
HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 21 April 2021. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the [REDACTED] and holds the entire interest in three subsidiaries, namely, Shengxi Global, Hong Kong WEIli and Hubei Qiangda.

OUR BUSINESS DEVELOPMENT

The history of our Group can be traced back to 2011 when Mr. Lin founded Hubei Qiangda through Moral Fame as a wholly foreign-owned enterprise in the PRC to engage in the manufacture of cigarette packaging paper in the PRC with a focus on transfer paper and laminated paper. At the time of the establishment of Hubei Qiangda, the entire issued share capital of Moral Fame was held by Mr. Lin. Prior to establishing Hubei Qiangda, Mr. Lin had over 10 years of experience in the cigarette packaging industry and he was the business manager of Shantou Lvxin Packing Materials Company Limited* (汕頭市綠新包裝材料有限公司) (currently known as Shantou Lvxin Consulting Company Limited* (汕頭市綠新企業諮詢有限公司)), a company which engaged in the manufacture of cigarette packaging paper in the PRC, since January 2001. Eyeing the potential in the cigarette packaging industry in the Hubei Province, Mr. Lin would like to set up production facilities for manufacture of cigarette packaging paper in the Hubei Province. In 2011, Moral Fame entered into an investment agreement with the People’s Government of Hong’an County of Hubei Province, pursuant to which Moral Fame was granted a right to use a piece of land in Hong’an County for setting up production facilities for manufacture of cigarette packaging paper (i.e. the piece of land where our current production facilities is located). In the circumstances, Mr. Lin established Hubei Qiangda, through Moral Fame, in 2011 using his personal funds.

As the capital needs of Hubei Qiangda grew, Mr. Lin wished to introduce more equity holders to the company and enlarge its capital base. In 2017, he invited Mr. Chen, Mr. Yu, Mr. Hu, Mr. Lu and Mr. Wu, who are friends of Mr. Lin, to invest in Hubei Qiangda. Before Mr. Chen, Mr. Yu, Mr. Hu, Mr. Lu and Mr. Wu invested in Hubei Qiangda, Mr. Lin had acquainted with them for around three to 13 years: (a) Mr. Lin first met Mr. Yu, Mr. Chen and Mr. Wu in 2004, 2006 and 2011, respectively, due to business connections of their then employers, which were industry players in the cigarette packaging industry or were involved in providing ancillary products to industry players in the cigarette packaging industry; (b) Mr. Lin first met Mr. Lu in 2012 in one of the projects of the property development business of Mr. Lin; and (c) Mr. Chen introduced his friend, Mr. Hu, to Mr. Lin in 2014, and Mr. Lin and Mr. Hu attended various business events of the property development industry since then.

Eyeing the potential development of the cigarette packaging industry, Mr. Chen, Mr. Yu, Mr. Hu, Mr. Lu and Mr. Wu agreed to invest in Hubei Qiangda using their personal funds. In particular, (i) Mr. Chen invested in Hubei Qiangda using gains from his other business; (ii) Mr. Yu invested in Hubei Qiangda using his personal savings and funds received from his family; (iii) Mr. Hu invested in Hubei Qiangda using his personal savings; (iv) Mr. Lu invested in Hubei Qiangda using the personal savings of both himself and his spouse; and (v) Mr. Wu invested in Hubei Qiangda using gains from his other business. Prior to joining Hubei Qiangda, Mr. Chen had

HISTORY, DEVELOPMENT AND REORGANISATION

accumulated more than five years of experience in the paper industry in the PRC, while Mr. Yu had accumulated over 22 years of experience in the cigarette industry in the PRC (including the cigarette packaging industry) and Mr. Hu had over five years of experience in business management in various industries. For details of their background and experience, please refer to the section headed “Directors and Senior Management” in this document. Since they joined our Group in 2017, Mr. Chen, Mr. Yu and Mr. Hu have been serving as directors of Hubei Qiangda. Since 2017, Mr. Yu has been primarily responsible for the overall management and day-to-day management of the operations of our Group. Mr. Yu usually stations at the production facilities of our Group, and his major responsibilities include reviewing and approving production and operation related documents, supervising the daily production and operation of our Group, implementation of the decisions of the board meetings or shareholders’ meetings as well as the business and financial plans of our Group. Mr. Chen has been primarily responsible for the overall management and formulation of business strategies of our Group since 2017. As the chairman of the board of Hubei Qiangda, in order to supervise the operation and management of our Group, Mr. Chen would travel to our production facilities from time to time. He travelled to our production facilities for around 30 times from 2019 to 2021. He is responsible for developing our customer base and maintenance of our business relationship with our major customers, whereas he liaises with some of our major customers and attends meetings regarding our sales review and planning. He is also responsible for holding shareholders’ meetings and formulation of business and financial plans of our Group. Mr. Hu has been primarily responsible for providing advice on the strategy, performance and standard of conduct of our Group and has not been involved in the daily operation of our Group. Mr. Yu and the management of the Group would provide business updates to Mr. Hu from time to time, and Mr. Hu would review such information and provide advice to our Group, in particular financial performance of our Group. Mr. Chen and Mr. Yu are our executive Directors, while Mr. Hu is our non-executive Director.

