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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Enterprise Development Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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## ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

企展控股有限公司

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

(Stock Code: 1808)

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES  
FOR EVERY TWO (2) EXISTING SHARES  
HELD ON THE RECORD DATE;  
(II) CLOSURE OF REGISTER OF MEMBERS;  
AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter



VC BROKERAGE LIMITED  
滙盈證券有限公司

VC Brokerage Limited

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



Capital 9 Limited

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

A letter from the Board is set out on pages 14 to 43 of this circular. A notice convening the EGM to be held at Meeting Room (SOHO1), 6/F., IBIS Hong Kong Central Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Tuesday, 14 March 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM or any adjournment thereof is also enclosed.

The Rights Issue is only underwritten on a best effort basis. In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under the PAL(s) or the EAF(s), or transferees of nil-paid Rights Shares and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. The Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – Conditions precedent of the Rights Issue" in this circular and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Tuesday, 18 April 2023). If the Underwriting Agreement does not become unconditional or if any of the conditions precedent of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 16 March 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Wednesday, 29 March 2023 to Thursday, 6 April 2023 (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 existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions precedent of the Rights Issue are fulfilled or waived (as applicable) and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases, shall accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any Shareholders or other persons contemplating any dealing in the existing Shares and/or the nil-paid Rights Shares are recommended to consult their own professional advisers and exercise caution.

Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

In view of the ongoing Coronavirus Disease 2019 (COVID-19) epidemic, the Company strongly recommends Shareholders to exercise your voting rights by appointing the chairperson of the EGM as your proxy to vote on the relevant resolution at the EGM as an alternative to attending the EGM in person.

24 February 2023

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## PRECAUTIONARY MEASURES FOR THE EGM

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The Company will implement the following measures at the EGM, including:

1. Compulsory body temperature checks will be carried out on every attendee at the entrance of the meeting venue. Any person with a body temperature above 37.3 degree Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting any flu-like symptoms may be denied entry into the meeting venue and requested to leave the meeting venue.
2. Every attendee will be required to wear a surgical face mask at the meeting venue and throughout the meeting and to sit at a distance from the other attendees. Please note that no surgical face masks will be provided at the meeting venue and attendees should bring and wear their own masks;
3. No refreshment or drinks will be provided to the attendees at the meeting; and
4. No corporate gifts or gift coupons will be provided to the attendees at the meeting.

To the extent permitted under law, the Company reserves the rights to deny entry into the meeting venue or require any person to leave the meeting venue so as to ensure the health and safety of the other attendees at the meeting. The number of attendees allowed in the meeting venue is subject to the requirements and restrictions under the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong).

Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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## EXPECTED TIMETABLE

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The expected timetable for the Rights Issue is set out below:

<b>Event</b>	<b>Time and date</b>
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM . . . . .	4:00 p.m. on Tuesday, 7 March 2023
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM (both days inclusive) . . . . .	Wednesday, 8 March 2023 to Tuesday, 14 March 2023
Latest time for lodging forms of proxy for the EGM (not less than 48 hours prior to the time of the EGM) . . . . .	10:00 a.m. on Sunday, 12 March 2023
Record date for attending and voting at the EGM . . . . .	Tuesday, 14 March 2023
Time and date of the EGM . . . . .	10:00 a.m. on Tuesday, 14 March 2023
Announcement of poll results of the EGM . . . . .	Tuesday, 14 March 2023
Re-opening of the register of members of the Company . . . . .	Wednesday, 15 March 2023
Last day of dealings in the Shares on a cum-rights basis of the Rights Issue . . . . .	Wednesday, 15 March 2023
First day of dealings in the Shares on an ex-rights basis of the Rights Issue . . . . .	Thursday, 16 March 2023
Latest time for lodging transfer of Shares in order to be qualified for the Rights Issue . . . . .	4:00 p.m. on Friday, 17 March 2023
Closure of register of members of the Company to determine the entitlement to the Rights Issue (both days inclusive) . . . . .	Monday, 20 March 2023 to Friday, 24 March 2023

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## EXPECTED TIMETABLE

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Event	Time and date
Record Date to determine entitlements under the Rights Issue . . . . .	Friday, 24 March 2023
Register of members of the Company re-opens . . . . .	Monday, 27 March 2023
Despatch of the Prospectus Documents (in case of the Excluded Shareholders, the Prospectus only) . . . . .	Monday, 27 March 2023
First day of dealings in nil-paid Rights Shares . . . . .	Wednesday, 29 March 2023
Latest time for splitting of PALs . . . . .	4:00 p.m. on Friday, 31 March 2023
Last day of dealings in nil-paid Rights Shares . . . . .	Thursday, 6 April 2023
Latest time for acceptance of and payment for the Rights Shares and application for and payment for Excess Rights Shares . . . . .	4:00 p.m. on Thursday, 13 April 2023
Latest time and date for termination of the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Tuesday, 18 April 2023
Announcement of results of the Rights Issue and the application for Excess Rights Shares . . . . .	Monday, 24 April 2023
Despatch of share certificates for the fully-paid Rights Shares . . . . .	Tuesday, 25 April 2023
Despatch of refund cheques, if any, for wholly or partially unsuccessful excess applications or if the Rights Issue is terminated . . . . .	Tuesday, 25 April 2023
Commencement of dealings in the fully-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 26 April 2023

