
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Financial Leasing Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter



Lego Securities Limited

力高證券有限公司

Financial adviser to the Company



Lego Corporate
Finance Limited

力高企業融資有限公司

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

VINCO 榮高

Vinco Financial Limited

Capitalised terms used on this cover page have the same meaning as defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 11 to 33 of this circular. A letter from the Independent Board Committee is set out on pages 34 to 35 of this circular. A letter from Vinco Financial containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages IFA-1 to IFA-24 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 22 September 2022. Dealings in the Rights Shares in the nil-paid form will take place from Thursday, 6 October 2022 to Thursday, 13 October 2022 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 6 October 2022 to Thursday, 13 October 2022 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 19 September 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 11:00 a.m. on Saturday, 17 September 2022 (Hong Kong time)) before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriter the right in its absolute discretion to terminate the obligations of the Underwriter thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriter or does not become unconditional, the Rights Issue will not proceed.

PRECAUTIONARY MEASURES FOR THE EGM

Due to the constantly evolving COVID-19 pandemic situation, the Company may need to take certain precautionary measures at the venue of the EGM to ensure the safety of attendees, including (but not limited to) requiring all attendees to have body temperature check and wear face masks. In addition, no refreshments will be served and no corporate gift will be distributed at the EGM. The Company reserves the right to deny admission to the EGM venue if any person does not comply with the precautionary measures to be taken at the EGM or such person is subject to any of the Hong Kong government prescribed quarantine.

* For identification purpose only

Hong Kong, 24 August 2022

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 July 2022 in relation to the Share Consolidation and Rights Issue
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Company”	China Financial Leasing Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 2312)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.04 each in the share capital of the Company immediately following the Share Consolidation becoming effective
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Share Consolidation and the Rights Issue
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“Independent Financial Adviser” or “VincO Financial”	VincO Financial Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules

DEFINITIONS

“Investment Manager”	Avia Asset Management Limited, a company incorporated in Hong Kong with limited liabilities and a corporation licensed to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the SFO, being the investment manager of the Company
“Last Trading Day”	27 July 2022, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	19 August 2022, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 18 October 2022 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares
“Latest Time for Termination”	4:30 p.m. on Thursday, 20 October 2022 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Law”	The Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)

DEFINITIONS

“Prospectus Posting Date”	Monday, 3 October 2022 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Friday, 30 September 2022, the record date for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, the address of which is at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong
“Rights Issue”	the proposed issue by way of rights of two (2) Rights Shares for every one (1) Consolidated Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the paragraph headed “Conditions of the Rights Issue and the Underwriting Agreement” in this circular
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue, being 115,632,494 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the consolidation of every four (4) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.04
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.38 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong

DEFINITIONS

“Underwriter”	Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the underwriter to the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 28 July 2022 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	the number of Rights Shares to be underwritten by the Underwriter, being in maximum up to the total number of the Rights Shares
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

EXPECTED TIMETABLE

EXPECTED TIMETABLE

Set out below is the expected timetable for the implementation of the Share Consolidation and the Rights Issue. The expected timetable is subject to the results of the EGM and satisfaction of the conditions to the Share Consolidation and the Rights Issue and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to the Hong Kong local times and dates.

Events	Hong Kong Date and Time
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2022

Latest time for lodging transfer documents of the Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Friday, 9 September
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Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive)	Tuesday, 13 September to Monday, 19 September
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Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Saturday, 17 September
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Record date for determining attendance and voting at the EGM	Monday, 19 September
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Expected date and time of EGM to approve the Share Consolidation and the Rights Issue	11:00 a.m. on Monday, 19 September
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Announcement of the poll result of the EGM	Monday, 19 September
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The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation:

Register of members of the Company re-opens	Tuesday, 20 September
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Effective date of the Share Consolidation	Wednesday, 21 September
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First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Wednesday, 21 September
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Commencement of dealings in the Consolidated Shares.	9:00 a.m. on Wednesday, 21 September
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EXPECTED TIMETABLE

Events	Hong Kong Date and Time
	2022
Original counter for trading in Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 21 September
Temporary counter for trading in the Consolidated Shares in board lots of 2,500 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 21 September
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue.	Wednesday, 21 September
First day of dealings in the Consolidated Shares on an ex-rights basis relating to the Rights Issue	Thursday, 22 September
Latest time for the Shareholders to lodge transfer documents of the Consolidated Shares in order to be qualified for the Rights Issue	4:30 p.m. on Friday, 23 September
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive).	Monday, 26 September to Friday, 30 September
Record date for the Rights Issue	Friday, 30 September
Register of members of the Company re-opens	Monday, 3 October
Despatch of the Prospectus Documents (including the PAL, EAF and the Prospectus) (in case of the Excluded Shareholders, the Prospectus only)	Monday, 3 October
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) reopens	Thursday, 6 October
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Thursday, 6 October
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares and fully-paid Rights Shares.	Thursday, 6 October

EXPECTED TIMETABLE

Events	Hong Kong Date and Time
	2022
First day of dealings in nil-paid Rights Share	Thursday, 6 October
Latest time for splitting the PAL	4:30 p.m. on Monday, 10 October
Last day of dealings in nil-paid Rights Shares	Thursday, 13 October
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Tuesday, 18 October
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:30 p.m. on Thursday, 20 October
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares and fully-paid Rights Shares.	4:00 p.m. on Wednesday, 26 October
Temporary counter for trading in the Consolidated Shares in board lots of 2,500 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 26 October
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Wednesday, 26 October
Announcement of allotment results of the Rights Issue.	Wednesday, 26 October
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any) for wholly and partially unsuccessful excess applications to be posted	Thursday, 27 October
Commencement of dealings in fully-paid Rights Shares.	Friday, 28 October
Latest time for free exchange of existing share certificates for new share certificates	Friday, 28 October

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place if:

- (i) typhoon signal No. 8 (or above);
- (ii) “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
- (iii) a “black” rainstorm warning
 - (a) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (b) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “Expected Timetable” above may be affected. Announcement will be made as soon as practicable by the Company in such event.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing given to the Company at or prior to the Latest Time for Termination, if:

- i. there occurs any new regulation or any change in the existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole; or
- ii. there occurs any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole; or
- iii. any material adverse change in the business or in the financial or trading position of the Company as a whole which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- iv. any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue,

then in any such case the Underwriter may, after consultation with the Company or its advisers as the circumstances shall admit, by notice in writing to the Company on its own behalf (which may be given at any time up to the Latest Time for Termination) rescind the Underwriting Agreement.

If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

Executive Director:

Mr. LUI Cheuk Hang Henri

Independent Non-executive Directors:

Mr. LAM Wai Tsin

Mr. HUI Yat On

Mr. Chan Pak Lam, Tom

Registered Office:

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P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Head Office and Principal Place of

Business in Hong Kong:

11/F., Wui Tat Centre

55 Connaught Road West

Hong Kong

24 August 2022

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, (i) the proposed Share Consolidation; and (ii) the proposed Rights Issue.

The Independent Board Committee has been established, comprising all the independent non-executive Directors, to advise the Independent Shareholders in relation to the proposed Rights Issue and the transactions contemplated thereunder. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation and the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM to be convened for the purpose of considering and, if thought fit, approve, among other things, the Share Consolidation and the Rights Issue.

PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every four (4) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.04. As none of the Shareholders or their respective associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

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

As at the Latest Practicable Date, none of the conditions set out above has been satisfied.

The Share Consolidation will become effective on Wednesday, 21 September 2022, being the second Business Day immediately following the fulfillment of the above conditions.

Listing and dealings

Application will be made to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares in issue arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS.

LETTER FROM THE BOARD

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

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

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$300,000,000 divided into 30,000,000,000 Existing Shares of HK\$0.01 each, of which 231,264,988 Existing Shares have been issued and are fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$300,000,000 divided into 7,500,000,000 Consolidated Shares of HK\$0.04 each, of which 57,816,247 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue and fully paid or credited as fully paid.

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

Currently, the Existing Shares are traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 10,000 Consolidated Shares.

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

LETTER FROM THE BOARD

Other securities of the Company

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

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, Lego Securities Limited has been appointed to provide matching service for odd lots of the Consolidation Shares arising from the Share Consolidation at the relevant market price per Share for the period from Thursday, 6 October 2022 to Wednesday, 26 October 2022 (both dates inclusive). Shareholders of odd lots of the Consolidated Shares who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holdings of odd lots of the Consolidated Shares should contact Mr. Kelvin Li of Lego Securities Limited at 3/F, China Building, 29 Queen's Road Central, Hong Kong (telephone number (852) 3188-8055) during such period.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Wednesday, 21 September 2022 to Friday, 28 October 2022 (both days inclusive), submit the existing share certificates for the Existing Shares to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in purple colour in order to distinguish them from the existing share certificates in grey colour.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the Existing Shares approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the Company to either change the trading method or to proceed with a consolidation or splitting of the Existing Shares. The "Guide on Trading

LETTER FROM THE BOARD

Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 (and updated on 1 October 2020) has further stated that (i) market price of the Existing Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account that the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

In view of the recent trading price of the Shares at a level close to HK\$0.1 and the value per board lot being less than HK\$2,000, the Board considers that upon the Share Consolidation becoming effective, the share price of the Company would be adjusted to HK\$0.408 per Consolidated Share (based on the closing price of HK\$0.102 per Existing Share as at the Latest Practicable Date), with a board lot size of 10,000 Consolidated Shares, the new board lot value would be HK\$4,080, which would enable the Company to comply with the trading requirements under the Listing Rules. Further, it is expected that the Share Consolidation will increase the nominal value of the Shares. Accordingly, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but would also attract more investors and hence broaden the Shareholder base.

Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 10,000 Consolidated Shares.

The Board believes the Share Consolidation will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save for the corporate actions as disclosed in this circular, the Company has no plan to conduct any corporate actions or arrangement, including share consolidation, share sub-division and capital reduction, in the next 12 months.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, the Rights Issue with the terms set out as follows:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.38 per Rights Share

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Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.37 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	231,264,988 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	57,816,247 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	115,632,494 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Approximately HK\$4,625,299.8 (assuming no Shares are issued or repurchased on or before the Record Date)
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	173,448,741 Consolidated Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Gross proceeds from the Rights Issue	:	Approximately HK\$43.9 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

Assuming no Shares are issued or repurchased on or before the Record Date, the 115,632,494 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 200% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and 66.67% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

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Undertakings

As at the Latest Practicable Date, the Company had not received any information or irrevocable undertaking from any Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

The Subscription Price

The Subscription Price of HK\$0.38 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 6.9% to the theoretical closing price of HK\$0.408 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.102 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 29.1% to the theoretical closing price of HK\$0.536 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.134 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 29.2% to the average theoretical closing price of approximately HK\$0.537 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.134 per Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 29.3% to the average theoretical closing price of approximately HK\$0.538 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.134 per Existing Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 12.1% to the theoretical ex-rights price of approximately HK\$0.432 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the benchmarked price, being the average theoretical closing price of approximately HK\$0.537 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;

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- (vi) a discount of approximately 52.8% to the net asset value of the Company of approximately HK\$0.805 per Consolidated Share (after taking into account the effect of the Share Consolidation) as at 31 December 2021 based on the audited net asset value of the Company of approximately HK\$46,522,000 as at 31 December 2021 and 57,816,247 Consolidated Shares assuming the Share Consolidation has become effective;
- (vii) a discount of approximately 38.0% to the net asset value of the Company of approximately HK\$0.613 per Consolidated Share (after taking into account the effect of the Share Consolidation) as at 30 June 2022 based on the unaudited net asset value of the Company of approximately HK\$35,466,000 as at 30 June 2022 and 57,816,247 Consolidated Shares assuming the Share Consolidation has become effective; and
- (viii) a discount of approximately 33.7% to the net asset value of the Company of approximately HK\$0.573 per Consolidated Share (after taking into account the effect of the Share Consolidation) as at 31 July 2022 based on the unaudited net asset value of the Company of approximately HK\$33,128,000 as at 31 July 2022 and 57,816,247 Consolidated Shares assuming the Share Consolidation has become effective.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules and taking into account the Share Consolidation) for the Rights Issue are approximately HK\$0.432 per Consolidated Share, HK\$0.537 per Consolidated Share and 19.6%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules. In addition, the Company is not aware of any reasons for the decreasing trend of the Shares' price since the Last Trading Day.