Prior to investing in Hubei Qiangda, Mr. Wu had experience in supplying machinery to manufacturers of cigarette packaging materials, for instance, he has been the general manager of Chengdu Yeoman Stone Engineering Technology (China) Company Limited* (成都優曼司通工程技術有限公司) since October 2014. As such, he has some knowledge as well as business network related to the cigarette packaging industry in the PRC. On the other hand, Mr. Lu had experience in business management, for instance, he has been the general manager of Shenzhen Tianle Industry and Trade Company Limited* (深圳市天樂工貿有限公司), a company engages in trading, since March 1999. Since Mr. Lu and Mr. Wu invested in Hubei Qiangda in April 2017, they have been passive investors and have not participated in the day-to-day management and operations of our Group. They participate in the matters of our Group through attending shareholders’ meetings of Hubei Qiangda.

In late 2018, as Mr. Lin decided to focus on his property development business, he sold 46.50% of the equity interest in Hubei Qiangda to Mr. Chen. Subsequent to the transfer, Mr. Chen has become the controlling shareholder of Hubei Qiangda. During the Track Record Period, Mr. Lin did not participate in the day-to-day management and operations of our Group.

Under the leadership of Mr. Chen and Mr. Yu, we have expanded our business in terms of our sales networks in the PRC, production capacity, product range and production processes over the years and we were ranked as the largest cigarette packaging paper manufacturer (in terms of sales value) in Hubei Province in 2020, with a market share of 14.9% in Hubei Province,

HISTORY, DEVELOPMENT AND REORGANISATION

according to the Industry Report. We also have been focusing on the development of our products, as at the Latest Practicable Date, we had registered 24 patents in the PRC which are, in the opinion of our Directors, material to our business, in respect of, among others, the production method of our products.

Our Group strived to increase our competitiveness and expand our market share in the industry and our achievements were recognised by obtaining a number of awards from the PRC governmental authorities. In 2017, we were first recognised as “High and New Technology Enterprise” (高新技術企業) by the Department of Science and Technology of Hubei Province (湖北省科學技術廳), the Department of Finance of Hubei Province (湖北省財政廳) and the Hubei Provincial Taxation Bureau (湖北省國家稅務局) and Hubei Provincial Local Taxation Bureau (湖北省地方稅務局). With our continuous innovations, we strive to achieve a leading position in the industry.

OUR KEY BUSINESS MILESTONES

The key milestones in our Group’s development to date are set out below.

Year	Events
2011	<ul style="list-style-type: none">● Hubei Qiangda was established as our principal operating entity in the PRC.
2014	<ul style="list-style-type: none">● We completed the construction of our production plant, accommodation and office premises at Hong’an New Industrial Park, Hong’an County, Huanggang, Hubei Province.● Hubei Qiangda was first accredited with ISO 9001 (Quality Management System) and the ISO 14001 (Environmental Management System) certifications.● Hubei Qiangda was first authorised as the 3-grade enterprise of work safety standardisation by the Huanggang Administration of Work Safety (黃岡市安全生產監督管理局).● We commenced business relationship with Customer E, being one of our top five customers during the Track Record Period.
2017	<ul style="list-style-type: none">● We commenced our business relationship with Hubei Golden Three Gorges, being one of our top five customers during the Track Record Period.● Hubei Qiangda was first accredited with OHSAS 18001 (Occupational Health and Safety Management System) (currently upgraded to ISO 45001) certification.● Hubei Qiangda was first recognised as “High and New Technology Enterprise” (高新技術企業) by the Department of Science and Technology of Hubei Province (湖北省科學技術廳), the Department of Finance of Hubei Province (湖北省財政廳) and the Hubei Provincial Taxation Bureau (湖北省國家稅務局) and Hubei Provincial Local Taxation Bureau (湖北省地方稅務局).

HISTORY, DEVELOPMENT AND REORGANISATION

Year	Events
2018	<ul style="list-style-type: none">● We expanded our production scale by adding three new production lines and replacing two of our then existing production lines, and the maximum production capacity of our production facility increased from approximately 19,019 tonnes for FY2018 to approximately 28,028 tonnes for FY2019.● We commenced our business relationship with Customer Group C, being one of our top five customers during the Track Record Period.● We were awarded “Hong’an County 2015–2017 Outstanding Enterprises in Scientific and Technological Innovation Work” (紅安縣2015–2017年度科技創新工作成果突出企業) by Hong’an County People’s Government (紅安縣人民政府).
2019	<ul style="list-style-type: none">● Hubei Qiangda was recognised as “The 2019 (7th) Huanggang City Excellent Enterprise (Golden Eagle Award)” (2019年(第七屆)黃岡市優秀企業(金鷹獎)) by the Huanggang City Entrepreneurs Association of Hubei Province* (湖北省黃岡市企業家協會) and the Huanggang City Enterprise Confederation* (黃岡市企業聯合會).● We further expanded our market in the PRC by commencing business relationship with one of the leading cigarette printing companies in the PRC located in Shanghai.
2021	<ul style="list-style-type: none">● Hubei Qiangda was appraised as (i) “AAA-Level Enterprise Credit Rating Certificate”; (ii) “AAA-Level Contract Abiding and Trustworthy Unit”; and (iii) “AAA-Level Quality Service Integrity Unit” by Beijing Zhiyunxin International Credit Evaluation Co., Ltd. (北京智雲信國際信用評價有限公司).