All times and dates stated in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above are indicative only and may be extended or varied by the Company in agreement with the Underwriter and in accordance with the Listing Rules. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

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## EXPECTED TIMETABLE

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

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Underwriting Agreement may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same Business Day; or
- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended 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 or before 4:00 p.m. on Thursday, 13 April 2023, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

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## DEFINITIONS

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

“acting in concert”	having the meaning as set out in the Takeovers Code
“Announcement”	the announcement of the Company dated 29 November 2022 in relation to the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act (Revised) of the Cayman Islands
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Enterprise Development Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on main board of the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company for the time being
“EAF(s)”	the form(s) of application for Excess Rights Shares in the agreed form for use by such Qualifying Shareholders who wish to apply for any Excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve (i) the Underwriting Agreement and the transactions contemplated thereunder; and (ii) the Rights Issue

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## DEFINITIONS

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“Excess Rights Shares”	any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall (for avoidance of any doubt) include any of the Rights Shares created from the aggregation of fractions of the Rights Shares and the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any)
“Excluded Shareholder(s)”	those Overseas Shareholders whose address is/are in such place(s) outside Hong Kong where the Directors, based on the enquiry(ies) made pursuant to the Underwriting Agreement consider it is necessary or expedient on account of either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, to exclude them from the Rights Issue and to whom the Directors decide not to offer any of the Rights Shares
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong Government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019 in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the Underwriting Agreement



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## DEFINITIONS

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“Independent Financial Adviser” or “Capital 9 Limited”	Capital 9 Limited, a licensed corporation carrying out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Rights Issue and the Underwriting Agreement
“Independent Shareholders”	the shareholders, save and except the controlling shareholders of the Company (within the meaning of the Listing Rules) or the Directors and their associates, who are not required under the Listing Rules to abstain from voting on the resolution(s) to approve the Rights Issue at the EGM
“Independent Third Party(ies)”	any person or company 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
“Last Trading Day”	29 November 2022, being the last trading day of the Shares on the Stock Exchange prior to the making of the Announcement
“Latest Practicable Date”	21 February 2023, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on 13 April 2023 or such later time or date as may be agreed between the Parties in writing, being the latest time for acceptance of, and payment for, the Rights Shares and application for and payment for Excess Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on 18 April 2023 or such later time or date as may be agreed between the Parties in writing, which shall be the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange

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## DEFINITIONS

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“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Option Holders”	holders of the outstanding Share Options
“Overseas Shareholder(s)”	such Shareholder(s) whose registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) is/are situated outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders in respect to their pro rata entitlement under the Rights Issue
“Party” or “Parties”	the Company and the Underwriter (each a “Party” and collectively, the “Parties”)
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus (including any supplementary prospectus, if any) to be despatched to the Shareholders in connection with the Rights Issue in such form as may be agreed between the Parties
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	27 March 2023 or such other date as may be agreed between the Parties in writing, being the date for the despatch of the Prospectus Documents (in case of Excluded Shareholder(s), the Prospectus only)
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	24 March 2023 or such other date as may be agreed between the Parties in writing, being the date for the determination of the entitlements under the Rights Issue
“Registrar”	Union Registrars Limited, being the branch share registrar and transfer office of the Company in Hong Kong at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong

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## DEFINITIONS

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“Rights Issue”	the proposed issue of the Rights Shares for subscription by the Qualifying Shareholders on the basis of three (3) Rights Shares for every two (2) existing Shares in issue and held on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	up to 124,896,729 new Shares for subscription by the Qualifying Shareholders by way of the Rights Issue
“Scale-down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of nil-paid Rights Shares shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation or non-compliance with the Public Float Requirement
“Second Supplemental Underwriting Agreement”	the second supplemental underwriting agreement dated 3 February 2023 entered into between the Company and the Underwriter, pursuant to which the Company and the Underwriter agreed that the timetable for the Rights Issue shall have to be further revised to such an extent that certain dates ought to be further postponed (the “ <b>Further Extension</b> ”) and to carry out and give effect to the Further Extension
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time

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## DEFINITIONS

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“Shareholders”	holders of the Shares from time to time
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Share Consolidation”	the latest share consolidation undertaken by the Company with the detailed particulars of which being disclosed in, <i>inter alia</i> , the announcements made by the Company on 14 December 2021, 26 January 2022 and 23 February 2022, respectively, as well as the circular despatched by the Company on 3 January 2022
“Share Option(s)”	as at the Latest Practicable Date, 1,633,212 outstanding share options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 26 May 2016 under and pursuant to which 38,250,000 Share Options were initially granted by the Company with the exercise period falling between 1 December 2020 to 31 August 2030 (both days inclusive), and as a result of the Share Consolidation and lapsed of certain share options pursuant to the terms of the Share Option Scheme, as at the date of the Underwriting Agreement, 1,633,212 Share Options remain outstanding
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.85 per Rights Share
“Supplemental Underwriting Agreement”	the supplemental underwriting agreement dated 10 January 2023 entered into between the Company and the Underwriter, pursuant to which the Company and the Underwriter agreed that the timetable for the Rights Issue shall have to be revised to such an extent that certain dates ought to be put off (the “ <b>Extension</b> ”) and to carry out and give effect to the Extension