The Subscription Price was determined with reference to the market price of the Existing Shares under the prevailing market conditions and the reasons and benefits of Rights Issue as discussed in the paragraph headed "Reasons for and benefits of the Rights Issue and use of proceeds" under the section headed "Proposed Rights Issue" in this circular. In view of (i) the recent market price of the Shares reflects the recent market sentiment; and (ii) the Subscription Price has been set at a discount to the recent closing prices of the Shares with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, the Directors (including the independent non-executive Directors) consider that it is fair and reasonable to make reference to the market price of the Existing Shares in determining the Subscription Price.

The Directors (including the independent non-executive Directors) consider that despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to

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take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Existing Shares and discount to the recent closing prices of the Existing Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a Shareholder as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Friday, 23 September 2022.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Wednesday, 21 September 2022, and the Consolidated Shares will be dealt with on an ex-rights basis from Thursday, 22 September 2022.

Subject to the Share Consolidation having become effective and the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus only (without the PAL and the EAF) to the Excluded Shareholders for their information only.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

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Closure of register of members

The register of members of the Company will be closed from Monday, 26 September 2022 to Friday, 30 September 2022 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Consolidated Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of two (2) Rights Shares (in nil-paid form) for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

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

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Rights of Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue. The Company will send the Prospectus (without the PAL and the EAF) to the Excluded Shareholders for their information only. As at the Latest Practicable Date, there are four individual Overseas Shareholders with registered address located in the PRC, which are interested in 85,076 Existing Shares, representing approximately 0.0004% of the total number of the issued Existing Shares.

The Board will comply with Rule 13.36(2)(a) of the Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. The Company has made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to the Overseas Shareholders located in the PRC. The

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legal advisers to the Company as to the PRC law advised that there is no restrictions or requirements and no local regulatory compliance would be required to be made in the PRC for the Company in extending the Rights Issue to the Overseas Shareholders located in the PRC. Based upon such advice, the Overseas Shareholders having registered address in the PRC will not be excluded from the Rights Issue and shall therefore be the Qualifying Shareholders. Accordingly, the Rights Issue will be extended to such Overseas Shareholders having registered address in the PRC.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. Any unsold entitlements of the Excluded Shareholders will be made available for excess application by the Qualifying Shareholders.

It is the responsibility of each Overseas Shareholder who wishes to take part in the Rights Issue to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements. Acceptances of or applications for the Rights Issue by any person will constitute a representation and warranty from such person to the Company that the local laws and requirements have been complied with. Shareholders should consult their professional advisers if in doubt.

Application for the excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Excluded Shareholders and for any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares.

Application for excess Rights Shares can be made only by duly completing and signing the EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the excess Rights Shares being applied for with the Registrar by 4:00 p.m. on Tuesday, 18 October 2022.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the principle that any excess Rights Shares will be allocated to the Qualifying Shareholders who apply for them on a pro rata basis in proportion to the number of excess Rights Shares being applied for under each application. No reference will be made to the Rights Shares comprised in acceptance by the PAL or the number of Shares held by Qualifying Shareholders. No preference will be given to topping up odd lots to whole board lots.

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In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Shareholders with Shares held by a nominee (or which are held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually.

Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under their own names prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisers if they are in doubt as to their status.

For Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) and would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar, Tricor Tengis Limited, the address of which is at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong by 4:30 p.m. on Friday, 23 September 2022.

Any Rights Shares not taken up by the Qualifying Shareholders and not taken up by excess applications will be taken up by the Underwriter and/or subscribers procured by it pursuant to the terms and conditions of the Underwriting Agreement.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Thursday, 27 October 2022 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Thursday, 27 October 2022 by ordinary post to the applicants, at their own risk, to their registered addresses.

Adjustments to entitlements

The Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) or EAF(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to

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apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules. Investors are advised to exercise caution when dealing in the Shares.

Fractional entitlement to the Rights Shares

On the basis of the entitlement to subscribe two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements of the Consolidated Shares to the Rights Shares will arise from the Rights Issue.

Taxation

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Excluded Shareholders, their receipt of the net proceeds, if any, from sale of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, the Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of holders of the Rights Shares resulting from the purchase, holding or disposal of, or dealing in the Rights Shares in both their nil-paid and fully-paid forms.

Application for listing in nil-paid and fully-paid forms

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be allotted and issued pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the rights shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates 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 trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

UNDERWRITING AGREEMENT

On 28 July 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter. The Rights Issue will be fully underwritten by the Underwriter. The principal terms of the Underwriting Agreement are as follows:

Date : 28 July 2022 (after trading hours)

Underwriter : Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

Number of the Underwritten Shares : The total number of the Underwritten Shares shall be in maximum up to 115,632,494 Rights Shares, being such number of the Rights Shares to be issued pursuant to the Rights Issue.

Underwriting commission : An amount equal to 1.0% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.4 million in maximum.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, the market price of the Existing Shares and the prevailing market rate of similar transactions. The Directors (including the independent non-executive Directors) consider that the terms of the Underwriting Agreement (including the underwriting commission) are fair and in the interest of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Underwriting Agreement.

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) (if any) or appoint any person to be sub-agent(s) on its behalf at its own cost for the purpose of arranging for the subscription of the Underwritten Shares with

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selected subscribers with only such authority and rights as well as such obligations and duties as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance, any of the Rights Shares have not been taken up (“**Untaken Shares**”), the Company shall as soon as practicable thereafter notify or procure the Registrar on behalf of the Company to notify the Underwriter in writing of the number of the Untaken Shares. Pursuant to the Underwriting Agreement, when the Underwriter is being called upon to subscribe for or procure subscription for the Untaken Shares:

- (i) the Underwriter shall use its reasonable endeavours to procure that each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with, the Directors, chief executive or substantial shareholders of the Company (all of which within the meaning of the Listing Rules) or any of its subsidiaries and their respective associates and shall not be a connected person of the Company (within the meaning of the Listing Rules);
- (ii) the Underwriter will procure each of the subscribers of the Untaken Shares (including any direct and indirect sub-underwriters) and their respective associates will not, together with any party acting in concert (within the meaning of the Takeovers Code) with it or its associates, hold 10.0% or more of the voting rights of the Company immediately upon completion of the Rights Issue; and
- (iii) in the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter’s performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules.

Conditions of the Rights Issue and the Underwriting Agreement

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

- (i) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;

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- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval of the listing of, and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) on or before the Prospectus Posting Date;
- (iv) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, (i) the Share Consolidation; and (ii) the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms) on or before the Prospectus Posting Date;
- (v) compliance with and performance of all the undertakings and obligations of the Company under terms of the Underwriting Agreement;
- (vi) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (vii) the Share Consolidation having become effective on or before the Prospectus Posting Date; and
- (viii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date.

As at the Latest Practicable Date, none of the conditions has been satisfied. If the conditions have not been fulfilled in all respects by the Latest Time for Termination (or such other date as the Company and the Underwriter may mutually agree in writing) or if the Underwriting Agreement is rescinded or terminated pursuant to the terms thereof, all obligations and liabilities of the parties under the Underwriting Agreement shall cease and determine and neither party shall have any claim against the other for fees, costs, damages, compensation or otherwise, save for any antecedent breach of any obligation under the Underwriting Agreement.

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Termination of the Underwriting Agreement

The Underwriter shall have the right to terminate the Underwriting Agreement by notice in writing given to the Company at or prior to the Latest Time for Termination, if:

- (i) there occurs any new regulation or any change in the existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole; or
- (ii) there occurs any local, national or international event or change, whether or not forming part of a series of events or changes occurring or continuing before, or after the date of the Underwriting Agreement, of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Underwriter, materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole; or
- (iii) any material adverse change in the business or in the financial or trading position of the Company as a whole which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iv) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) which, in the reasonable opinion of the Underwriter, makes it inexpedient or inadvisable to proceed with the Rights Issue,

then in any such case the Underwriter may, after consultation with the Company or its advisers as the circumstances shall admit, by notice in writing to the Company on its own behalf (which may be given at any time up to the Latest Time for Termination) rescind the Underwriting Agreement.

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

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REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS

The Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Group is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. The investment objective of the Company is to achieve an enhanced earnings stream and capital appreciation from its investments. It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities to achieve financial growth for the Group and to maximise the Shareholders' value.

The estimated expenses of the Rights Issue are approximately HK\$1.4 million, which include underwriting commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue and will be borne by the Company.

The estimated net proceeds from the Rights Issue will be approximately HK\$42.5 million (equivalent to a net price of approximately HK\$0.37 per Rights Share) which will be used as follows by 30 June 2023:

- (i) approximately HK\$37.3 million, being approximately 87.8% of the net proceeds, for investment in listed securities and unlisted securities; and
- (ii) approximately HK\$5.2 million, being approximately 12.2% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees.

As at the Latest Practicable Date, the Company has not identified any particular potential investments or opportunities nor is it in negotiation in relation thereof, but considers the proposed allocation of the net proceeds in the amount of approximately HK\$37.3 million to be sufficient for fund mobilisation in the event that any investment opportunities arise based on the historical investment trends of the Company. For details of the factors considered by the Company in making the investment decision and the relevant policies and restrictions, please refer to the section headed "13. Investment objective, policies and restrictions" as set out in the appendix III to this circular.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

LETTER FROM THE BOARD

However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.

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

Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner as it may be subject to lengthy due diligence and negotiations with financial institutions, it may as well require pledge of assets and/or other kind of securities.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company, which is not the intention of the Company.

The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more favourable as it offers the Qualifying Shareholders an option to sell their entitlement rights when comparing with an open offer.

In comparison, the Board considers that the Rights Issue provides a good opportunity for the Group to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms and avoid dilution. The Rights Issue will allow the Qualifying Shareholders to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability), therefore the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no further issue or repurchase of Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective; (iii) immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders; and (iv) immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares and all the unsubscribed Rights Shares under the PALs and EAFs were subscribed for through the Underwriter:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders		Immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares and all the unsubscribed Rights Shares under the PALs and EAFs were subscribed for through the Underwriter	
	<i>No. of Existing Shares</i>	<i>Approx. % (Note 2)</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % (Note 2)</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % (Note 2)</i>	<i>No. of Consolidated Shares</i>	<i>Approx. % (Note 2)</i>
Underwriter ^(Note 1)	—	—	—	—	—	—	115,632,494	66.7%
Other public Shareholders	231,264,988	100.0%	57,816,247	100.0%	173,448,741	100.0%	57,816,247	33.3%
Total	231,264,988	100.0%	57,816,247	100.0%	173,448,741	100.0%	173,448,741	100.0%

Notes

- Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter shall ensure (i) that each of the subscribers or purchasers of the Rights Shares procured by it are independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) that none of the relevant subscriber shall own 10% or more of the total number of Shares in issue immediately upon completion of the Rights Issue.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company did not conduct any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any controlling shareholder and none of the Directors and the chief executive of the Company and their respective associates holds any Existing Shares. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required or indicated his/her intention to abstain from voting on the relevant resolution(s) at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

GENERAL

The EGM will be convened and held to consider, and if thought fit, to approve, among other things, the Share Consolidation and the Rights Issue and the transactions contemplated thereunder (including the Underwriting Agreement and the issue of the Rights Shares).

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Wai Tsin, Mr. Hui Yat On and Mr. Chan Pak Lam, Tom, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Vinco Financial set out on pages IFA-1 to IFA-24 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

The notice convening the EGM to be held at Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Monday, 19 September 2022 at 11:00 a.m. is enclosed with this circular.

The register of members of the Company will be closed from Tuesday, 13 September 2022 to Monday, 19 September 2022 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM. For the avoidance of doubt, the Excluded Shareholders are entitled to attend and vote at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of a form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Subject to the fulfilment of certain conditions of the Rights Issue including the approval of the Shareholders at the EGM and upon the Share Consolidation becoming effective, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date. Copies of the Prospectus Documents will also be made available on the websites of the Company (<http://www.cflg.com.hk>) and the Stock Exchange (<http://www.hkexnews.hk>). Subject to the advice of the Company's legal advisers in the relevant jurisdictions and to the extent reasonably practicable, the Company may despatch the Prospectus to the Excluded Shareholders for their information only but the Company will not send the PAL and EAF to the Excluded Shareholders.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional upon fulfilment of the conditions set out in the paragraph headed "Conditions of the Rights Issue and the Underwriting Agreement" under the section headed "Proposed Rights Issue" of this circular, including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Accordingly, the Rights Issue may or may not proceed.

Any Shareholders or potential investors contemplating selling or purchasing the Existing Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed.

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) believe that the terms of the proposed Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole, therefore, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular. In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

Yours faithfully
By order of the Board
CHINA FINANCIAL LEASING GROUP LIMITED
Lui Cheuk Hang Henri
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

24 August 2022

To the Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 24 August 2022 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder 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, and to advise the Independent Shareholders how to vote at the EGM.

Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages IFA-1 to IFA-24 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the principal factors and reasons considered by, and the advice of Vinco Financial Limited, we considered that the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the proposed Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lam Wai Tsin

Mr. Hui Yat On

Mr. Chan Pak Lam, Tom

Independent non-executive Directors

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms of the Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

VINCO 
Vinco Financial Limited

24 August 2022

*To the Independent Board Committee and the Independent Shareholders of
China Financial Leasing Group Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED
SHARE HELD ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 24 August 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement, in relation to, among other things, (i) the proposed Share Consolidation; and (ii) the proposed Rights Issue. The Board proposes, subject to, amongst others, the Share Consolidation becoming effective, to implement the Rights Issue on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price of HK\$0.38 per Rights Share, to raise gross proceeds of approximately HK\$43.9 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date), by way of the Rights Issue of 115,632,494 Rights Shares to the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders.

On 28 July 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter. The Rights Issue will be fully underwritten by the Underwriter.

LETTER FROM VINCO FINANCIAL

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued Shares by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any controlling shareholder and none of the Directors and the chief executive of the Company and their respective associates holds any Existing Shares. Accordingly, no Shareholder shall abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lam Wai Tsin, Mr. Hui Yat On and Mr. Chan Pak Lam, Tom, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue

LETTER FROM VINCO FINANCIAL

of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have discussion with the management of the Group to understand the information collected from the Company including but not limited to (i) the published financial reports of the Company for the two financial years ended 31 December 2021 (the “**Annual Report 2021**”), the financial results of the Company for the six months ended 30

LETTER FROM VINCO FINANCIAL

June 2022 (the “**Interim Results 2022**”) and the investment portfolio of the Company; (ii) the Underwriting Agreement; and (iii) other information as set out in the Circular. Furthermore, we have researched and analyzed the market information obtained from the website of the Stock Exchange. Our opinion is necessarily based on the management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Rights Issue and the transactions contemplated thereunder. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business and financial information of the Group

Information of the Group

The Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Group is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities.

LETTER FROM VINCO FINANCIAL

Business and financial of the Group

Set out below is a summary of the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 and 2021 respectively extracted from the Interim Results 2022:

	For the six months ended	
	30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue	43	88
Loss attributable to owners of the Company	<u>(11,055)</u>	<u>(29,589)</u>
	As at	
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Current assets	35,486	46,891
Current liabilities	359	533
Total assets	36,054	47,055
Total liabilities	588	533
Net current assets	35,127	46,358
Net assets	<u>35,466</u>	<u>46,522</u>

The Group recorded revenue for the six months ended 30 June 2022 in the amount of approximately HK\$43,000, representing a decrease of approximately 51.14% as compared to that for the six months ended 30 June 2021 in the amount of approximately HK\$88,000. According to the Interim Results 2022, the decrease in revenue was mainly due to the decrease in dividend income received. The Group recorded a loss attributable to owners of the Company for the six months ended 30 June 2022 in the amount of approximately HK\$11.06 million as compared to a loss attributable to owners of the Company for the six months ended 30 June 2021 in the amount of approximately HK\$29.59 million. Pursuant to the Interim Results 2022, the decrease in loss was mainly because of the decrease in net loss on financial assets at fair value through profit and loss and the reduction in operating expenses.

The Group's unaudited total assets as at 30 June 2022 amounted to approximately HK\$36.05 million. The Group's unaudited net asset value amounted to approximately HK\$35.47 million as at 30 June 2022, representing a decrease of approximately 23.77% as compared to that of approximately HK\$46.52 million as at 31 December 2021. In

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the meantime, the Group recorded net current assets as at 30 June 2022 in the amount of approximately HK\$35.13 million, representing a decrease of approximately 24.23% as compared to that of approximately HK\$46.36 million as at 31 December 2021. The decrease of net current assets was mainly due to the decrease in bank and cash balances as acquired the listed companies stock. The Group's current liabilities of approximately HK\$359,000 mainly comprise of other payable and accruals and lease liabilities as at 30 June 2022 and the Group had total liabilities of approximately HK\$588,000 as at 30 June 2022.

Set out below is a summary of the audited consolidated financial information of the Group for the two financial years ended 31 December 2020 and 2021 respectively which were extracted from the Annual Report 2021 respectively:

	For the year ended	
	31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Revenue	95	113
Loss attributable to owners of the Company	<u>(51,597)</u>	<u>(19,807)</u>
	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Current assets	46,891	87,636
Current liabilities	533	7,467
Total assets	47,055	88,040
Total liabilities	533	7,563
Net current assets	46,358	80,169
Net assets	<u>46,522</u>	<u>80,477</u>

The Group recorded revenue for the financial year ended 31 December 2021 in the amount of approximately HK\$95,000, representing a decrease of approximately 15.93% as compared to that for the financial year ended 31 December 2020 in the amount of approximately HK\$113,000. According to the Annual Report 2021, the decrease was mainly due to the decrease in dividend income. The Group recorded a loss attributable to owners of the Company for the financial year ended 31 December 2021 in the amount of approximately HK\$51.60 million as compared to a loss attributable to owners of the Company for the financial year ended 31 December 2020 in the amount of approximately HK\$19.81 million. Pursuant to the Annual Report 2021, the increase in loss was because of the realised and unrealised losses on listed investments

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amounted to approximately HK\$45.58 million for the financial year ended 31 December 2021, representing an increase of approximately 222.96% of loss as compared to that for the previous financial year in the amount of approximately HK\$14.11 million, including but not limited to, (i) the decrease in income generated from trading of permanent suspended working platforms business in Hing Ming Holdings Limited; (ii) the adverse impact on the clinics operation in RMH Holdings Limited due to the stringent government measures and lockdown for COVID-19 pandemic; (iii) the downturn in retail sales performances in Miji International Holdings Limited; (iv) the investment in Tracker Fund of Hong Kong and Hang Seng China Enterprises Index ETF is closely correspond to the performance of the Hang Seng Index and Hang Seng China Enterprises Index which were both having bad performance; (v) the decrease in income of ISP Global Limited due to the adverse effect caused by COVID-19 pandemic, high administrative expenses and foreign exchange losses; and (vi) the decrease in revenue of Pacific Legend Group Limited due to the downturn in retail sales and delay in the release of corporate show flats as outbreak of COVID-19 pandemic.

The Group's audited total assets as at 31 December 2021 amounted to approximately HK\$47.06 million. The Group's audited net asset value attributable to owners of the Company amounted to approximately HK\$46.52 million as at 31 December 2021, representing a decrease of approximately 42.19% as compared to that of approximately HK\$80.48 million as at 31 December 2020. In the meantime, the Group recorded net current assets as at 31 December 2021 in the amount of approximately HK\$46.36 million, representing a decrease of approximately 42.17% as compared to that of approximately HK\$80.17 million as at 31 December 2020. The decrease of net current assets mainly due to the decrease in financial assets at fair value through profit or loss which explained in above for the realised and unrealised losses on listed investments. The Group's current liabilities of approximately HK\$533,000 mainly comprise of margin payable and accruals and lease liabilities. Pursuant to the Annual Report 2021, the Group had no borrowings or long-term liabilities as at 31 December 2021.

Prospects and outlook of the Group

As stated in the Annual Report 2021, the Russian invasion of Ukraine since late February had sparked a massive round of sell off in worldwide stock markets including Hang Seng Index. The market will remain highly volatile in the near term depending on the duration and eventual outcome of the Russia-Ukraine conflict. Another highly variable factor is how quickly the People's Republic of China can combat the current wave of Omicron variants within the territory, which impacts economic growth for the remainder of the year. While investors' confidence will remain weak in the near term, the Group's healthy financial position enable the Group to take advantage of the current market weakness and bargain hunt for potential investment opportunities.

While COVID-19 pandemic continues to drag on, expected launch of second-generation vaccines as well as the availability of oral medicine intake will enable the financial community to view COVID-19 pandemic as non-significant event compared

to two years ago. Expected increase in US interest rate and the rate trend for the remaining of the year will be a significant factor that determines the world fund flows that drives price trend of most financial instruments. The Group will continue the prudent approach of selecting suitable investments and explore new and untapped investment opportunities to enhance shareholder's return.

In relation to the securities market in Hong Kong as mentioned in the Board Letter, we also have researched and noticed from the Market Statistic 2021 of the Stock Exchange (www.hkex.com.hk) that market capitalisation of all equity securities in Stock Exchange has been decreased by 10.82% from 2020 to 2021 while the total turnover of the securities market in Hong Kong has increased by 28.25% in 2021 as compared in 2020. Also, both the Hang Seng Index and Hang Seng China Enterprises Index have been dropped notably in 2022 pursuant to the index resources (<https://www.hsi.com.hk>). Having considered the uncertainties in the stock market, we are of the view that the Rights Issue is a reasonable decision for the interests of the Company and the Shareholders as a whole.

2. Reasons for the Rights Issue and use of proceeds

The Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Group is principally engaged in short to medium capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. The investment objective of the Company is to achieve an enhanced earnings stream and capital appreciation from its investments. It is the corporate strategy of the Group to strengthen its existing businesses and continue its focus on financing future investment opportunities to achieve financial growth for the Group and to maximise the Shareholders' value.

The estimated expenses of the Rights Issue are approximately HK\$1.4 million, which include underwriting commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue and will be borne by the Company.

The estimated net proceeds from the Rights Issue will be approximately HK\$42.5 million (equivalent to a net price of approximately HK\$0.37 per Rights Share) which will be used as follows by 30 June 2023:

- (i) approximately HK\$37.3 million, being approximately 87.8% of the net proceeds, for investment in listed securities and unlisted securities; and
- (ii) approximately HK\$5.2 million, being approximately 12.2% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees.

As at the Latest Practicable Date, the Company has not identified any particular potential investments or opportunities nor is it in negotiation in relation thereof, but considers the proposed allocation of the net proceeds in the amount of approximately

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HK\$37.3 million to be sufficient for fund mobilisation in the event that any investment opportunities arise based on the historical investment trends of the Company. For details of the factors considered by the Company in making the investment decision and the relevant policies and restrictions, please refer to the section headed “13. Investment objective, policies and restrictions” as set out in the appendix III to this Circular.

As stated in the Board Letter, the Directors believe that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Shareholders to participate in the future development of the Company on equal terms.

However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted.

With reference to the discussion with the management of the Group, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing and equity fund raising.

Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner as it may be subject to lengthy due diligence and negotiations with financial institutions, it may as well require pledge of assets and/or other kind of securities.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it will lead to an immediate dilution in shareholding interest of the existing Shareholders without offering them opportunities to participate in the enlargement of the capital base of the Company, which is not the intention of the Company.

The Board has also considered conducting pro rata fundraising by way of open offer, which is of similar nature as the Rights Issue. The Qualifying Shareholders who do not wish to take up their provisional entitlements under Rights Issue are able to sell the nil-paid rights in the market. However, an open offer does not allow the trading of rights entitlements. Therefore, the Board considers that the Rights Issue would be more favourable as it offers the Qualifying Shareholders an option to sell their entitlement rights when comparing with an open offer.

In comparison, the Board considers that the Rights Issue provides a good opportunity for the Group to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms and avoid dilution. The Rights Issue will allow the Qualifying Shareholders to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights

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entitlements in the open market (subject to availability), therefore the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

As at the Latest Practicable Date, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund raising exercises to support such future developments of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Having considered (i) the Group's financial position as at 31 December 2021 and 30 June 2022; (ii) its net loss making performance for the two years ended 31 December 2021; (iii) its need of strengthening capital base and enhancing financial position to achieve financial growth for the Group and to maximise the Shareholder's value; (iv) the industry and economic uncertainties as mentioned in the paragraphs headed "Prospects and outlook of the Group" above; (v) the Group has a clear and precise plan on the uses of the proceeds from the Rights Issue; and (vi) the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and given that it offers relatively more flexibility and the opportunity to participate in the growth of the Company, we concur with the Director's view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

3. Principal terms of the Rights Issue

Condition upon the Share Consolidation being approved by the Shareholders as at EGM and becoming effective, the Company proposes to conduct the Rights Issue on the basis of two (2) Rights Shares for every one (1) Consolidated Shares held by the Qualifying Shareholders on the Record Date. A summary of the major terms of the Rights Issue is as follows:

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.38 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.37 per Rights Share

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Number of Shares in issue as at the Latest Practicable Date	:	231,264,988 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	57,816,247 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	115,632,494 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Approximately HK\$4,625,299.8 (assuming no Shares are issued or repurchased on or before the Record Date)
Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	173,448,741 Consolidated Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Gross proceeds from the Rights Issue	:	Approximately HK\$43.9 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date.