OUR CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in shareholdings of subsidiaries of our Company:

Shengxi Global

Shengxi Global was incorporated in BVI with limited liability on 29 March 2021. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. It is an investment holding company.

On 23 April 2021, Shengxi Global allotted and issued one share with a par value of US\$1 as fully paid to our Company, and Shengxi Global became a wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

Hong Kong WEIli

Hong Kong WEIli was incorporated in Hong Kong with limited liability on 30 April 2021. On the date of its incorporation, Hong Kong WEIli allotted and issued one ordinary share as fully paid to Shengxi Global, and Hong Kong WEIli became a wholly-owned subsidiary of Shengxi Global. It is an investment holding company.

Hubei Qiangda

Hubei Qiangda was established in the PRC on 8 June 2011 as a limited company, with an initial registered capital of US\$800,000 and was a wholly foreign-owned enterprise. At the time of its establishment, the entire equity interest of Hubei Qiangda was owned by Moral Fame which is wholly owned by Mr. Lin, as such the ultimate beneficial owner of Hubei Qiangda was Mr. Lin. Hubei Qiangda engages in the manufacture of cigarette packaging paper in the PRC with a focus on transfer paper and laminated paper.

On 25 April 2017, Moral Fame and Mr. Lin entered into an equity transfer agreement, pursuant to which Mr. Lin acquired the entire equity interest in Hubei Qiangda from Moral Fame, at a consideration of US\$800,000, which was equivalent to the then registered capital of US\$800,000 of Hubei Qiangda. Upon completion of such equity transfer, Hubei Qiangda became wholly-owned by Mr. Lin and it was converted from a foreign-invested enterprise into a domestic company. According to the Sino-Foreign Equity Joint Ventures Enterprises Law of the PRC (中華人民共和國中外合資經營企業法), the domestic participant(s) of a sino-foreign joint venture must be Chinese companies, enterprise or other economic organisations. As such, the conversion of Hubei Qiangda from a wholly foreign-owned enterprise into a domestic company served to facilitate the introduction of shareholders who are PRC natural persons. On the same day, Hubei Qiangda increased its registered capital from US\$800,000 to RMB60 million. The additional registered capital was contributed in cash as to RMB25,158,069.44 by Mr. Lin, RMB9.6 million by Mr. Yu, RMB6.6 million by Mr. Hu, RMB6 million by Mr. Chen, RMB4.2 million by Mr. Wu and RMB3.3 million by Mr. Lu, respectively. After the aforesaid transfer and increase in the registered capital, Hubei Qiangda became owned by the following persons and their respective percentage of interest is as follows:

Name of equity holders	Capital contribution <i>RMB</i>	Percentage of equity interest
Mr. Lin	30,300,000	50.50%
Mr. Yu	9,600,000	16.00%
Mr. Hu	6,600,000	11.00%
Mr. Chen	6,000,000	10.00%
Mr. Wu	4,200,000	7.00%
Mr. Lu	3,300,000	5.50%
Total	60,000,000	100.00%

HISTORY, DEVELOPMENT AND REORGANISATION

On 5 November 2018, Mr. Lin and Mr. Chen entered into an equity transfer agreement, pursuant to which, Mr. Lin agreed to sell and transfer to Mr. Chen, and Mr. Chen agreed to acquire from Mr. Lin, 46.50% of the equity interest in Hubei Qiangda at a consideration of RMB39.525 million, which was determined with reference to the appraisal of the net assets of Hubei Qiangda as at 31 March 2018 of approximately RMB85 million by an independent valuer. Mr. Chen fully settled the consideration in December 2018 using his personal funds, including gains from his then other businesses, and he was not directly or indirectly financed by Mr. Lin, Mr. Yu, Mr. Hu, Mr. Lu, Mr. Wu, shareholders, directors and senior management of our Group or any of their respective associates to settle the consideration. Such transfer was properly and legally completed and settled. Upon completion of the equity transfer, Hubei Qiangda became owned by the following persons and their respective percentage of interest is as follows:

Name of equity holders	Capital contribution <i>RMB</i>	Percentage of equity interest
Mr. Chen	33,900,000	56.50%
Mr. Yu	9,600,000	16.00%
Mr. Hu	6,600,000	11.00%
Mr. Wu	4,200,000	7.00%
Mr. Lu	3,300,000	5.50%
Mr. Lin	<u>2,400,000</u>	<u>4.00%</u>
Total	<u><u>60,000,000</u></u>	<u><u>100.00%</u></u>