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## DEFINITIONS

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“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Underwriter”	VC Brokerage Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 29 November 2022 (as revised and supplemented by the Supplemental Underwriting Agreement and the Second Supplemental Underwriting Agreement) entered into between the Company and the Underwriter in relation to the Rights Issue, and as revised, supplemented and/or amended from time to time in accordance with its terms
“Underwritten Shares”	up to 124,896,729 Rights Shares underwritten by the Underwriter on best-effort basis pursuant to the terms and conditions of the Underwriting Agreement
“Untaken Share(s)”	such number of Rights Shares in respect of which duly completed PAL(s) or EAF(s) have not been lodged for acceptance or not fully paid by the Latest Time for Acceptance, including any Rights Shares to which the Excluded Shareholders would not have otherwise been entitled under the Rights Issue
“%”	per cent.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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If prior to the Latest Time for Termination:

- (1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date 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 absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (5) in the absolute opinion of the Underwriter, there occurs any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of the Underwriter, a material omission in the context of the Rights Issue; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than twenty (20) consecutive Business Days otherwise than due to or in connection with or in relation to the Underwriting Agreement and/or the Rights Issue and excluding any suspension in connection with the clearance of any announcement or other matters in connection with the Underwriting Agreement and/or the Rights Issue, or
- (8) the Prospectus Documents when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the absolute opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue,

the Underwriter shall be entitled to terminate the Underwriting Agreement by notice in writing served on the Company on or prior to the Latest Time for Termination (the "**Termination Notice**"). For the avoidance of any doubt, if the Underwriter, in its sole and absolute opinion considers any COVID-19 related event to have caused a material adverse impact over the implementation of the Underwriting Agreement or the Rights Issue, it shall be entitled to rely on such impact or its aftermath thereof as ground or reason to terminate or rescind the Underwriting Agreement and/or the Rights Issue.

**If the Underwriter terminates 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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LETTER FROM THE BOARD

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**ENTERPRISE DEVELOPMENT HOLDINGS LIMITED**

**企展控股有限公司**

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

**(Stock Code: 1808)**

*Executive Director:*

Ms. Li Zhuoyang

*Independent non-executive Directors:*

Mr. Cai Jinliang

Mr. Chin Hon Siang

Mr. Chen Kwok Wang

*Registered Office:*

Cricket Square

Hutchins Drive

P. O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Head office and principal place of  
business:*

Flat B, 11/F

Hing Lung Commercial Building

68-74 Bonham Strand

Sheung Wan, Hong Kong

24 February 2023

*To the Shareholders*

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES  
FOR EVERY TWO (2) EXISTING SHARES  
HELD ON THE RECORD DATE;  
(II) CLOSURE OF REGISTER OF MEMBERS;  
AND  
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to the Announcement in relation to the proposed Rights Issue and the announcements of the Company dated 10 January 2023 and 3 February 2023 with respect to the delay in despatch of the circular of the Company and revised expected timetable in relation to the proposed Rights Issue.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further information regarding the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM.

### PROPOSED RIGHTS ISSUE

The Board proposed the Rights Issue, details of which are summarised below:

#### Rights Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) existing Shares in issue and held at the close of business on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	81,631,274 Shares
Number of Rights Shares to be issued	:	Up to 124,896,729 Rights Shares (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
Aggregate nominal value of the Rights Shares	:	Up to HK\$12,489,672.90 (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
Subscription Price	:	HK\$0.85 per Rights Share
Net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue)	:	Approximately HK\$0.83 per Rights Share (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)

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## LETTER FROM THE BOARD

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Enlarged number of Shares in issue upon completion of the Rights Issue	:	Up to 208,161,215 Shares (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue)
Gross proceeds from the Rights Issue	:	Up to approximately HK\$106,162,220 before expenses
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 has an outstanding 1,633,212 Share Options granted to the grantees which entitle the holders thereof to subscribe for an aggregate of 1,633,212 new Shares from 1 December 2020 to 31 August 2030 (both days inclusive). Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue. The Company shall not from the date of the Underwriting Agreement until after the Latest Time for Acceptance issue any Shares or issue or grant any options or other securities convertible into, exchangeable for or which carry rights to acquire any Shares.

Assuming that none of the outstanding Share Options are exercised and there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date, the 122,446,911 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents 150% of the total number of issued Shares and approximately 60% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

**The Rights Issue is only underwritten on a best effort basis. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 124,896,729 Rights Shares are available to be subscribed subject, however, to any scale-down vis-a-vis the MGO Obligation or the Public Float Requirement.**

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## LETTER FROM THE BOARD

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**In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

### **Subscription Price**

The Subscription Price is HK\$0.85 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, application for the Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares. According to the Companies Act to which the Company is subject, the issue of Shares at a price below the par value of the Shares is prohibited without the sanction of the Cayman court.

The Subscription Price represents:

- (i) a discount of approximately 39.29% to the closing price of HK\$1.400 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 39.72% to the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 39.37% to the average of the closing price of HK\$1.402 per 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 38.89% to the average of the closing price of HK\$1.391 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 20.86% to the theoretical ex-rights price of approximately HK\$1.074 per Share based on the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.83%, represented by the theoretical diluted price of approximately HK\$1.074 per Share to the benchmarked price of HK\$1.410 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$1.410 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day of HK\$1.400 per Share); and

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## LETTER FROM THE BOARD

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- (vii) a discount of approximately 55.96% to the unaudited consolidated net asset value attributable to Shareholders per Share of approximately HK\$1.93 (based on the latest published unaudited consolidated net asset value attributable to Shareholders of approximately RMB112,234,000 (equivalent to approximately HK\$131,470,908 based on the exchange rate of RMB1 to HK\$1.1714) and 68,031,274 Shares in issue as at 30 June 2022).