Assuming no Shares are issued or repurchased on or before the Record Date, the 115,632,494 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 200% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and 66.67% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

Undertakings

As at the Latest Practicable Date, the Company had not received any information or irrevocable undertaking from any Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue.

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The Subscription Price

The Subscription Price of HK\$0.38 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 6.9% to the theoretical closing price of HK\$0.408 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.102 per Existing Shares as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 29.1% to the theoretical closing price of HK\$0.536 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.134 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 29.2% to the average theoretical closing price of approximately HK\$0.537 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.134 per Existing Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 29.3% to the average theoretical closing price of approximately HK\$0.538 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.134 per Existing Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 12.1% to the theoretical ex-rights price of approximately HK\$0.432 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the benchmarked price, being the average theoretical closing price of approximately HK\$0.537 per Consolidated Share (after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 52.8% to the net asset value of the Company of approximately HK\$0.805 per Consolidated Share (after taking into account the effect of the Share Consolidation) as at 31 December 2021 based on the audited net asset value of the Company of approximately HK\$46,522,000 as at 31 December 2021 and 57,816,247 Consolidated Shares assuming the Share Consolidation has become effective;

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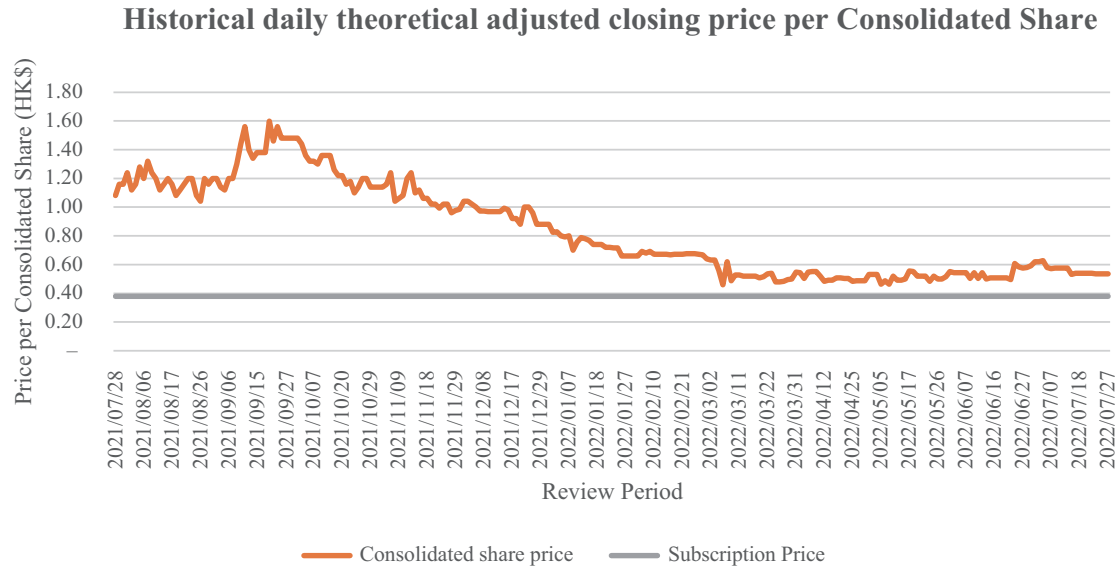
- (vii) a discount of approximately 38.0% to the net asset value of the Company of approximately HK\$0.613 per Consolidated Share (after taking into account the effect of the Share Consolidation) as at 30 June 2022 based on the unaudited net asset value of the Company of approximately HK\$35,466,000 as at 30 June 2022 and 57,816,247 Consolidated Shares assuming the Share Consolidation has become effective; and
- (viii) a discount of approximately 33.7% to the net asset value of the Company of approximately HK\$0.573 per Consolidated Share (after taking into account the effect of the Share Consolidation) as at 31 July 2022 based on the unaudited net asset value of the Company of HK\$33,128,000 as at 31 July 2022 and 57,816,247 Consolidated Shares assuming the Share Consolidation has become effective.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules and taking into account the Share Consolidation) for the Rights Issue are approximately HK\$0.432 per Consolidated Share, HK\$0.537 per Consolidated Share and 19.6%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules. In addition, the Company is not aware of any reasons for the decreasing trend of the Shares' price since the Last Trading Day.

The Subscription Price was determined with reference to the market price of the Existing Shares under the prevailing market conditions and the reasons and benefits of Rights Issue as discussed in the paragraph headed "Reasons for and benefits of the Rights Issue and use of proceeds" under the section headed "Proposed Rights Issue" in the Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily theoretical closing price of the Shares as quoted on the Stock Exchange from 28 July 2021 up to and including the Last Trading Day (the "**Review Period**") (being a period of approximately one year prior to and including the Last Trading Day). To illustrate the general trend of the closing prices and the level of movement of the Shares and compared with the Subscription Shares during the Review Period. We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis.

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

Having taken into the account of the Share Consolidation, the theoretical closing prices of the Consolidated Share during the Review Period ranged from HK\$0.46 per Consolidated Share (the “**Lowest Theoretical Closing Price**”) to HK\$1.60 per Consolidated Share and with the average theoretical closing price of approximately HK\$0.84 per Consolidated Share (the “**Average Theoretical Closing Price**”). The Subscription Price falls below the adjusted daily closing price per Consolidated Share throughout the Review Period.

As shown in the chart above, there was an uptrend in the adjusted daily closing prices from the early-September 2021 to mid-September 2021. The adjusted daily closing price of the Consolidated Share reached HK\$1.60 on 20 September 2021. After reaching the highest point, the adjusted daily closing price then exhibited a downward trend generally and hit the point of HK\$0.46 per Consolidated Shares on 7 March 2022, 5 May 2022 and 10 May 2022 respectively. As discussed with the management of the Group, they were not aware of any reason for the fluctuation in adjusted daily closing price in the Review Period.

We noted from the above that during the Review Period, the Consolidated Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.38 represents (i) a discount of approximately 17.39% to the Lowest Theoretical Closing Price; and (ii) a discount of approximately 54.61% to the Average Theoretical Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discount to the Lowest Theoretical Closing Price and at discount to the Average Theoretical Closing Price.

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In view of (i) the recent market price of the Shares reflects the recent market sentiment; and (ii) the Subscription Price has been set at a discount to the recent closing prices of the Shares with an objective to encourage existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company, we concur with the Directors (including the independent non-executive Directors) that it is fair and reasonable to make reference to the market price of the Existing Shares in determining the Subscription Price.

Liquidity of the Shares

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

	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month (Note 1)	Percentage of average daily trading volume to total number of Shares (approximately %) (Note 2)	Number of issued shares as at the end of the month
2021					
July	10,200,000	3	3,400,000	0.15	2,312,649,882 (Note 3)
August	3,546,200	22	161,191	0.07	231,264,988
September	4,769,200	21	227,105	0.10	231,264,988
October	1,952,100	18	108,450	0.05	231,264,988
November	7,868,700	22	357,668	0.15	231,264,988
December	2,346,980	22	106,681	0.05	231,264,988
2022					
January	2,420,000	21	115,238	0.05	231,264,988
February	4,720,000	17	277,647	0.12	231,264,988
March	2,969,687	23	129,117	0.06	231,264,988
April	1,512,000	18	84,000	0.04	231,264,988
May	8,360,050	20	418,003	0.18	231,264,988
June	6,660,075	21	317,146	0.14	231,264,988
July	2,080,123	18	115,562	0.05	231,264,988

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

Notes:

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

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3. On 20 August 2021, the Company held an extraordinary general meeting and an ordinary resolution was passed, approving the consolidation of every ten (10) issued and unissued ordinary shares of HK\$0.02 each in the share capital of the Company into one (1) consolidated share of HK\$0.2 in the share capital of the Company. The share consolidation became effective on 24 August 2021. For details of the share consolidation, please refer to the announcement of the Company dated 12 July 2021 and the circular of the Company date 30 July 2021.

As illustrated in the table above, the percentage of average daily trading volume of Shares during the Review Period ranged from approximately 0.04% to approximately 0.18% of the total number of issued Shares for each of their respective month/period. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it appears to be reasonable for the Subscription Price to be set at a discount to the prevailing theoretical closing prices of the Consolidated Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Comparison with other rights issue transactions

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 57 rights issues transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange for the 12-month period immediately prior to the Last Trading Day. Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that they can provide a reasonable reference to how the market generally perceive rights issues. We also consider that the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

Date of announcement	Company name	Stock code	Basic entitlement	Premium/(Discount) of	Premium/(Discount) of	Premium/(Discount) of	Theoretical dilution effect	Underwriting commission	Rights of excess application	Placing commission
				subscription price per rights issue share over/ to closing price per share on the last trading day prior to announcement of rights issue (%)	subscription price per rights issue share over/ to average closing price per share for the five consecutive trading days prior to announcement of rights issue (%)	subscription price per rights issue share over/ to theoretical ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue (%)				
29 July 2021	China Properties Investment Holdings Limited	736	1 for 1	(4.1)	(2.1)	(2.1)	(2.0)	N/A	No	2.5
29 July 2021	Worldgate Global Logistics Ltd	8292	3 for 1	(17.9)	(16.5)	(5.2)	(13.4)	N/A	No	1.0
2 August 2021	Luen Wong Group Holdings Limited	8217	2 for 1	(18.8)	(14.9)	(7.1)	(12.5)	N/A	No	2.5
3 August 2021	Kiu Hung International Holdings Limited	381	3 for 1	(28.1)	(22.1)	(8.9)	(22.6)	N/A	No	0.5
6 August 2021	LKS Holding Group Limited (now known as “Standard Development Group Limited”)	1867	1 for 5	(9.8)	(8.7)	(8.3)	(1.6)	1.5	Yes	N/A
12 August 2021	Lai Sun Development Company Limited	488	1 for 2	(50.0)	(49.6)	(38.9)	(18.2)	2.0	Yes	N/A
2 September 2021	Daisho Microline Holdings Limited	567	1 for 1	(44.4)	(37.5)	(28.6)	(22.2)	2.0	Yes	N/A