On 12 April 2021, as part of our Reorganisation, Mr. Hu and the Pre-[REDACTED] Investor entered into an equity transfer agreement, pursuant to which, Mr. Hu agreed to sell and transfer to the Pre-[REDACTED] Investor, and the Pre-[REDACTED] Investor agreed to acquire from Mr. Hu, 3.00% of equity interest in Hubei Qiangda at a consideration of RMB3.927 million. The consideration was agreed by the parties after arms' length commercial negotiation. Such transfer was properly and legally completed and settled. Upon completion of the transfer, Hubei Qiangda became a foreign-invested enterprise, being owned by the following persons and their respective percentage of interest is as follows:

Name of equity holders	Capital contribution <i>RMB</i>	Percentage of equity interest
Mr. Chen	33,900,000	56.50%
Mr. Yu	9,600,000	16.00%
Mr. Hu	4,800,000	8.00%
Mr. Wu	4,200,000	7.00%
Mr. Lu	3,300,000	5.50%
Mr. Lin	2,400,000	4.00%
Pre-[REDACTED] Investor	<u>1,800,000</u>	<u>3.00%</u>
Total	<u><u>60,000,000</u></u>	<u><u>100.00%</u></u>

HISTORY, DEVELOPMENT AND REORGANISATION

On 6 May 2021, as part of the Reorganisation, Hong Kong WEIli entered into seven equity transfer agreements with each of Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and the Pre-[REDACTED] Investor, pursuant to which, Hong Kong WEIli acquired 56.50%, 16.00%, 8.00%, 7.00%, 5.50%, 4.00% and 3.00% of the equity interest in Hubei Qiangda from Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and the Pre-[REDACTED] Investor, respectively, at the consideration of RMB43.505 million, RMB12.32 million, RMB6.16 million, RMB5.39 million, RMB4.235 million, RMB3.08 million and RMB2.31 million, respectively. The considerations were determined with reference to the valuation of Hubei Qiangda as at 31 December 2020 of approximately RMB76.9 million prepared by an independent valuer. The considerations to Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu and Mr. Lin were settled in cash and the consideration to the Pre-[REDACTED] Investor was settled by our Company allotting and issuing 30 Shares, credited as fully paid, to the Pre-[REDACTED] Investor. Such transfers were properly and legally completed and settled, and Hubei Qiangda became wholly owned by Hong Kong WEIli.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the [REDACTED], which involved the following steps:

Incorporation of City Ease, Yong Ning and Enlighten East

On 31 March 2021, City Ease was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. On 16 April 2021, City Ease allotted and issued one share with a par value of US\$1 as fully paid to Mr. Chen. City Ease then became wholly-owned by Mr. Chen.

On 4 January 2021, Yong Ning was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. On 16 April 2021, Yong Ning allotted and issued one share with a par value of US\$1 as fully paid to Mr. Yu. Yong Ning then became wholly-owned by Mr. Yu.

On 8 December 2020, Enlighten East was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. On 16 April 2021, Enlighten East allotted and issued 3,266 shares, 2,857 shares, 2,244 shares and 1,633 shares with a par value of US\$1 each as fully paid to Mr. Hu, Mr. Wu, Mr. Lu and Mr. Lin, respectively, and all the issued shares of Enlighten East were owned as to 32.66% by Mr. Hu, 28.57% by Mr. Wu, 22.44% by Mr. Lu and 16.33% by Mr. Lin, respectively.

Incorporation of our Company

On 21 April 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of our incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares.

HISTORY, DEVELOPMENT AND REORGANISATION

On the date of its incorporation, our Company allotted and issued one subscriber Share as fully paid to a nominee subscriber. On the same date, the nominee subscriber as transferor executed an instrument of transfer in favour of City Ease as transferee, pursuant to which the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to City Ease.

Upon completion of the above transaction, on the same date, our Company further allotted and issued 564 Shares, 160 Shares and 245 Shares as fully paid to City Ease, Yong Ning and Enlighten East, respectively. After such allotment and issue of Shares, our Company was owned as to approximately 58.25% by City Ease, 16.49% by Yong Ning and 25.26% by Enlighten East, respectively.

Incorporation of Shengxi Global

On 29 March 2021, Shengxi Global was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1 per share. On 23 April 2021, Shengxi Global allotted and issued one share with a par value of US\$1, credited as fully paid, to our Company. All the issued share of Shengxi Global then became wholly-owned by our Company.

Incorporation of Hong Kong WEIli

On 30 April 2021, Hong Kong WEIli was incorporated in Hong Kong with limited liability. It engages in investment holding. On the date of its incorporation, Hong Kong WEIli allotted and issued one ordinary share as fully paid to Shengxi Global. The entire issued share capital of Hong Kong WEIli then became wholly-owned by Shengxi Global.