The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “**REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**” in this circular. The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in this circular) consider that 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.

### **Status of the Rights Shares**

The Rights Shares, when allotted, issued and fully paid, shall rank *pari passu* in all respects with the Shares then in issue, including the right to receive all dividends and distributions which may be declared, made or paid with a record date which falls on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

### **Qualifying Shareholders**

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders on the Record Date.

To qualify for the Rights Issue, a Shareholder:

- (i) must be registered as a member of the Company at the close of business on the Record Date; and
- (ii) is not an Excluded Shareholder.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

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## LETTER FROM THE BOARD

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In order to be registered as members of the Company on the Record Date so as to qualify for the Rights Issue, any transfer of Shares (together with the relevant share certificates) must be lodged with the Registrar for registration by 4:00 p.m. on Friday, 17 March 2023. The address of the Registrar, Union Registrars Limited, is Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

It is expected that the last day of dealing in the Shares on a cum-rights basis is Wednesday, 15 March 2023 and the Shares will be dealt with on an ex-rights basis from Thursday, 16 March 2023.

Subject to the fulfilment of the conditions precedent as set out in the Underwriting Agreement, the Company will despatch the Prospectus Documents containing, among other things, details of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder, to the Qualifying Shareholders on the Prospectus Posting Date. The Company will despatch the Prospectus (without the PAL or the EAF) to the Excluded Shareholders for their information only.

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

### **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 8 March 2023 to Tuesday, 14 March 2023, both days inclusive, for determining the Shareholders' entitlement to attend and vote at the EGM.

The register of members of the Company will be closed from Monday, 20 March 2023 to Friday, 24 March 2023, both days inclusive, for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

### **Rights of Overseas Shareholders**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

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## LETTER FROM THE BOARD

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The Directors will make enquiries as to the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange in respect of extending the issue of the Rights Shares to Overseas Shareholders whose address on the register of members of the Company is in a place outside Hong Kong on the Record Date. If, after making such enquiries and having obtained legal advice in the relevant jurisdictions, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in that jurisdiction, not to offer the Rights Shares to such Overseas Shareholders, the Rights Issue will not be available to such Overseas Shareholders and no provisional allotment of the nil-paid Rights Shares or allotment of the Rights Shares will be made to them. The results of the enquiries and the basis of exclusion of the Overseas Shareholders will be included in the Prospectus.

As at the Latest Practicable Date, there is no Overseas Shareholder with registered addresses situated outside Hong Kong.

The Company will arrange for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, if any, to be sold in the market as soon as practicable after the commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. In the event that and to the extent that such nil-paid Rights Shares can be sold, the Company will then distribute such proceeds in Hong Kong dollars (after deducting the expenses of sale (if any)) to the Excluded Shareholders pro rata (but rounded down to the nearest cent) to their shareholdings on the Record Date, except that individual amount of HK\$100 or less shall not be so distributed but shall be retained for the benefit of the Company. Any such unsold nil-paid Rights Shares to which such Excluded Shareholders would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAF(s).

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Basis of provisional allotments**

The Company shall provisionally allot the Rights Shares to the Qualifying Shareholders at the Subscription Price, in the proportion of three (3) Rights Shares for every two (2) existing Shares in issue and held on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

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## LETTER FROM THE BOARD

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### **Fractional entitlements**

In any event, fractions of the Rights Shares will not be provisionally allotted to any of the Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders as described in the section headed “**Application for Excess Rights Shares**” below. Should there be no excess application by the Qualifying Shareholders, those Rights Shares created from the aggregation of fraction of the Rights Shares may or may not be taken up by the Underwriter.

### **Application for Excess Rights Shares**

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent:

- (i) any nil-paid Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold;
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares; and
- (iv) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any).

The Company will, upon consultation with the Underwriter, allocate the Excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of the Excess Rights Shares applied for;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no reference will be made to the Rights Shares comprised in applications by the PALs or the existing number of Shares held by Qualifying Shareholders;
- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to applications for topping up odd lots to whole board lots.

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## LETTER FROM THE BOARD

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Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the Excess Rights Shares will not be extended to beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders and investors should consult their professional advisors if they are in any doubt as to their status. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge any transfers of Shares (together with the relevant share certificates) with the Registrar for registration by no later than 4:00 p.m. on Friday, 17 March 2023.

### **Share certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions precedent of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Tuesday, 25 April 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each Shareholder (except HKSCC Nominees Limited) will receive one share certificate for all allotted Rights Shares. If the Underwriting Agreement is terminated or not becoming unconditional, refund cheques (without interest) will be posted on or before Tuesday, 25 April 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses. Refund cheques (without interest) in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on or before Tuesday, 25 April 2023, by ordinary post to the applicants, at their own risk, to their registered addresses.