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Date of announcement	Company name	Stock code	Basic entitlement	Premium/(Discount) of	Premium/(Discount) of	Premium/(Discount) of	Theoretical dilution effect	Underwriting commission	Rights of excess application	Placing commission
				subscription price per rights issue share over/ to closing price per share on the last trading day prior to announcement of rights issue	subscription price per rights issue share over/ to average closing price per share for the five consecutive trading days prior to announcement of rights issue	subscription price per rights issue share over/ to theoretical ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue				
				(%)	(%)	(%)	(%)	(%)	(Yes/No)	(%)
7 October 2021	Great Wall Terror Holdings Limited	524	1 for 5	(23.7)	(18.3)	(20.5)	(8.2)	N/A	Yes	N/A
15 October 2021	Link-Asia International MedTech Group Limited	1143	1 for 2	(7.8)	(9.9)	(5.4)	(6.9)	3.0	Yes	N/A
19 October 2021	Risecomm Group Holdings Limited	1679	1 for 2	(0.5)	(1.0)	(0.5)	Nil	1.0	Yes	N/A
20 October 2021	Jete Power Holdings Limited	8133	1 for 2	(54.5)	(54.5)	(44.4)	(18.2)	1.5	Yes	N/A
1 November 2021	Deson Development International Holdings Limited	262	1 for 2	(7.4)	(7.6)	(5.1)	(2.5)	3.5	Yes	N/A
2 November 2021	Grand T G Gold Holdings Limited	8299	3 for 1	(16.7)	(14.6)	(5.4)	(11.9)	Nil	No	2.5
5 November 2021	Mansion International Holdings Limited	8456	3 for 1	(18.6)	(16.7)	(5.4)	(14.3)	N/A	No	2.5
8 November 2021	Xinyi Electric Storage Holdings Limited	8328	1 for 10	(8.1)	(12.4)	(7.4)	(5.4)	N/A	Yes	N/A
9 November 2021	CIFI Holdings (Group) Co. Ltd.	884	1 for 20	(2.9)	(4.1)	(2.8)	N/A	N/A	Yes	N/A
16 November 2021	King Stone Energy Group Limited	663	1 for 2	(41.9)	(43.9)	(32.4)	(14.6)	N/A	Yes	1.0
23 November 2021	Xinyang Maojian Group Limited	362	1 for 2	(4.0)	(9.8)	(7.0)	(3.3)	3.5	Yes	N/A
23 November 2021	Tongda Hong Tai Holdings Limited	2363	2 for 1	(30.0)	(30.7)	(12.5)	(20.8)	Nil	No	2.0
26 November 2021	Vertical International Holdings Limited	8375	1 for 2	(40.8)	(42.5)	(31.6)	(14.2)	4.0	Yes	N/A
30 November 2021	Titan Invo Technology Limited	872	1 for 2	(37.5)	(35.2)	(28.6)	(14.0)	N/A	Yes	N/A
2 December 2021	Seazen Group Limited	1030	1 for 21	(5.9)	(11.2)	(5.6)	N/A	N/A	Yes	N/A
15 December 2021	Future World Holdings Limited	572	3 for 2	(33.8)	(36.3)	(17.0)	(23.2)	5.0	No	3.5
20 December 2021	KNT Holdings Limited	1025	1 for 2	(15.4)	(14.3)	(10.8)	(5.1)	N/A	No	2.5
24 December 2021	Hanvey Group Holdings Limited	8219	1 for 2	(22.8)	(22.8)	(16.4)	(7.6)	N/A	No	3.5
29 December 2021	Prosperous Printing Company Limited	8385	3 for 2	(34.3)	(31.3)	(17.0)	(20.9)	1.0	Yes	N/A
29 December 2021	Bank of Qingdao Co., Ltd.	3866	3 for 10	(11.5)	(13.1)	(9.1)	(3.1)	5.5	Yes	N/A
5 January 2022	China Information Technology Development Limited	8178	1 for 2	(34.8)	(34.8)	(26.1)	(11.7)	N/A	Yes	1.5
6 January 2022	Youth Champ Financial Group Holdings Limited	1160	1 for 2	(60.0)	(60.0)	(50.0)	(20.0)	3.5	No	3.5
7 January 2022	China New Economy Fund Limited	80	1 for 2	(28.0)	(30.8)	(23.3)	(10.4)	N/A	No	3.5
10 January 2022	Wisdom Wealth Resources Investment Holding Group Limited	7	1 for 2	Nil	(7.7)	Nil	(3.6)	N/A	Yes	N/A
14 January 2022	Citic Securities Company Limited	6030	1.5 for 10	(15.0)	(13.0)	(13.3)	(2.0)	N/A	Yes	N/A
14 January 2022	Beaver Group (Holding) Company Limited	8275	3 for 2	(24.1)	(23.1)	(11.3)	(14.5)	N/A	No	3.5
19 January 2022	RMH Holdings Limited	8437	1 for 2	(29.6)	(30.6)	(21.9)	(21.9)	2.5	Yes	N/A
21 January 2022	Cornerstone Financial Holdings Limited	8112	3 for 1	(11.6)	(17.4)	(3.2)	(14.6)	3.5	Yes	N/A
28 January 2022	Affluent Partners Holdings Limited	1466	1 for 1	(4.4)	(6.3)	(2.2)	(3.2)	2.5	Yes	N/A
14 February 2022	Gold Peak Industries (Holdings) Limited	40	1 for 6	(21.5)	(20.9)	(19.1)	(3.0)	4.6	Yes	N/A
28 February 2022	Zioncom Holdings Limited	8287	1 for 2	(16.7)	(14.2)	(11.8)	(5.6)	N/A	No	2.5
2 March 2022	Feiyang International Holdings Group Limited	1901	1 for 3	(56.5)	(55.8)	(49.5)	(13.9)	2.5	Yes	N/A
3 March 2022	China Eco-Farming Limited	8166	1 for 2	(10.1)	(12.6)	(7.0)	(5.3)	2.0	Yes	N/A
15 March 2022	Success Dragon International Holdings Limited	1182	3 for 2	(2.9)	(4.5)	(1.2)	(2.8)	1.0	No	1.0
23 March 2022	Kiu Hung International Holdings Limited	381	3 for 1	(18.0)	(17.0)	(5.1)	(13.4)	N/A	No	0.5
12 April 2022	CA Cultural Technology Group Limited	1566	1 for 2	(42.1)	(29.9)	(32.5)	(14.0)	7.1	Yes	N/A
18 April 2022	DFZQ	3958	2.8 for 10	113.6	115.7	24.9	Nil	N/A	Yes	N/A
21 April 2022	Vixtel Technologies Holdings Limited	1782	1 for 2	(34.5)	(39.2)	(26.0)	(13.6)	1.5	Yes	N/A
28 April 2022	Life Concepts Holdings Limited	8056	3 for 2	(7.0)	(13.0)	(2.9)	(9.3)	1.0	Yes	N/A
28 April 2022	Palinda Group Holdings Limited	8179	1 for 2	(39.8)	(39.6)	(13.3)	(13.3)	7.1	Yes	N/A

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Date of announcement	Company name	Stock code	Basic entitlement	Premium/(Discount) of	Premium/(Discount) of	Premium/(Discount) of	Theoretical dilution effect	Underwriting commission	Rights of excess application	Placing commission
				subscription price per rights issue share over/ to closing price per share on the last trading day prior to announcement of rights issue	subscription price per rights issue share over/ to average closing price per share for the five consecutive trading days prior to announcement of rights issue	subscription price per rights issue share over/ to theoretical ex-rights price per share based on closing price per share on the last trading day prior to announcement of rights issue				
29 April 2022	China CITIC Bank Corporation Limited	998	3 for 10	N/A	N/A	N/A	N/A	N/A	Yes	N/A
				(Note 9)						
12 May 2022	Koala Financial Group Limited	8226	2 for 1	(4.8)	(7.1)	(1.6)	(4.7)	3.0	Yes	N/A
18 May 2022	K Group Holdings Limited	8475	2 for 1	(28.8)	(30.5)	(12.3)	(20.4)	3.0	Yes	N/A
24 May 2022	Progressive Path Group Holdings Limited	1581	1 for 1	(42.2)	(40.0)	(26.8)	(21.1)	N/A	No	1.5
25 May 2022	F8 Enterprises (Holdings) Group Limited	8347	1 for 2	(5.6)	(2.9)	(3.7)	(1.9)	5.0	Yes	N/A
10 June 2022	Gameone Holdings Limited	8282	1 for 2	(40.4)	(40.3)	(31.2)	(13.5)	1.5	Yes	N/A
13 June 2022	China Water Industry Group Limited	1129	1 for 2	(31.4)	(30.0)	(23.3)	(10.5)	N/A	Yes	N/A
17 June 2022	Ocean Star Technology Group Limited	8297	1 for 2	(41.2)	(41.9)	(32.0)	(13.9)	1.0	Yes	N/A
12 July 2022	Besunyen Holdings Company Limited	926	2 for 1	(14.2)	(15.9)	(5.9)	(10.6)	1.0	Yes	N/A
14 July 2022	Wan Cheng Metal Packaging Company Limited	8291	1 for 1	(25.0)	(31.2)	(14.3)	(16.5)	N/A	No	2.5
			Minimum	(60.0)	(60.0)	(50.0)	(23.2)	Nil		
			Maximum	113.6	115.7	24.9	Nil	7.1		
			Average	(20.9)	(21.0)	(14.8)	(11.0)	2.7		
			Median	(20.2)	(17.8)	(11.5)	(12.2)	2.5		
28 July 2022	The Company	2312	2 for 1	(29.1)	(29.2)	(12.1)	(19.6)	1.0	Yes	N/A

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange, or extracted from announcement, circular or prospectus in respect of the relevant rights issue.
- Risecomm Group Holdings Limited (Stock code: 1679) shall pay the underwriters the higher of (i) HK\$600,000; and (ii) 1.0% of the aggregate subscription price in respect of the underwritten shares.
- Grand T G Gold Holdings Limited (Stock code: 8299) shall pay (a) HK\$100,000 payable within ten (10) business days after the rights issue and the transaction contemplated thereunder has been duly approved at the extraordinary general meeting; (b) HK\$300,000 payable within ten (10) business days after the completion of the rights issue; and (c) 2.5% of the aggregate placing price of the unsubscribed rights shares and the non-qualifying shareholder(s) unsold rights shares successfully placed by or on behalf of the placing agent less the aggregate of the amounts referred to in (a) and (b) above in accordance with the terms and conditions of the placing agreement.
- Tongda Hong Tai Holdings Limited (Stock code: 2363) shall pay the placing agent a placing commission, being the higher of HK\$300,000 and 2% of the amount which is equal to the placing price multiplied by the total number of the unsubscribed shares which are successfully placed by the placing agent.
- The underwriting commission is calculated based on the underwriting fee of approximately HK\$18 million paid by Bank of Qingdao Co., Ltd. (Stock code: 3866) divided by 83,845,542 H rights shares underwritten and subscription price per H rights share of HK\$3.92.

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6. The standalone underwriting commission in connection with the H share rights issue of Citic Securities Company Limited (Stock code: 6030) was not disclosed separately but included in the expenses which cover underwriting commission, printing, translation, legal and accounting charges amounted to approximately RMB53.65 million (equivalent to approximately HK\$65.70 million) in the corresponding published announcement and circular.
7. The underwriting commission is calculated based on the underwriting fee of HK\$2.0 million paid by Gold Peak Industries (Holdings) Limited (Stock code: 40) divided by 70,349,310 rights shares underwritten and subscription price per rights share of HK\$0.62.
8. Success Dragon International Holdings Limited (Stock code: 1182) shall pay the sum of (i) a fixed fee of HK\$100,000 and (ii) 1% of the gross proceeds from the successful placement of unsubscribed rights share. However, no unsubscribed rights shares had been successfully placed as stated in the announcement in relation to the results of the rights issue dated 24 June 2022.
9. The subscription price shall be determined using market discount method after taking inconsideration of the market conditions prior to the publication of the rights issue announcement of China CITIC Bank Corporation Limited (Stock code: 998). It is proposed that the board or its authorised person(s) makes a final decision on the subscription price prior to the issuance of the rights shares after taking into consideration the then prevailing market conditions and through consultation with the sponsor(s)(underwriter(s)).

According to our research, we observed that 54 of the 57 Comparables had set the subscription price of their rights issue at a discount to (i) the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the “**LTD Price**”); (ii) the average closing price of their shares for the five consecutive trading days up to and including the last trading day (the “**ATD Price**”); and (iii) the theoretical ex-rights prices (the “**Ex-rights Price**”) based on the LTD Price. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, the ATD Price and the Ex-rights Price, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 113.6% to a discount of approximately 60.0% with average and median discounts of approximately 20.9% and 20.2% respectively. The discount of approximately 29.1% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The subscription price to the ATD Price of the Comparables ranged from a premium of approximately 115.7% to a discount of approximately 60.0% with average and median discounts of approximately 21.0% and 17.8% respectively. The discount of approximately 29.2% of the Subscription Price to the ATD Price of the Company falls within the range of those of the Comparables.

The subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 24.9% to a discount of approximately 50.0% with average and median discounts of approximately 14.8% and 11.5% respectively. The discount of approximately 12.1% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

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Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from nil to a discount of approximately 23.2% with average and median of approximately 11.0% and 12.2% respectively. The theoretical dilution effect of the Rights Issue of approximately 19.6% falls within the range of the Comparables.

Taking into account that (i) the Subscription Price falls below the adjusted daily closing price per Consolidated Share in most of the days in the preceding year; (ii) as shown in the table of Comparables above, it is common for listed companies in Hong Kong to set the subscription price of a rights issue at a discount to the LTD Price, the ATD Price and the Ex-rights Price with the view to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (iii) the discounts of the Subscription Price to the LTD Price, the ATD Price and the Ex-rights Price of the Company fall within discount ranges of the Comparables; and (iv) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables, we consider the Subscription Price is fair and reasonable.

Among the Comparables, we noted that 39 out of 57 Comparables did have excess application arrangements in their rights issues. As such, we consider that it is reasonable for rights issue to have excess application arrangements.

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UNDERWRITING AGREEMENT

The principal terms of the Underwriting Agreement are as follows:

Date:	28 July 2022 (after trading hours)
Underwriter:	Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.
Number of the Underwritten Shares:	The total number of the Underwritten Shares shall be in maximum up to 115,632,494 Rights Shares, being such number of the Rights Shares to be issued pursuant to the Rights Issue.
Underwriting commission:	An amount equal to 1.0% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.4 million in maximum.

As stated in the Board Letter, the terms of the Underwriting Agreement were determined after arm's length negotiations between the Company and the Underwriter by reference to the size of the Rights Issue, the market price of the Existing Shares and the prevailing market rate of similar transactions. The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) (if any) or appoint any person to be sub-agent(s) on its behalf as its own cost for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with only such authority and rights as well as such obligations and duties as the Underwriter have pursuant to its appointment under the Underwriting Agreement.