Acquisition of 3.00% of equity interest in Hubei Qiangda by the Pre-[REDACTED] Investor

On 12 April 2021, Mr. Hu and the Pre-[REDACTED] Investor entered into an equity transfer agreement, pursuant to which, Mr. Hu agreed to sell and transfer to the Pre-[REDACTED] Investor, and the Pre-[REDACTED] Investor agreed to acquire from Mr. Hu, 3.00% of equity interest in Hubei Qiangda at a consideration of RMB3.927 million. The consideration was agreed by the parties after arm's length commercial negotiation. Such transfer was properly and legally completed and settled. Upon completion of the transfer, Hubei Qiangda became a foreign-invested enterprise, being owned by Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and Pre-[REDACTED] Investor as to approximately 56.50%, 16.00%, 8.00%, 7.00%, 5.50%, 4.00% and 3.00%, respectively.

Acquisition of the entire equity interest in Hubei Qiangda from Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and the Pre-[REDACTED] Investor, respectively, by Hong Kong WEIli

On 6 May 2021, Hong Kong WEIli entered into seven equity transfer agreements with each of Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and the Pre-[REDACTED] Investor, pursuant to which, Hong Kong WEIli acquired 56.50%, 16.00%, 8.00%, 7.00%, 5.50%, 4.00% and 3.00% of the equity interest in Hubei Qiangda from Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu, Mr. Lin and the Pre-[REDACTED] Investor, respectively, at the consideration of RMB43.505 million, RMB12.32 million, RMB6.16 million, RMB5.39 million, RMB4.235 million, RMB3.08 million and RMB2.31 million, respectively. The considerations were determined with reference to

HISTORY, DEVELOPMENT AND REORGANISATION

the valuation of Hubei Qiangda as at 31 December 2020 of approximately RMB76.9 million prepared by an independent valuer. The considerations to Mr. Chen, Mr. Yu, Mr. Hu, Mr. Wu, Mr. Lu and Mr. Lin were settled in cash and the consideration to the Pre-[REDACTED] Investor was settled by our Company allotting and issuing 30 Shares, credited as fully paid, to the Pre-[REDACTED] Investor. Such transfers were properly and legally completed and settled, and Hubei Qiangda became wholly owned by Hong Kong WEIli.

On 6 May 2021, our Company allotted and issued 30 Shares, credited as fully paid, to the Pre-[REDACTED] Investor in consideration of the acquisition of 3.00% of the equity interest in Hubei Qiangda from the Pre-[REDACTED] Investor by Hong Kong WEIli. After such allotment and issue of Shares, our Company was owned as to 56.50% by City Ease, 16.00% by Yong Ning, 24.50% by Enlighten East and 3.00% by the Pre-[REDACTED] Investor.

PRE-[REDACTED] INVESTMENT

Details of the Pre-[REDACTED] Investment are set out in the table below:

Name of the Pre-[REDACTED] Investor	Mr. Lam Wing Chak Victor
Date of the agreement	12 April 2021
Amount of consideration paid	HKD equivalent of RMB3,927,000 (i.e. HKD4,748,000)
Settlement date of the consideration	18 May 2021
Basis of determination of the consideration	The consideration was agreed by the parties after arm's length commercial negotiations, which is at a discount to the [REDACTED]. Our Directors consider that the discount is justified because (i) there are investment risks for investing in a private unlisted company, including the uncertainties in the timeline for the [REDACTED]; and (ii) the Pre-[REDACTED] Investor was not granted any special rights.
Number of Shares held by the Pre-[REDACTED] Investor upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Share which may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme)	[REDACTED] Shares
Effective cost per Share paid	approximately HKD[REDACTED]

HISTORY, DEVELOPMENT AND REORGANISATION

Discount to the [REDACTED] (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range)	approximately [REDACTED]%
Use of [REDACTED]	Not applicable
Benefits brought to our Group	<p>Our Directors believe that the Pre-[REDACTED] Investor does not only diversify the shareholders' portfolio of our Group, but also has demonstrated his confidence in the operation of our Group which serves as an endorsement of our performance, strength and future business prospects, which may broaden our shareholding base through introduction of investors with diversified background. Taking into account his experience as a licensed person under the SFO, his previous pre-[REDACTED] investment experience and his investment experience in other listed companies, our Directors believe that the Pre-[REDACTED] Investment could create synergistic effect to the future development of our Company. While the Pre-[REDACTED] Investor would not take part in our day-to-day management, our Directors believe that, leveraging on his knowledge, experience and business networks in the financial industry and equity market, the Pre-[REDACTED] Investor will provide strategic input in our business strategies, management and general corporate governance practices of our Company and improvement of the overall corporate strategies, financial reporting, internal control and risk management policies of our Company.</p>
Shareholding in our Company immediately after the completion of Reorganisation and the Pre-[REDACTED] Investment but before the [REDACTED] and the [REDACTED]	3.00%