### **Scale-down of subscriptions to avoid the triggering of MGO Obligation and non-compliance of Public Float Requirement**

Without prejudice to the generality of the Underwriting Agreement, as the Rights Issue is only underwritten by the Underwriter on a best effort basis, to avoid the unwitting triggering of MGO Obligations and non-compliance of Public Float Requirements, all applications for Rights Shares whether under the PAL(s) or the EAF(s), or by transferees of nil-paid Rights Shares, or by subscribers procured by the Underwriter will be made on the basis that the applications are to be scaled-down by the Company to a level which (a) does not trigger a MGO Obligation on the part of the applicant or parties acting in concert with him/her/it, and/or (b) does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares or the Scale-down EAF Shares will be refunded to the applicants, and the Scale-down PAL Shares and the Scale-down EAF Shares will be made available for subscription by other Qualifying Shareholders through the EAF(s).



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## LETTER FROM THE BOARD

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In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares, whether under the PAL(s) or the EAF(s), shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any MGO Obligation or non-compliance of Public Float Requirement. Such scale-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principles: (a) EAF(s) should be scaled down before PAL(s); and (b) where the scale-down is necessitated by the exceeding of shareholding by a group rather than an individual shareholder, the allocations of EAF(s) and PAL(s) to members of the affected group should be made on a pro rata basis by reference to the number of Shares held by the affected applicants on the Record Date, but for the avoidance of any doubt, any or any such onward allocation(s) shall be subject to the Scaling-down as well.

### **Taxation**

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 Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

### **Application for listing**

The Company shall make an application to 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. The nil-paid and fully-paid Rights Shares will be traded in the board lots of 2,000 Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

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 both 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 if they are in any doubt.

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## LETTER FROM THE BOARD

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

### THE UNDERWRITING AGREEMENT

On 29 November 2022 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:

#### Underwriting Agreement

Date	:	29 November 2022 (after trading hours)
Issuer	:	the Company
Underwriter	:	VC Brokerage Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the Latest Practicable Date, the Underwriter does not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.

Number of Rights Shares underwritten by the Underwriter	:	up to 124,896,729 Rights Shares underwritten by the Underwriter on a best-effort basis pursuant to the terms and conditions of the Underwriting Agreement
Underwriting Commission	:	1% of the aggregate Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement

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## LETTER FROM THE BOARD

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Pursuant to the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscription for the Untaken Shares, the Underwriter shall confirm with the Company the actual number of Untaken Shares as at the Latest Time for Acceptance, and shall procure for subscription therefor on best effort basis whilst using its best endeavours to ensure that (1) each of the subscribers of the Untaken Shares procured by the Underwriter shall be an Independent Third Party of and not connected with the Company, any of the Directors or chief executive or substantial shareholders of the Company or their respective associates; (2) the Public Float Requirement be complied with by the Company upon completion of the Rights Issue; and (3) the Underwriter or each subscriber procured by the Underwriter (together with parties acting in concert with the respective subscribers or any of the connected persons or associates of the respective subscribers) shall not hold in aggregate 30% (or such percentage which will trigger any MGO Obligation under the Takeovers Code) or more of the voting rights of the Company immediately after the Rights Issue.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the market practice. The Directors consider that the terms of the Underwriting Agreement including the commission rate, are on normal commercial terms, fair and reasonable and in the interests 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.

Subject to the fulfilment of all the conditions precedent (save and except such conditions precedent waived in accordance with the conditions precedent (6) and (12) and the paragraphs as set out in the section headed "**Conditions precedent of the Rights Issue**") contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for or procure the subscription, on a best effort basis, on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

### **Conditions precedent of the Rights Issue**

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

- (1) the passing by the Independent Shareholders at the relevant EGM of ordinary resolutions to approve the Underwriting Agreement and the transactions contemplated thereunder, including but not limited to the Rights Issue;
- (2) 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 (WUMP) Ordinance not later than the Prospectus Posting Date;

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## LETTER FROM THE BOARD

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- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form 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;
- (4) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriter accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date, and such listing and permission to deal not having been withdrawn or revoked;
- (5) the obligations of the Underwriter having become unconditional and the Underwriting Agreement not having been terminated in accordance with its terms;
- (6) compliance with and performance of all undertakings and obligations, and representations and warranties of the Company under the Underwriting Agreement, and the Underwriting Agreement is not terminated in accordance with its terms;
- (7) compliance with the requirements under all applicable laws and regulations of Hong Kong and Cayman Islands;
- (8) each Party having obtained all necessary consent and/or approval for entering into the Underwriting Agreement or the transactions contemplated therein;
- (9) the entering into of binding agreements by the Underwriter with certain subscribers procured by the underwriter and/or sub-underwriters, which shall be Independent Third Parties, for placing and/or sub-underwriting the Rights Shares;
- (10) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (11) there being no Specified Event occurring on or before the Latest Time for Termination; and

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## LETTER FROM THE BOARD

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- (12) the Underwriter having received from the Company all the documents as set out in the Underwriting Agreement in such form and substance satisfactory to the Underwriter as soon as practicable after the date of the Underwriting Agreement, and not later than 4:00 p.m. on the Business Day immediately before the Prospectus Posting Date.