Under the Underwriting Agreement, if the conditions of the Rights Issue are fulfilled on or before the Latest Time for Acceptance (or such later time and/or date as the Company and the Underwriter may determine in writing) and the Underwriting Agreement becomes unconditional and is not terminated in accordance with the terms thereof, and in the event that by the Latest Time for Acceptance, any of the Rights Shares have not been taken up ("**Untaken Shares**"), the Company shall as soon as practicable thereafter notify or procure the Registrar on behalf of the Company to notify the Underwriter in writing of the number of the Untaken Shares. For further details, please refer to the section headed "**UNDERWRITING AGREEMENT**" of the Board Letter.

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As stated in the Board Letter, the Underwriter is a corporate licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties. In light of the above, we have reviewed from the website of the Securities Futures and Commissions and noted that the Underwriter has the license required to carry out Type 1 (dealing in securities) regulated activity under the SFO and to facilitate the Rights Issue pursuant to the terms and conditions of the Underwriting Agreement in respectively.

To assess the fairness and reasonableness of the terms of the Underwriting Agreement, we have reviewed the underwriting commissions of the Comparables, if any, and noted that their underwriting commissions ranged from nil to 7.1%, with an average of 2.7%. Pursuant to the Underwriting Agreement entered into between the Company and the Underwriter, the Underwriter will receive an amount equal to 1% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.4 million in maximum. As illustrated from the Comparables, the underwriting commissions of the Underwriting Agreement falls within the range of the underwriting commissions among the Comparables. Having considered that (i) the underwriting commission of the Underwriting Agreement is based on the number of the Underwritten Shares, with no minimum payment, and is the best available option to the Company; (ii) the underwriting commission of the Underwriting Agreement will encourage the Underwriter to underwrite the Underwritten Shares which in return increase the amount of fund-raised for the Company; and (iii) the underwriting commission of the Underwriting Agreement falls within the range of the Comparables, we are of the view that the underwriting commission of the Underwriting Agreement is fair and reasonable.

In the event that there is insufficient public float of the Company within the meaning of the Listing Rules immediately upon completion of the Rights Issue solely because of the Underwriter's performance of its obligations pursuant to the Underwriting Agreement, the Underwriter agrees to take such appropriate steps as may be reasonably required to maintain the minimum public float for the Shares in compliance with Rule 8.08(1) of the Listing Rules.

Potential dilution effect on the Rights Issue

Pursuant to the Board Letter, the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders should note that their shareholdings will be diluted. The Rights Issue will allow the Qualifying Shareholders to maintain, increase or decrease their respective pro rata shareholdings in the Company by taking up only their respective rights entitlement, acquiring additional rights entitlement or disposing of their rights entitlements in the open market (subject to availability), therefore the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

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The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the Board Letter.

Assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and all 115,632,494 Rights Shares have taken up: (i) all Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted by up to a maximum of approximately 19.6%, which fall within the range of the Comparables.

Assuming there are no other changes in the shareholding structure of the Company before the completion of the Rights Issue and none of the Qualifying Shareholders have taken up any entitled Rights Shares and all the unsubscribed Rights Share under the PALs and EAFs were subscribed for through the Underwriter, the shareholding interests of other public shareholders in the Company will be diluted from approximately 100.0% to approximately 33.3%.

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

Financial effects of the Rights Issue

Net assets

Taking into account the proceeds from Rights Issue, it is expected that the net assets of the Group will increase as a result of the Rights Issue. Further, as set out in Appendix II to the Circular, as at 30 June 2022, the unaudited consolidated net tangible assets of the Group per Share attributable to owners of the Company was HK\$0.15. As if the Rights Issue had taken place on 30 June 2022, the unaudited pro forma adjusted consolidate net tangible assets of the Group per Share attributable to owners of the Company would increase to HK\$0.45.

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Gearing ratio and liquidity

The gearing ratio of the Group was nil as at 30 June 2022 as there was no borrowings. Since part of the net proceeds are intended to be utilised for (i) investment in listed securities and unlisted securities; (ii) the general working capital of the Company, the Group's liquidity position would be improved upon completion of the Rights Issue.

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

Recommendation

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

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

For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

1. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.cflg.com.hk>) respectively:

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2019 is disclosed in the annual report of the Company for the year ended 31 December 2019 published on 23 April 2020, from pages 66 to 162 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0423/2020042301949.pdf>)
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021, from pages 64 to 154 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201343.pdf>)
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 22 April 2022, from pages 72 to 158 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201388.pdf>)
- (iv) the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 is disclosed in the interim results announcement of the Company for the six months ended 30 June 2022 published on 19 August 2022, from pages 1 to 8 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0819/2022081900803.pdf>)

2. INDEBTEDNESS STATEMENT

As at 30 June 2022, being the latest date for the purpose of liquidity disclosure in this circular, the Group had outstanding indebtedness of HK\$487,816, consisting of lease liabilities of HK\$487,816.

Save for the aforesaid outstanding indebtedness of HK\$487,816, as at 30 June 2022, being the latest practicable date for the Group to ascertain such information prior to printing of this circular, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, pledges, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that (i) there has not been any material change in the Group's indebtedness since 30 June 2022 and up to 19 August 2022, being the latest practicable date for us to ascertain such information prior to printing of this circular; and (ii) there was no material default in payment of the Group's trade and non-trade payables, lease liabilities, nor did the Group breach any relevant finance covenants, up to 19 August 2022.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account (i) the Group's internal resources and cash flows from its operations; and (ii) estimated proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its present requirements, that is, for at least 12 months from the date of this circular in the absence of unforeseen circumstances. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm there had been no material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECT

The Company is an investment company listed on the Main Board of the Stock Exchange under Chapter 21 of the Listing Rules. The Group is principally engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities, predominantly focusing in the PRC and Hong Kong market region.

For the year of 2021, the COVID-19 pandemic, together with increasing regulation into large cap tech companies listed in Hong Kong and the United States Securities and Exchange Commission in the United States of America imposing foreign securities accounting requirement that affected the Chinese American Depositary Receipt listed in US were the major reasons that drove Hang Seng TECH Index to plummet 31.6% for the year.

For the year of 2022, the macroeconomic and geopolitical environment continued to be weakened due to several adverse events, including but not limited to the Russia-Ukraine conflict since late February and the continued outbreak of COVID-19 pandemic. The Board is of the view that such adverse events, together with other reasons, may have adversely impacted the economic environment in Hong Kong and affected all countries to a different extent in terms of economic growth, as well as inter-countries trade flow.

After considering (i) the slow economic growth in Hong Kong for the year of 2021; and (ii) the continued weakening economy, the Group expects that investors' confidence will remain weak in the near term. Looking ahead to the year of 2022, the Group's healthy financial position enables the Group to take advantage of the current market weakness and seize potential investment opportunities. The management of the Group will maintain appropriate investment strategies against the volatile market in the year of 2022. The Group will continue to identify suitable sound investments as well as using selective derivative instruments to optimise its investment portfolio and implement its risk management policy in order to achieve satisfactory returns to the Shareholders.

The Group will continue to identify investment and business development opportunities, to better utilise its capital to expand the scope of business, to explore potential projects and to acquire high-quality assets so as to enhance its long-term return of the Shareholders.

Through the Rights Issue, the Company hopes that it can gather sufficient capital for attaining its abovementioned investment proposal.

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

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the Share Consolidation and Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Share Consolidation and Rights Issue had taken place on 30 June 2022.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022, as extracted from the published interim results announcement of the Group for the six months ended 30 June 2022, and is adjusted to reflect the effects of the Share Consolidation and Rights Issue.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the unaudited consolidated net tangible assets of the Group as at 30 June 2022 or to any future dates following the Share Consolidation and Rights Issue.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in the interim results announcement of the Group for the six months ended 30 June 2022 and other financial information included elsewhere in the circular.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2022 <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share as at 30 June 2022 <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share after completion of the Share Consolidation and Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on 57,816,247 Consolidated Shares and 115,632,494 Rights Shares to be issued at Subscription Price of HK\$0.38 per Rights Share	<u>35,466</u>	<u>42,493</u>	<u>77,959</u>	<u>0.15</u>	<u>0.45</u>

Note:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2022 were extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2022 included in the Group's published interim results announcement for the six months ended 30 June 2022.
2. The estimated net proceeds from the Rights Issue of approximately HK\$42.493 million are calculated based on gross proceeds of HK\$43.940 million from the issue of 115,632,494 Rights Shares at the Subscription Price of HK\$0.38 per Rights Share and after deducting estimated expenses of approximately HK\$1.447 million attributable to the Rights Issue.
3. The number of shares used for the calculation of unaudited consolidated net tangible assets per Share prior to the completion of the Share Consolidation and Rights Issue is based on 231,264,988 Shares in issue as at 30 June 2022.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share as at 30 June 2022 immediately after (i) the completion of Share Consolidation as if the Share Consolidation had been completed on 30 June 2022; and (ii) the completion of the Rights Issue as if the Rights Issue had been completed on 30 June 2022.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022.

**B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION****RSM Hong Kong**29th Floor, Lee Garden Two, 28 Yun Ping Road
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The Board of Directors
China Financial Leasing Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of Unaudited Pro Forma Financial Information of China Financial Leasing Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 30 June 2022 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on pages II-1 to II-2 of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Share Consolidation and Rights Issue on the Group’s net tangible assets as at 30 June 2022 as if the transactions had been taken place at 30 June 2022. As part of this process, information about the Group’s net tangible assets has been extracted by the directors from the Group’s unaudited condensed consolidated financial statements as included in the interim results announcement for the six months ended 30 June 2022, on which an interim results announcement has been published.

Directors’ Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong

Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2022 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and benefits of the Rights Issue and use of proceeds" set out on page 28 of the circular.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

RSM Hong Kong

Certified Public Accountants

24 August 2022

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital in the Company, assuming there is no further issue or repurchase of Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation becoming effective but before the completion of the Rights Issue; and (iii) immediately following the allotment and issue of the Rights Shares will be as follows:

i. As at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
30,000,000,000	Existing Shares of HK\$0.01 each	300,000,000.00
<i>Issued and paid-up share capital:</i>		
231,264,988	Existing Shares of HK\$0.01 each	2,312,649.88

ii. Immediately following the Share Consolidation becoming effective (assuming no further issue or repurchase of the Shares from the Latest Practicable Date up to the Share Consolidation having become effective):

<i>Authorised:</i>		<i>HK\$</i>
7,500,000,000	Consolidated Shares of HK\$0.04 each	300,000,000.00
<i>Issued and paid-up share capital:</i>		
57,816,247	Consolidated Shares of HK\$0.04 each	2,312,649.88

iii. Immediately after the Share Consolidation becoming effective and the completion of the Rights Issue (assuming no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue):

<i>Authorised:</i>		<i>HK\$</i>
7,500,000,000	Consolidated Shares of HK\$0.04 each	300,000,000.00
<i>Issued and paid-up share capital:</i>		
57,816,247	Consolidated Shares of HK\$0.04 each	2,312,649.88
<u>115,632,494</u>	Rights Shares to be allotted and issued upon completion of the Rights Issue	<u>4,625,299.76</u>
<u>173,448,741</u>	Consolidated Shares in issue immediately after completion of the Rights Issue	<u>6,937,949.64</u>

All of the Consolidated Shares and the Rights Shares when allotted, issued and fully paid, will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and with all the Consolidated Shares in issue as at the date of allotment and issue of the Rights Shares.

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

As at the Latest Practicable Date, the Company had no outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Shares.

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

3. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in Shares and underlying shares

As at the Latest Practicable Date, none of the Directors and chief executives of the Company and their associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be

entered the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, the following person(s) (other than the Directors and the chief executive of the Company) has, or is deemed to have, interests or short positions in the Shares or underlying Shares, (a) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities, details of which are set out as follows:

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of Existing Shares held	Approximately percentage or attributable percentage of shareholding
Mr. Lam Shu Chung	Beneficial owner	21,200,000	9.17% (L)
Ms. Choi Hing Lin Lori ^(Note)	Interest of spouse	21,200,000	9.17% (L)

(L): denotes long position

Note: Ms. Choi Hing Lin is the spouse of Mr. Lam Shu Chung. Accordingly, Ms. Choi Hing Lin is deemed or taken to be interested in all the shares in which Mr. Lam Shu Chung is interested in for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

4. DIRECTORS' INTEREST IN ASSETS, CONTRACTS AND ARRANGEMENT OF THE GROUP

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

disposed of by or leased to any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

6. DIRECTORS' SERVICE CONTRACTS

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

7. LITIGATION

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

8. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

Name	Qualifications
Vinco Financial Limited	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
RSM Hong Kong	Certified Public Accountants and Registered Public Interest Entity Auditor

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which 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 accounts of the Company were made up.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date:

- (a) the Underwriting Agreement; and
- (b) the placing agreement dated 23 April 2021 entered into between the Company and Orient Securities Limited in relation to the placing of up to 385,000,000 Shares on a best efforts basis, for which a placing commission of 2.5% of the aggregate amount equal to the placing price multiplied by the actual number of placing shares successfully placed by the placing agent.