HISTORY, DEVELOPMENT AND REORGANISATION

Shareholding in our Company immediately upon completion of the [REDACTED] and the [REDACTED] (without taking into account any Share which may be allotted and issued upon the exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme)	[REDACTED]%
Lock-up period	There is no lock-up period pursuant to the agreement between Mr. Hu and the Pre-[REDACTED] Investor
Public float	The Shares held by the Pre-[REDACTED] Investor are considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules as (i) the Pre-[REDACTED] Investor is not a director, chief executive or substantial shareholder of our Company or its subsidiaries or a close associate of any of them (the “ Non-Public Shareholders ”); (ii) the acquisition of the Shares by the Pre-[REDACTED] Investor was not financed by the Non-Public Shareholders; and (iii) the Pre-[REDACTED] Investor is not accustomed to taking instructions from a Non-Public Shareholder for the voting or dispositions in respect of the Shares held by the Pre-[REDACTED] Investor
Special rights	Nil

Background of the Pre-[REDACTED] Investor

The Pre-[REDACTED] Investor was introduced to our Group by Mr. Hu, our non-executive Director. The Pre-[REDACTED] Investor and Mr. Hu have known each other for more than four years since they met at a private event in early 2017. When our Group was devising our Reorganisation and acknowledged that pre-[REDACTED] investment is common for red-chip companies, Mr. Hu introduced the Pre-[REDACTED] Investor to our Group in early 2020.

The Pre-[REDACTED] Investor has over 15 years of working experience in the financial industry and has served as a licensed person for dealing in securities (type 1 regulated activity), advising on securities (type 4 regulated activity) and asset management (type 9 regulated activity) under the SFO in various registered institutions which engage in providing financial services integration platform and/or asset management services. As at the Latest Practicable Date, the Pre-[REDACTED] Investor is a responsible officer of Quasar Securities Co., Limited, which is licensed to carry out type 1 (dealing in securities) regulated activities under the SFO, and Quasar Asset Management Limited, which is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. According to the prospectus of Kin Pang Holdings Limited

HISTORY, DEVELOPMENT AND REORGANISATION

(stock code: 1722), a company listed on the Stock Exchange on 15 December 2017 which engages in construction industry, the Pre-[REDACTED] Investor took part in its pre-[REDACTED] investment through Quasar Global Selection SPC Fund which he was one of the ultimate owners. Furthermore, the Pre-[REDACTED] Investor is a private investor. The investment portfolio of the Pre-[REDACTED] Investor included investments in various companies listed on the Stock Exchange and the London Stock Exchange, and such companies engage in various industries in various countries, including ports and infrastructure in many countries, construction engineering in Hong Kong, biopharmaceutical industry in the PRC, multi-brand restaurant group in Singapore, information technology in Singapore and freight forwarding services. It is expected that the exposure and experience of the Pre-[REDACTED] Investor in the capital market in Hong Kong could contribute to our Company from an investor's perspective and share his professional experience. After Mr. Hu introduced our Group to the Pre-[REDACTED] Investor, the Pre-[REDACTED] Investor expressed interests in investing in enterprises based in the PRC. Considering the background, historical performance and prospect of our business, the Pre-[REDACTED] Investor invested in our Group using his personal resources, including his savings.

Save as the Pre-[REDACTED] Investment, the Pre-[REDACTED] Investor was not involved in and did not have any role in the operation nor the proposed [REDACTED] of our Group up to the Latest Practicable Date. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, the Pre-[REDACTED] Investor invested in our Group because he appreciates the prospects and potential growth of our Group. Save for the Pre-[REDACTED] Investment, the Pre-[REDACTED] Investor did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements, understanding or undertakings with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date. As the Pre-[REDACTED] Investor is not a core connected person of our Company, the Shares held by him will be counted towards the public float after the [REDACTED].

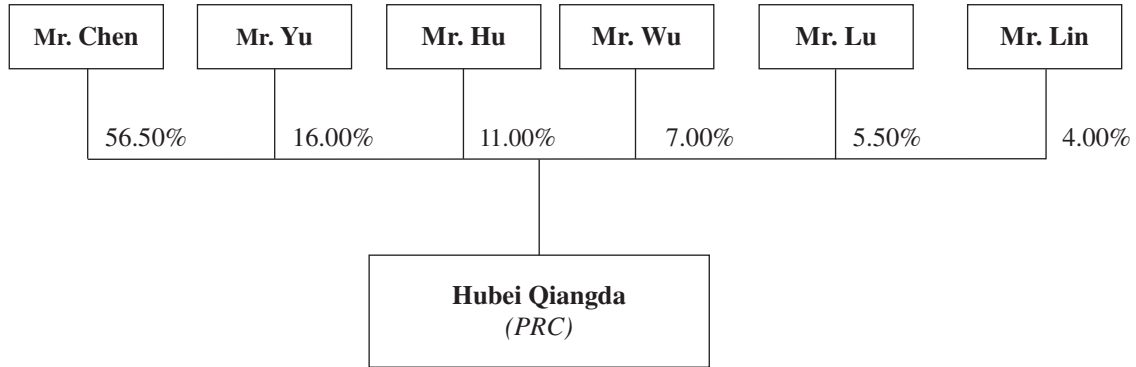
Sponsor's confirmation

The Sponsor has confirmed that the Pre-[REDACTED] Investment is in compliance with (i) the Guidance Letter HKEx-GL29-12 (Interim Guidance on Pre-[REDACTED] Investments) issued in January 2012 and updated in March 2017 by the Stock Exchange as the consideration for the Pre-[REDACTED] Investment was all settled more than 28 clear days before the date of the first submission of the [REDACTED] application to the Stock Exchange in relation to the [REDACTED]; and (ii) the Guidance Letter HKEx-GL43-12 (Guidance on Pre-[REDACTED] investments) issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange as there are no special rights granted to the Pre-[REDACTED] Investor that will survive the [REDACTED] whereas the Guidance Letter HKEx-GL44-12 (Guidance on Pre-[REDACTED] investments in convertible instruments) issued in October 2012 and updated in March 2017 is not applicable to the Pre-[REDACTED] Investment.