Apart from the conditions precedent as set out in (6) and (12) above which can be waived in whole or in part by the Underwriter unilaterally by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived. The Parties shall use their respective best endeavours to procure the fulfilment of all the conditions precedent by the Latest Time for Termination or such other date as the Parties may agree in writing and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares (in their nil-paid or fully-paid forms) or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

If any of the conditions precedent (save and except those having been waived in accordance with the above paragraph) are not satisfied in whole by the Latest Time for Termination or such other date as the Parties may agree in writing, the Underwriting Agreement shall terminate (save and except the clauses of fees and expenses and indemnity and certain clauses which shall remain in full force and effect) and no Party shall have any claim against the other Party for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, the condition precedent (8) has been satisfied and none of the other conditions precedent has been satisfied or fulfilled. Further, conditions precedents (6) and (12) have not been waived by the Underwriter to date.

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

The Company is an investment holding company. The Group is principally engaged in the provision of integrated business software solutions and trading of listed securities.

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## LETTER FROM THE BOARD

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The Group is principally engaged in the provision of integrated business software solutions in the PRC. Based on the basic database software and technology, cloud engineered systems, and enterprise software products, such as enterprise resource planning (ERP) software, human capital management (HCM) software, customer relationship management (CRM) software (also known as customer experience), enterprise performance management (EPM) software, and supply chain management (SCM) software provided by multinational computer technology companies such as Oracle, the Group will then provide integration services and tailor-made solutions to cater for the needs of different corporate clients in different industries. As those purchased softwares serve as different core structure with basic designated functions, the Group needs to base on the situation of the clients such as business nature, the size, number of users to integrate different function of the softwares and sell to clients and provide the after-sale maintenance services. In order to meet the business performance requirements of the clients, the Group would need to evaluate and recommend the hardware input/output, central processing unit (CPU) and memory of the database, as well as optimise the configuration of the database's operating parameters. Therefore, engineers of the Group may adjust and/or alter certain configuration and deployment in order to attain best user experience and maximise the performance of such software products with the combination of hardware.

Prior to 2018, the Company relied on the software of Oracle to provide its integrated business software solutions to its clients. After the China–United States trade war broke out in 2018, a number of restrictive policies were implemented by the US government against Chinese enterprises. As a result, the Company chose to rely more on Tencent Cloud TDSQL (騰訊雲數據庫), OceanBase of Alibaba Cloud (阿里雲數據庫) and Dameng Database (達夢數據庫) for provision of its integrated business software solutions and localisation services. The Group would then integrate different functions of the software provided by the above local providers and make the adjustment and/or alteration of certain configuration and deployment in relation to the combination of the hardware and the integrated software. Those solutions and services include but not limited to (i) functional verification of database, (ii) migration drill in the test environment, (iii) data migration in the business environment; (iv) connection with business application system, (v) performance tuning, (vi) stabilisation testing and/or (vii) maintenance of normal data operation. These solutions and services are necessary for the smooth operation of client given the complexity of the features of different software. The Company aims at providing compatibility with the client's business application system. It's also the Company's responsibility as a service provider to make sure that data migration can be performed smoothly when such need arises; and stable operation of the software with optimal performance can be maintained.

The Group has more than 20 years' experience in provision of integrated business software solutions. Due to the enhancement of network bandwidth and change of needs of business environment in different industries, the Group has also expanded and enriched its software business in (i) sale of high-end software products; (ii) provision of software value added services and (iii) personalised and custom development of software products. With the enhancement of technological capabilities including but not limited to, cloud computing technology, artificial intelligence technology and 5G nowadays, and the experience gained in the industry by the Group, the Company intends to incorporate the edge computing architecture into its services to strengthen its computing and storage capabilities as edge computing is expected to improve response times and save bandwidth for its clients.

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## LETTER FROM THE BOARD

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Edge computing is a distributed computing paradigm that brings computation and data storage closer to the sources of data. It improves response times with lower requirement of bandwidth. Edge computing mainly applies on storing and processing data closer to the users and applications that consume it. It helps reducing latency and insulates against internet outages. The term refers to an architecture rather than a specific technology. Edge computing is an alternative architecture to cloud computing for applications that require high-speed and high availability. Edge computing gets around internet dependencies by locating data as close as possible to where it is produced and consumed, which speeds up applications and improves their availability.

In order to further strengthen and expand the business of the Group, it is decided to diversify the Group's software business from providing software solutions and integrated platform to corporate clients to industrial parks (產業園區).

According to the research report titled "2022 Industrial Park Series: China's Industrial Parks High-quality Development Research" issued by LeadLeo (頭豹), since the establishment of the first batch of state-level economic and technological development zone in 1984, various forms of industrial parks emerged with a total of 2,737 state-level and provincial level development zones as of December 2021. Among these development zones, the number of state-level economic and technological development zones amounted to 224, the number of state-level high and new tech development zones amounted to 169, and the number of each of state-level free trade zones and independent innovation zones amounted to 21, respectively. From the business connection of the management of the Group and referral of potential industrial park clients, the Group identified that there is a demand for the industrial parks to upgrade their system to cater for the rapid growth of technology in the PRC.