10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Board of Directors	<i>Executive Director</i> Mr. Lui Cheuk Hang Henri
	<i>Independent non-executive Directors</i> Mr. Lam Wai Tsin Mr. Hui Yat On Mr. Chan Pak Lam, Tom
Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	11/F., Wui Tat Centre 55 Connaught Road West Hong Kong

Authorised representatives	Mr. Lui Cheuk Hang Henri 11/F., Wui Tat Centre 55 Connaught Road West Hong Kong
	Mr. Yip Yat Sing 11/F., Wui Tat Centre 55 Connaught Road West Hong Kong
Company secretary	Mr. Yip Yat Sing
Auditors and reporting accountants	RSM Hong Kong <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 29th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited 11/F., The Center, 99 Queen's Road Central, Hong Kong
	Bank of China (Hong Kong) Limited Bank of China Tower, 1, Garden Road, Central, Hong Kong
Hong Kong share registrar and transfer office	Tricor Tengis Limited 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong
Investment manager	Avia Asset Management Limited Unit A, Level 9, Fortis Tower 77-79 Gloucester Road, Wanchai Hong Kong
Custodian	Supreme China Securities Limited Interactive Brokers Hong Kong Limited Kingston Securities Limited

Legal advisers to the Company in relation to the Rights Issue	<i>As to Hong Kong law</i> Foo. & Co., T. C. Unit A, 20/F, II Chinachem Plaza, 135 Des Voeux Road Central, Central, Hong Kong
	<i>As to PRC law</i> Beijing Dentons Law Offices, LLP (Shenzhen) 3F&4F, Block A, Shenzhen International Innovation Center, No. 1006, Shennan Boulevard, Futian District, Shenzhen, Guangdong Province, PRC
Financial adviser to the Company	Lego Corporate Finance Limited Room 1601, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Vinco Financial Limited Unit 2602, 26/F, The Center, 99 Queen's Road Central, Hong Kong
Underwriter	Lego Securities Limited Room 301, 3/F, China Building, 29 Queen's Road Central, Hong Kong

11. EXPENSES

The expenses in connection with the proposed Share Consolidation, the Rights Issue and the transactions contemplated respectively thereunder, including underwriting commission, financial advisory fees, legal fee, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$1.4 million, which are payable by the Company.

12. PARTICULARS OF DIRECTORS OF THE COMPANY

Executive Director

Mr. Lui Cheuk Hang Henri (“**Mr. Lui**”), aged 49, was appointed as executive Director on 9 April 2021. Mr. Lui obtained his Bachelor of Commerce degree from University of Toronto in 1995. Mr. Lui is also a charter holder of Chartered Financial Analyst since 2001. Mr. Lui has over 26 years of experiences in the securities and financial industry, serving various roles as financial analyst, responsible officer in brokerage house and asset management firms. Mr. Lui is a responsible officer of Socius Asset Management Limited, a company licensed to carry out Type 4 (advising in securities) and Type 9 (asset management) regulated activities under the SFO.

Independent non-executive Directors

Mr. Lam Wai Tsin (“**Mr. Lam**”), aged 40, was appointed as independent non-executive Director on 23 November 2020. Mr. Lam is a holder of Bachelor of Engineering in Civil and Environmental Engineering from The Hong Kong Polytechnic University in 2003 and Master of Finance from The University of Hong Kong in 2007. Mr. Lam is currently a licensed person and a responsible officer to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Mr. Lam has approximately 14 years of relevant experience in financial industry, including provides brokerage, asset management and investment advisory service. Mr. Lam is the Type 4 (advising on securities) and Type 9 (asset management) responsible officer of Chung Sun Asset Management Limited (“**Chung Sun**”) since November 2016 and responsible for the investment portfolio management. Chung Sun is a licensed corporation under the SFO with regulated activities Type 4 (advising on securities) and Type 9 (asset management) to provide advising on securities, asset management and investment advisory service to the clients.

Mr. Hui Yat On (“**Mr. Hui**”), aged 62, was appointed as independent non-executive Director on 10 June 2021. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor’s degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master’s degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants since December 1986. Mr. Hui is a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui is currently the independent non-executive director of ArtGo Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3313) since 8 June 2016 and was the independent non-executive director of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) from 11 January 2021 to 20 September 2021, respectively. Mr. Hui is currently a senior executive of a company listed on GEM of the Stock Exchange. He has previously served as the executive director and senior executive of several Hong Kong listed companies. Mr. Hui has three decades of experiences in the field of corporate finance and financial services.

Mr. Chan Pak Lam, Tom (“**Mr. Chan**”), aged 59, was appointed as independent non-executive Director on 30 June 2022. Mr. Chan graduated from The University of Keele in England with major in Economics and Laws, being admitted as a solicitor in Hong Kong. With over 20 years of experience at the top management level of various institutions and listed companies, Mr. Chan has rich experience in the brokerage and trading of different financial products including project financing, corporate mergers and acquisitions, initial public offering, trading of securities, foreign exchange, precious metals etc. Mr. Chan is currently the Deputy Chairman of Success Universe Group. He also devotes himself to the society, being a member of the 10th-12th Political Consultative Conference of Jilin Province in China, Economic advisor to Jilin Provincial Government, Chairman of The Institute of Securities Dealers in Hong Kong and one of the founders of China Bay Area Think Tank Co., Ltd.

Business address of the Directors

The business address of the Directors is the same as the Company’s principal place of business in Hong Kong at 11/F., Wui Tat Centre, 55 Connaught Road West, Hong Kong.

13. INVESTMENT OBJECTIVE, POLICIES AND RESTRICTIONS

Investment objective and policies

The Company is an investment company with the principal investment objective of achieving short to medium term (i.e. less than one year to five years) capital appreciation by mainly investing in a diversified portfolio of investments in listed and unlisted companies in the Asia Pacific Region (the “**Region**”). The Company has adopted the following investment policies:

- (i) the Company’s investments will normally be made in the form of equity or equity related securities and/or debt securities in listed and unlisted companies engaged in different industries including (but not limited to) information technology, manufacturing, life sciences and environmental services, telecommunications, infrastructure, pharmaceuticals and property sectors aiming at maintaining a balance in the Company’s exposure to different industries sectors in order to minimize the impact on the Company of any downturn in any particular sector;
- (ii) the Company may invest in other fields in which the Board believes that there are prospects of earnings growth and/or capital appreciation. In particular, the Company will seek to identify businesses or entities with a potential or record of profit growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long-term growth of such companies;

- (iii) the Company may invest in companies or other entities which are considered by the Board and/or the Investment Manager as being special or in recovery situations on a case by case basis (e.g., the Company may invest in companies under restructuring or liquidation), which may have extensive growth in shorter period and provide attractive returns;
- (iv) Up to a maximum of 90% of the Group's assets can be invested in
 - (a) equity securities, convertible notes, preference shares, options, warrants or debt securities issued by listed companies;
 - (b) equity securities, convertible notes, preference shares, options, warrants or debt securities issued by unlisted companies in the Region; and
 - (c) options and futures which are traded on recognized securities or futures exchanges for trading and hedging purposes;
- (v) the Board and the Investment Manager will, where possible, seek to identify investments where there is a certain degree of synergy with other investee companies and where co-operation between such companies would be of mutual benefit to each other;
- (vi) the Company's investments are intended to be held for short to medium term (i.e. less than one year to five years) capital appreciation. Subject to the foregoing, the Company will realise investments from time to time where to do so is in the opinion of the Board to be in the best interests of the Company or where the terms on which such realisation can be achieved are in the opinion of the Board to be particularly favourable to the Company;
- (vii) before suitable investment projects are identified, the Company may seek to protect the capital value of the Company's cash assets by placing the same in bank deposits in any currency, bonds, treasury securities issued by the government of the United States or the government of Hong Kong or their respective agencies or securities or other instruments denominated in any currency issued by various governments or international development agencies;
- (viii) before suitable investment projects are identified, the Company may enter into forward interest rate agreements, forward currency agreements, interest rates and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates; and
- (ix) a minimum of 10% of the Group's assets will be maintained in cash or cash equivalents.

Investors should note that while it is the intention of the Company to invest its funds in accordance with the investment objectives and policies outlined above as far as practicable, due to market and other investment considerations, it may take some time before the funds of the Company are fully invested.

Investment Restrictions

Under the articles of association of the Company and the Listing Rules, certain restrictions on investments are imposed on the Company:

- (i) The Board shall ensure, and shall procure that any person to whom any powers of investing the Company's assets shall ensure, that the Company shall not either on its own or through its wholly-owned subsidiaries, or in conjunction with any connected person, take legal or effective management control of underlying investments and will not either itself or through its wholly-owned subsidiaries invest or own or control more than thirty per cent. (30%) (or such other percentage as may from time to time be specified in the Takeovers Code or other laws, regulations, rules, codes, order or policies of other relevant jurisdiction as being the level for triggering a mandatory general offer or other similar action or consequence) of the voting rights in any one company or body, except in relation to wholly-owned subsidiaries of the Company formed solely for the purpose of investment holding.
- (ii) The Company shall maintain a reasonable spread of investments and the value of its holding of investments issued by any one company or body other than wholly-owned subsidiaries of the Company shall not exceed twenty per cent. (20%) of the net asset value of the Company as at the date such investment is made.

The Company has to comply with investment restrictions (i) and (ii) above at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules, and these restrictions are also contained in the articles of association of the Company and any change of such is subject to Shareholders' approval.

14. INVESTMENT PORTFOLIO

Set out below are the details of all the investments of the Group as at 31 December 2021 and 30 June 2022, which include all listed equity investments with a value of more than 5% of the Group's gross assets as at 31 December 2021 and 30 June 2022. Save for the investments disclosed herein, there are no other listed investments or other investments with a value of more than 5% of the Company's gross assets as at 31 December 2021 and 30 June 2022:

(a) As at 30 June 2022, details of the Group's major listed equity securities are as follows:

Note	Name of Investee Company	Proportion of investee's capital owned	Cost up to 30 June 2022 (HK\$'000)	Market value as at 30 June 2022 (HK\$'000)	Dividend income received during the period (HK\$'000)	Net assets attributable to the investment as at 30 June 2022	Accumulated fair value gain/ (losses) on investment recognised in the consolidated financial statements during the period (HK\$'000)
1	Hing Ming Holdings Limited (8425)	4.08%	18,099	5,143	—	14.50%	(12,956)
2	Miji International Holdings Limited (1715)	2.25%	5,640	4,566	—	12.87%	(1,074)
3	Tracker Fund of Hong Kong (2800)	less than 1%	2,082	2,228	9	6.28%	146
4	Tencent Holdings Limited (700)	less than 1%	1,505	1,418	7	4.00%	(87)
5	Hang Seng China Enterprises Index ETF (2828)	less than 1%	1,180	1,088	—	3.07%	(92)
6	China Carbon Neutral Development Group Limited (1372)	less than 1%	7,053	4,672	—	13.17%	(2,381)
7	Link-Asia International MedTech Group Limited (1143)	1.66%	2,024	2,100	—	5.92%	76
8	Apple Inc. (AAPL)	less than 1%	836	858	—	2.42%	22
9	CNOOC Limited (883)	less than 1%	509	518	—	1.46%	9
10	AIA Group Limited (1299)	less than 1%	1,827	1,956	25	5.52%	129
	Other listed investments	N/A	786	726	2	2.05%	(60)
	Total	N/A	41,541	25,273	43	71.26%	(16,268)

Notes:

- Hing Ming Holdings Limited is principally engaged in providing rental services of temporary suspended working platforms and other equipment such as tower cranes and generators and trading of equipment and spare parts.

2. Miji International Holdings Limited is principally engaged in developing, manufacturing and selling premium kitchen appliances in the PRC.
3. Tracker Fund of Hong Kong is an exchange-traded fund designed to provide investment results that closely correspond to the performance of Hang Seng Index (“HSI”).
4. Tencent Holdings Limited is a world-leading internet and technology company that develops innovative products and services to improve the quality of life of people around the world.
5. Hang Seng China Enterprises Index ETF is an index-tracking fund which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.
6. China Carbon Neutral Development Group Limited is principally engaged in global carbon neutral business, civil engineering and construction business as well as carbon asset management business.
7. Link-Asia International MedTech Group Limited is a value-added service provider and electronics manufacturer focused on the “Belt and Road” cross-border supply chain, particularly integrates upstream and downstream resources around the value-added services of the targeted industry supply chain, and selects key countries and cities along the Belt and Road route with high economic growth and high market development for strategic planning.
8. Apple Inc. is the largest technology company by revenue and the world’s second biggest company by market capitalization as of May 2022, the fourth-largest personal computer vendor by unit sales and second-largest mobile phone manufacturer.
9. China National Offshore Oil Corporation is the largest offshore oil and gas producer in China. Headquartered in Beijing.
10. AIA Group Limited is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across Asia.

