereunder.”

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### 2. “THAT

- (a) subject to and conditional upon, among other things, the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares in issue, with effect from the next business day after the date on which this resolution is passed by the Shareholders, every ten (10) issued and unissued Shares of par value of HK\$0.01 be consolidated into one (1) Consolidated Share of par value of HK\$0.10, and such Consolidated Share(s) shall be identical and rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
- (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit;
- (c) the authorised share capital of the Company be increased from HK\$20,000,000 divided into 2,000,000,000 Shares of HK\$0.01 each to HK\$20,000,000 divided into 200,000,000 Consolidated Shares of HK\$0.10 each by the creation of an additional 1,800,000,000 Consolidated Shares (“**Increase in Authorised Share Capital**”); and
- (d) any Director be and is hereby authorised to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Share Consolidation and the Increase in Authorised Share Capital.”

### 3. “THAT

- (a) the conditional subscription agreement dated 8 November 2021 (as amended and supplemented by a supplemental agreement thereto dated 17 March 2022) (the “**Subscription Agreement**”) (a copy of which is produced to the Meeting marked “**B**” and signed by the Chairman of the Meeting for the purpose of identification) and entered into between the Company, as the issuer, and One Oak as subscriber, in relation to the subscription for 486,000,000 new Consolidated Shares (the “**Subscription Shares**”) at the Subscription Price of HK\$0.1646 per Subscription Share and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;



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- (b) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in all of the Subscription Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of the Subscription Shares in accordance with the terms of the Subscription Agreement; and
- (c) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Subscription Agreement and the transactions contemplated thereunder.”

#### 4. “THAT

subject to and conditional upon, among others, the applicable laws of the Cayman Islands and Hong Kong and the directions and sanctions of the Cayman Court and the Hong Kong Court, and to all the other resolutions set out in this notice being passed:

- (a) the Creditors Schemes’ material particulars whereof are disclosed in the scheme of arrangement document of the Company despatched to the Creditors (details of the major terms of the scheme of arrangement are set out in the section headed “Letter from the Board — D. The Creditors Schemes” in the Circular), which are to be proposed and effected as a scheme under section 86 of the Companies Act of the Cayman Islands being sanctioned by the Cayman Court and under Part 13 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as parallel, concurrent and inter-conditional schemes of arrangement, be and are hereby approved, confirmed and ratified, subject to any modification thereof or addition thereof approved or imposed by the Cayman Court or the Hong Kong Court (if any);
- (b) the proposed payment of up to HK\$20,000,000 in cash to the Creditors in accordance with the terms of the Creditors Schemes (the “**Cash Option**”) be and is hereby approved;
- (c) the proposed grant of up to 60,000,000 options (the “**Share Options**”) to be held by the Scheme Administrators for the benefit of the Creditors which entitle the holders thereof to subscribe for up to 60,000,000 new Consolidated Shares (the “**Option Shares**”) at the exercise price of HK\$0.10 per Option Share in accordance with the terms of the Creditors Schemes and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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- (d) the proposed grant of the put options (the “**Put Options**”) which entitled the holders of the Share Options acting through the Scheme Administrators, to the right, but not the obligation, to require the purchase of the Share Options by the Company at a purchase price of (i) HK\$0.6667 per Share Option upon exercise of the Put Options if such exercise is made within the 14-day period immediately preceding the date falling three (3) months from the date of grant of the Share Options; or (ii) HK\$0.8333 per Share Option upon exercise of the Put Options if such exercise is made within the 14-day period immediately preceding the date falling six (6) months from the date of grant of the Share Options in accordance with the terms of the Creditors Schemes and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (e) subject to the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Option Shares, the Directors be and are hereby granted a specific mandate for the allotment and issue of up to 60,000,000 Option Shares as may be subscribed by the Creditors upon exercise of the Share Options granted pursuant to paragraph 4(c) above in accordance with the terms of the Creditors Schemes;
- (f) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Creditors Schemes (including the grant of the Cash Option, the Share Options and the Put Options), the grant of the specific mandate for the allotment and issue of the Option Shares and the transactions contemplated thereunder.”

### SPECIAL RESOLUTION

#### 5. “THAT

- (a) the terms of the application for a waiver (the “**Whitewash Waiver**”) granted or to be granted by the Executive to One Oak pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a general mandatory offer to the Shareholders in respect of all the Shares and the securities of the Company not already owned or agreed to be acquired by it and parties acting in concert with it as a result of the subscription of the Subscription Shares under the Subscription Agreement be and are hereby approved, confirmed and ratified; and

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- (b) any Director be and is hereby authorised to do all such things and acts and execute all documents (whether under common seal or not) which he considers necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

By order of the Board  
**Sun Cheong Creative Development Holdings Limited**  
(Provisional Liquidators Appointed)  
(For Restructuring Purposes)  
**CHAN Sai On Bill**  
*Executive Director*

Hong Kong, 14 April 2022

*As at the date of this announcement, the executive Directors are Mr. Chan Sai On Bill Mr. Ng Chun Chung and Mr. Jason Martin Westcott; and the independent non-executive Director are Mr. Wong Chi Kei, Ms. Lin Weiqi Wendy and Dr. Chan Kai Yue Jason.*

*Notes:*

1. Due to the recent development of the COVID-19 pandemic, Shareholders are reminded to refer to the section headed “PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR EGM” on pages 1 to 3 of the Circular for details.
2. Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
4. In view of the current COVID-19 situation and the changing government regulations on social distancing measures in Hong Kong, the Company strongly encourages Shareholders to exercise their right to vote at the Meeting by appointing the chairman of the Meeting (who is expected to be an independent non-executive Director) or any independent non-executive Directors as their proxy and to return their forms of proxy by the time specified above, instead of attending the Meeting in person.

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5. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the Meeting (i.e. Wednesday, 11 May 2022 at 12:00 p.m. (Hong Kong time)) or any adjournment thereof.
6. The register of members of the Company will be closed from Tuesday, 10 May 2022 to Friday, 13 May 2022 (both days inclusive) to determine the eligibility of the Shareholders to attend and vote at the Meeting. The record date for determining the entitlement of the Shareholders to attend and vote at the Meeting will be on Friday, 9 April 2021. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than Monday, 9 May 2022 at 4:30 p.m. (Hong Kong time).
7. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
8. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in a case where the meeting was originally held within 12 months from such date.
9. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
10. If typhoon signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company at [www.cknassociates.com](http://www.cknassociates.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled meeting.
11. The voting at the Meeting shall be taken by way of poll.