As mentioned above, the first batch of state-level economic and technological development zone was established in the 80's. Since a great number of industrial parks have been established for a considerably long period of time, it is necessary to update and upgrade the systems including the software and hardware of the industrial parks. As aforementioned, the Group has its expertise in providing integration services and tailor-made solutions to cater for the needs of different corporate clients in different industries based on the basic database software and technology, cloud engineered systems, and enterprise software products, such as enterprise resource planning (ERP) software, human capital management (HCM) software, customer relationship management (CRM) software, enterprise performance management (EPM) software, and supply chain management (SCM) software. Such expertise in the existing software business will also be applied in the Industrial Park Software Project (as defined below) through the enhancement of network bandwidth and 5G technology and the Group will incorporate the edge computing architecture into its services to strengthen its computing and storage capabilities and enable the Industrial Park Software Project to cover various different application area including but not limited to personnel management, vehicle and docking management, goods and logistic management, accident risk management and operation and energy management. Given that the edge computing is about processing data closer to where it's being generated, enabling processing at greater speeds and volumes, leading to greater action-led results in real time. The efficiency of industrial parks in the above aspects will then be enhanced with the application of this technology.

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## LETTER FROM THE BOARD

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With the communication of the business partners and potential clients and site visits to the industrial parks, the Group sees the needs of the industrial parks and the business opportunities therein, and with over 20 years' experience in the provision of integrated business software solutions, the Company is confident of its ability to enter into the industry. In order to grasp the business opportunities created by the boom of industrial parks and the needs for the implementation or improvement of the IT infrastructure, with the experiences gained from the existing individual corporate clients in providing integrated software solutions, the Group regards that a more comprehensive integrated IT solutions with combination of edge computing technology, cloud computing technology, artificial intelligence technology, 5G and other advanced technology in IT solutions which will provide an efficient computing and storage capacity implemented in industrial parks. It will not only enhance the effectiveness of management but also the productivity of the corporations located in the industrial parks (the **“Industrial Park Software Project”**).

Artificial intelligence technology (**“AI Technology”**) is a widely used technology in different systems and software platforms nowadays and it will also be applied on the Industrial Park Software Project. AI Technology such as facial, biometric or car plate number recognition will be embedded in the entrance system or human resource platform of the Industrial Park Software Project to enhance the efficiency and accuracy. The role of the Group is to install the relevant hardware and software purchased from the suppliers and ensure the compatibility of those purchased hardware and software.

The Industrial Park Software Project mainly covers various different application areas in the industrial parks, including but not limited to i) personnel management, ii) vehicle and docking management, iii) goods and logistic management, iv) accident risk management and v) operation and energy management. Area of application will differ from different business nature of the industrial parks and tailor made to suit their particular needs. All the internet of things (**“IoT”**) devices such as AI cameras, perimeter cameras and the other system as mentioned below will be sourced from the outside providers. The engineers of the Group will then install those devices and systems to ensure that the inter-connection among those systems and devices is working. With the past experience in installing of other kinds of hardware, and the manuals and installation instructions provided by the suppliers, the technical specifications for execution would not be a difficult task for the engineers of the Group.

The personnel management would focus on the entrance of personnel in the industrial park or the restricted area. Smart surveillance solution incorporating AI cameras, perimeter cameras, Automatic Number Plate Recognition (**“ANPR”**) system, access control, time attendance system and face recognition barrier may all be integrated to be interconnected, making it easier for operators to control and manage the system.



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## LETTER FROM THE BOARD

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As there are many different vehicles moving in and out and within the industrial parks, the smart system of entrance and logistics will monitor and manage the cars in and out in different areas of the industrial parks and the docking (car park). Pre-screening of vehicles with the ANPR and under carriage scanners for vehicles will collectively reduce the risks of unauthorised access to the industrial park premises, and help to monitor the checkpoint with lower the human resources by manual checks and minimise the error.

Goods and logistic system will assist the industrial park for the business residences which required high demand in goods and logistics facilities such as manufacturing industries. The trackable goods management function, goods classification and diversification system with the connection to the logistic infrastructure enhance the efficiency of the flow of goods and the accuracy of the inventory management.

Accident risk and security management application mainly involved monitor and detection function such as fire, leakage of gas and electricity. The real time connection and auto report system will automatically report to fire station and the central control department in the industrial parks, which will help to minimise the loss in case of the accident. It will also save the human resources in security patrol in the industrial parks.

The technologies of the Industrial Park Software Project also assist in the operation and energy management such as detection and auto adjustment system which will apply in garbage bins, garbage dumps, lighting, air-conditioning and refrigeration system.

The above generally described different function and application of the Industrial Park Software Project. Actual deployment of the system will depend on the needs and business nature of different industrial park clients. The intelligent system of Industrial Park Software Project is fully interconnected with centralized control functions. With the enhancement of the aforementioned advanced technology in IT solutions, the management team of the industrial parks can reduce operation time, human resources and cost while the efficiency in management will be enhanced.

In the Industrial Park Software Project, some of the systems, such as car parking, entrance and logistics system are purchased from other software/hardware companies and ready to use. The Group will modulate the various systems according to the needs of the specific area and integrate these different platforms to be interconnected and ensure the compatibility and interoperability.

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## LETTER FROM THE BOARD

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The Group has gained extensive experience in data processing and setting up cloud computing with the enhancement of network bandwidth and 5G technology from the existing business of the Group as the private clients of the Group also involved and required data processing and clouding computing and it is more and more widely used in different industries. Edge computing technology is in the similar nature. Instead of centralised computing, edge computing manages the IoT devices nearby and enables data processing in close proximity. In the application of edge computing technology in the Industrial Park Software Project, the Group will apply its technical knowhow on cloud data processing experience but divert the data processing to edge computing and lead to a far more effective and efficient IoT environment in the Industrial Park Software Project.