(b) As at 31 December 2021, details of the Group's major listed equity securities are as follows:

Note	Name of Investee Company	Proportion of investee's capital owned	Cost up to 31 December 2021 (HK\$'000)	Market value as at 31 December 2021 (HK\$'000)	Dividend income received during the financial year (HK\$'000)	Net assets attributable to the investment as at 31 December 2021	Accumulated fair value losses on investment recognised in the consolidated financial statements during the financial year (HK\$'000)
1	Hing Ming Holdings Limited (8425)	4.08%	18,099	5,960	—	12.81%	(12,139)
2	RMH Holdings Limited (8437)	2.11%	8,977	2,519	—	5.42%	(6,458)
3	Miji International Holdings Limited (1715)	2.31%	5,753	7,272	—	15.63%	(1,519)
4	Tracker Fund of Hong Kong (2800)	less than 1%	2,708	2,587	—	5.56%	121
5	Tencent Holdings Limited (700)	less than 1%	1,676	1,599	—	3.44%	77
6	Hang Seng China Enterprises Index ETF (2828)	less than 1%	1,502	1,420	—	3.05%	82
7	China Mobile Limited (941)	less than 1%	1,060	1,030	—	2.21%	30
8	AIA Group Limited (1299)	less than 1%	837	786	—	1.69%	51
9	China Unicom (Hong Kong) Limited (762)	less than 1%	736	702	—	1.51%	34
10	iShares Hang Seng TECH ETF (3067)	less than 1%	820	595	—	1.28%	225
	Other listed investments	N/A	5,179	1,294	95	2.78%	(3,885)
	Total	N/A	47,347	25,764	95	55.38%	(23,381)

Notes:

- Hing Ming Holdings Limited is principally engaged in providing rental services of temporary suspended working platforms and other equipment such as tower cranes and generators and trading of equipment and spare parts.
- RMH Holdings Limited is principally engaged in the provision of specialty care services for a variety of dermatological conditions by utilising medical, surgical, laser and aesthetic treatments in Singapore.

3. Miji International Holdings Limited is principally engaged in developing, manufacturing and selling premium kitchen appliances in the PRC.
4. Tracker Fund of Hong Kong is an exchange-traded fund designed to provide investment results that closely correspond to the performance of HSI.
5. Tencent Holdings Limited is a world-leading internet and technology company that develops innovative products and services to improve the quality of life of people around the world.
6. Hang Seng China Enterprises Index ETF is an index-tracking fund which aims to match, before expenses, as closely as practicable the performance of the Hang Seng China Enterprises Index.
7. China Mobile Limited is the leading telecommunications services provider in the mainland of China, providing full communications services in all 31 provinces, autonomous regions and directly-administered municipalities throughout the mainland of China and in Hong Kong.
8. AIA Group Limited is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across Asia.
9. China Unicom (Hong Kong) Limited operates a wide range of services, including mobile broadband, fixed-line broadband, mobile voice, fixed-line voice, information and communications technology, data communications and other related value-added services.
10. The iShares Hang Seng TECH ETF seeks to track the investment results of an index composed of 30 Hong Kong listed companies, in the technology sector or with tech-enabled businesses.

Set out below is the details of provision for diminution in value of the investments as at 31 December 2021 and 30 June 2022:

Investment	Number of shares held by the Company	Cost	Provision made	Net Book value
				as at 31 December 2021 and 30 June 2022
National Investments Fund Ltd	19,560,000	3,549,661.03	(3,549,661.03)	—

On 8 February 2021, National Investments Fund Limited (Stock code: 1227) (“**National Investments Fund**”) was ordered to be wound up by the High Court of Hong Kong in HCCW 67/2020 pursuant to the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32, Laws of Hong Kong) and the official receiver by virtue of her office becomes the provisional liquidator of National Investments Fund. On the same date, trading in National Investments Fund’s shares has been suspended and the book carrying value of the company invested in National Investments Fund was approximately HK\$449,000. The Company has made full provision for diminution in value of investment cost of approximately HK\$3,550,000 in National Investments Fund during the year ended 31 December 2021.

15. DISTRIBUTION POLICY

The Company's investment objective is to achieve long-term capital appreciation and, accordingly, the Company's investment portfolio is not expected to generate significant income. It is therefore not expected that the Company will have significant (if any) dividend income after expenses available for distribution by way of dividend and therefore the Company does not expect to declare dividend. Any declaration of distributions will be made at the discretion of the Directors and may be either from profit, reserves of the Company (including share premium account) or any amount lawfully available for distribution.

16. FOREIGN EXCHANGE POLICY

As at the Latest Practicable Date, the investments of the Company were mainly denominated in HK\$. There is no material foreign exchange exposure to the Company. Therefore, no financial instrument was made to hedge such exposures.

17. TAXATION

The principal taxes on income and capital gains of the Company and its subsidiaries are subject to the fiscal laws and practice of Hong Kong. Prospective investors should consult their own professional advisers on the tax implications of investing, holding or disposing of the Shares or of exercising any rights attached to them under the laws of the jurisdiction in which they are liable to taxation.

18. BORROWING POWERS

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Law, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. Provided always that no borrowing may be made if it would result in the aggregate principal amount for the time being remaining undischarged of all moneys borrowed by the Company exceeding fifty per cent. (50%) of the latest available net asset value of the Company at the time the borrowing is made without the approval of the Shareholders at a general meeting.

Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Shareholders or otherwise, to obtain priority over such prior charge.

The Board shall cause a proper register to be kept, in accordance with the provisions of the Law, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the Law in regard to the registration of charges and debentures therein specified and otherwise.

19. INFORMATION OF THE INVESTMENT MANAGER

As at the Latest Practicable Date, the Investment Manager was Avia Asset Management Limited at Unit A, Level 9, Fortis Tower 77–79 Gloucester Road, Wanchai Hong Kong, a company incorporated in Hong Kong with limited liability and a licensed corporation registered under the SFO to engage in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

The name, address and description of the sole director of Avia Asset Management Limited are as follows:

Mr. Chiu Wai Lap (“Mr. Chiu”)

Mr. Chiu, aged 37, is a holder of Bachelor of Business Administration in Finance from The Hong Kong University of Science and Technology in 2006. Mr. Chiu has over 14 years of relevant experience in the financial industry, including business development and management, fund operations, asset allocation, portfolio management and investment advisory, etc. Mr. Chiu is a responsible officer of Avia Asset Management Limited.

Save as above-mentioned and to the best of knowledge, information and belief of the Directors, as at the Latest Practicable Date, there was no common investments made by the Company and the Investment Manager; there was no common directorship between the Company and the Investment Manager; and there was no common directorship between the Company’s top ten investments and the Investment Manager.

On 15 March 2019, the Company entered into the agreement (the “**Investment Management Agreement**”) with the Investment Manager, pursuant to which the Investment Manager has agreed to provide non-discretionary investment management services to the Company for a period of two years from 1 April 2019 to 1 April 2021 or until termination by either the Company or the Investment Manager. The maximum aggregate fee payable by the Company to the Investment Manager under the Investment Management Agreement will not exceed HK\$400,000 per annum. The Investment Manager will provide non-discretionary investment management services to the Company under the Investment Management Agreement including: (i) identifying, reviewing and evaluating investment and divestment opportunities for the Company and negotiating the terms of such investment and divestment for the Company in accordance with the investment policies of the Company and directions from the Investment Committee of the Company; (ii) providing investment recommendations to the Investment Committee and assisting the Investment Committee in structuring acquisitions and disposals; (iii) executing investment and divestment decisions of the Company in accordance with the instructions of the Investment Committee; and (iv) providing general administrative services.

20. CUSTODIANS

Supreme China Securities Limited, Interactive Brokers Hong Kong Limited and Kingston Securities Limited were appointed as the custodians in relation to the investments which the Company may from time to time deposit with the custodians.

The Company appointed Supreme China Securities Limited and Interactive Brokers Hong Kong Limited as its custodians on 13 May 2021 and 13 August 2021, respectively, and the Company is not required to pay custodian fee.

The Company appointed Kingston Securities Limited as its custodian on 21 August 2020, and a custodian fee of approximately HK\$3,000 was incurred for the six months ended 30 June 2021.

The Directors confirm that none of the directors of the Company, Avia Asset Management Limited, any investment adviser or any distribution company, or any associate of any of those persons, is or will become entitled to receive any part of any brokerage charged to the investment company, or any reallocation of other types on purchases charged to the investment company.

21. RISKS RELATING TO THE COMPANY

The Company is an investment company and its funds will be invested in listed or unlisted securities, predominantly focusing in the PRC and Hong Kong market region. These investments will be subject to market fluctuations and to the risks inherent in all investments. Investors should also be aware that the Company's income and its net asset value are likely to be adversely affected by external factors beyond the control of the Company. As a result, income of the fund and its net asset value may therefore go down as well as go up, subject to the prevailing market conditions.

22. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yip Yat Sing, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (c) The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.
- (d) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.

23. DOCUMENTS ON DISPLAY

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

- (i) the letter from Vinco Financial, the text of which is set out on pages IFA-1 to IFA-24 of this circular;
- (ii) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (iii) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix; and
- (iv) the written consents of the experts referred to in the section headed "8. Experts and consents" in this appendix.

NOTICE OF EGM



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Financial Leasing Group Limited (the “**Company**”) will be held at Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on 19 September 2022 for the purpose of considering and, if though fit, passing the following resolutions as ordinary resolutions of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 24 August 2022 (the “**Circular**”):

ORDINARY RESOLUTIONS

1. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” (the “**Conditions**”) in the Circular, with effect from the second business day immediately following the day of passing of this resolution or the Conditions are fulfilled (whichever is the later):
 - (a) every four (4) issued and unissued shares of HK\$0.01 each in the share capital of the Company be consolidated into one (1) share of HK\$0.04 (each a “**Consolidated Share**”), and such Consolidated Share(s) shall 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; and
 - (c) any one Director be and is hereby authorised to severally approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

* *For identification purpose only*

NOTICE OF EGM

2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above and subject to the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue and the Underwriting Agreement” in the Circular:
- (a) subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
 - (b) the underwriting agreement in respect of the Rights Issue (as defined below) dated 28 July 2022 and made between the Company and Lego Securities Limited (the “**Underwriting Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) subject to the fulfillment of the conditions set out in the Underwriting Agreement, the allotment and issue of up to 115,632,494 rights shares (the “**Rights Shares**”) in the share capital of the Company pursuant to an offer by way of rights issue (the “**Rights Issue**”) to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.38 per Rights Share on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Shareholders whose names appeared on the register of members of the Company on Monday, 19 September 2022 (the “**Record Date**”) as described in further details in the Circular and on and subject to such terms and conditions as may be determined by the Directors, be and is hereby approved, confirmed and ratified;
 - (d) the Directors be and are hereby authorised severally to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

NOTICE OF EGM

- (e) the Directors be and hereby authorised severally to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement.”

Yours faithfully
By order of the Board
CHINA FINANCIAL LEASING GROUP LIMITED
Lui Cheuk Hang Henri
Executive Director

Hong Kong, 24 August 2022

Registered Office:

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

Head office and principal place of business

in Hong Kong:
11/F., Wui Tat Centre
55 Connaught Road West
Hong Kong

As at the date of this notice, the Board comprises Mr. Lui Cheuk Hang Henri as executive Director, Mr. Lam Wai Tsin, Mr. Hui Yat On and Mr. Chan Pak Lam, Tom as independent non-executive Directors.

Notes:

- 1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A member holding two or more shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.*
- 2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar (the "Share Registrar"), Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed for the holding of the EGM (i.e. at 11:00 a.m. on Saturday, 17 September 2022) or any adjournment thereof.*
- 3. The register of members of the Company will be closed from Tuesday, 13 September 2022 to Monday, 19 September 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 9 September 2022.*

NOTICE OF EGM

4. *In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, 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. 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.*
5. *If Typhoon Signal No. 8 or above, or extreme conditions caused by super typhoons or a “black” rainstorm warning is in effect in Hong Kong any time after 6:30 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.cflg.com.hk>) to notify Shareholders of the date, time and place of the rescheduled meeting.*
6. *Any voting at the EGM shall be taken by poll.*