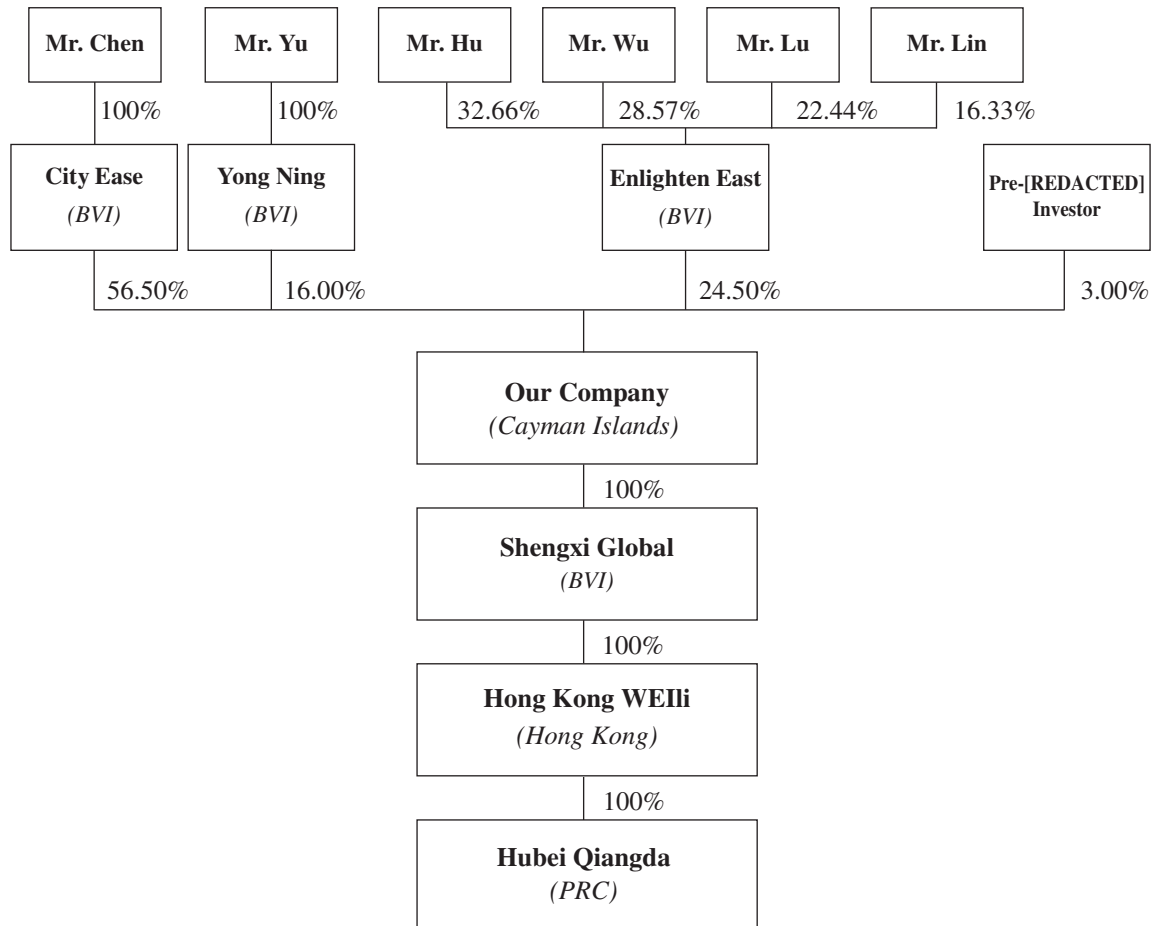
HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group immediately before the Reorganisation:



The following chart sets forth the shareholding and corporate structure of our Group immediately after the Reorganisation and the Pre-[REDACTED] Investment but before the [REDACTED] and the [REDACTED]:

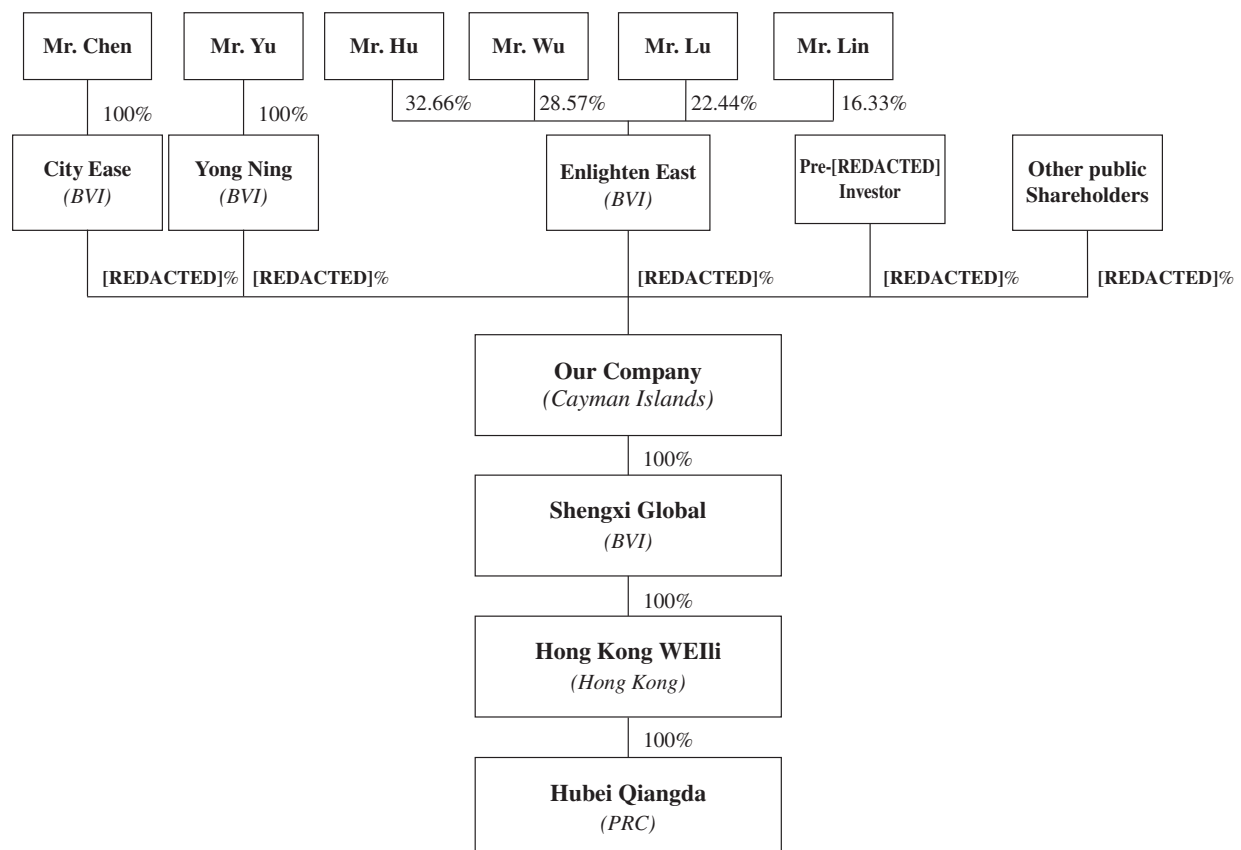


HISTORY, DEVELOPMENT AND REORGANISATION

[REDACTED]

Conditional upon the crediting of our Company's share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of [REDACTED] Shares for allotment and issue, immediately prior to the [REDACTED], to the Shareholders whose names appear on the register of members of our Company as of 2 June 2022, on a pro rata basis (subject to rounding to avoid fractions and odd lots), so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute [REDACTED]% of the issued share capital of our Company immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme).

The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the [REDACTED] and the [REDACTED] (without taking into account any Share that may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme):



HISTORY, DEVELOPMENT AND REORGANISATION

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION

Compliance with M&A Rules

Under the M&A Rules, a foreign investor is required to obtain approvals from competent authorities when a foreign investor (i) acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; or (iii) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or (iv) purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic company which is related to or connected with it/him/her, approval from MOFCOM is required.

As advised by our PRC Legal Advisers, (1) given that the Pre-[REDACTED] Investor is a natural person of foreign nationality and was not connected with our Group before his acquisition of 3.00% of the equity interest in Hubei Qiangda from Mr. Hu, no approval from MOFCOM is required in respect of such acquisition as the acquisition was not subject to the relevant articles of the M&A Rules and Hubei Qiangda has been converted from a domestic company into a foreign-invested enterprise immediately after such acquisition by the Pre-[REDACTED] Investor; and (2) the acquisition of the equity interest in Hubei Qiangda by Hong Kong WEIli was not subject to the M&A Rules because Hubei Qiangda was a foreign-invested enterprise at the time of the acquisition of the equity interest by Hong Kong WEIli. Accordingly, the said acquisition was not subject to any prior approval from MOFCOM and CSRC under the M&A Rules.

Compliance with the SAFE Circular No. 37 and SAFE Circular No. 13

As advised by our PRC Legal Advisers, all indirect individual shareholders of our Company who are PRC residents have completed their registration under SAFE Circular No. 37 and SAFE Circular No. 13 on 1 June 2021.

Our PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and equity interest transfers in respect of Hubei Qiangda as set out in this section have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations in all material respects.