When evaluating the feasibility for the Industrial Park Software Project, the Company has considered different aspects including but not limited to the potential market needs, the expected growth of demand in the technologies, the experience, the complexity and productivity of the Group.

As aforementioned, there are needs to upgrade the software and the hardware of the first-generation industrial parks since their establishment in the 80's. In addition, due to the enhancement of technologies, the expansion of bandwidth, 5G and edge computing, the calculation speed of software and database of the Industrial Park Software Project will be improved substantially. According to the "Edge Computing Market and User Insight Report (2022)" of China Academy of Information and Communications Technology, it is expected that the average annual growth rate of edge computing market will be more than 50% in the next three years.

As the application criteria of the Industrial Park Software Project fall into the same application and development background of the existing software business of the Group, the experience gained by the engineers of the Group from the existing business equipped them in the development of the Industrial Park Software Project in terms of technology and project management. Given the scale of the Industrial Park Software Project is larger than the existing corporate clients of the Group, different functional team such as the project management team, engineering implementation team, user coordination team, quality assurance team and research and development support team (in particular, which is responsible for (i) the planning and organising resources on site in order to secure the technical implementation activities of the project according to the project master plan; and (ii) the technical review of product solutions to ensure the feasibility of the solutions) may be set up if the client base is expanded in the future.

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## LETTER FROM THE BOARD

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When assessing the profitability of the Industrial Park Software Project upon the execution of the agreement with the client, on the basis of a period of five years for the Industrial Park Software Project, the Company expects that there will be higher cost in the set up and development stage in the first two years and the Group will receive some set up fees from the clients. Upon the implementation stage of the Industrial Park Software Project, the Company will receive the Project Fee (as defined below) and the Periodical Fee (as defined below) and the profit margin will increase by up to a double-digit. Actual fee scale of each project may be varied case by case depending on the size, expected schedule and financial situation of different clients. The Group will assess the credit risk of each project from time to time according to the policy of the Group to ensure project fees will be received.

In light of the above, the Group's experience and expertise in the existing software business is applicable to the Industrial Park Software Project as such experience and expertise will further be applied to different application criteria in the industrial parks. Details of which will be discussed as below in this section. With the expansion of the Group's business, the overall human resources requirements of the Group will be increased accordingly and the Group will allocate parts of the proceeds from the Rights Issue to hire extra manpower including engineers with the technical know-how to participate in the Industrial Park Software Project to enhance its quality and reliability. The business nature of the Industrial Park Software Project is same as the existing software business of the Group which involves sales of the softwares after adjustment of configuration and deployment and integration to management companies/units/authorities of industrial parks. The Group still needs to purchase the softwares as the core structure and based on the scale, number of users, business nature and other relevant factors to tailor-make a functional one for different industrial parks. As the size and number of corporations involved in industrial parks is expected to be larger and higher than individual corporate clients, the computing efficiency requirement of industrial parks will also be higher. As such, the incorporation of edge computing architecture will enhance the productivity and performance of the integrated softwares provided by the Group. In light of the above, the Company is of the view that the Industrial Park Software Project is in line with the Group's principal business.

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## LETTER FROM THE BOARD

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The Group became acquainted with the potential clients through some of the Directors or senior management of the Group in the PRC or the introduction by the existing or previous clients. The Group has been in touch with a dozen or more industrial parks which may become the potential clients of the Group, in which five of them are situated in Fujian Province, the PRC have reached preliminary cooperation intention and in active negotiation with the Group in the use of the solutions and integrated platforms in the whole management of those industrial parks. Some of them have been built for long and is time to have improvement of its management system. However, due to the capital requirement of setting up hardware and infrastructure (e.g. bandwidth) in those industrial parks in the first stage, the Group will finalise the terms of the contracts with those potential clients upon the funding from the Rights Issue is in place. Also, there are another 7 potential clients who are in the process of discussion with the Group, of which two of them have already entered into non-legally binding strategic cooperation framework agreements with the Group. The rest of them have been keeping close contact with the Group and have expressed their strong interests to become the clients of the Industrial Park Software Project.

The Company will receive an overall fee for each respective industrial park (the “**Project Fee**”). The Project Fee includes the installation of both software and hardware of the industrial parks, as they work together and are bundled up as a system. Since the process from the deployment to operating smoothly will involve several crucial stages to fix the compatibility, performance and agility of such infrastructure, the payment of the Project Fee will be collected by instalments, with reference to the respective phases or stages. It is expected and believed that the Project Fee for each Industrial Park Software Project can be fully settled within 12-18 months upon the implementation stage, depending on the situation of each industrial park.

Apart from the Project Fee, the Company will also charge the industrial parks a periodical fee (i.e. on monthly or quarterly or annual basis) (the “**Periodical Fee**”) for subsequent maintenance and further upgrade or modification of the software and hardware installed and implemented will be required to better cater for the change in needs of the industrial parks from time to time so as to ensure their overall productivity and efficiency. Given the nature of the Project Fee is not an one-off payment, and the Group has identified certain potential clients, it is expected that the proceeds from the Rights Issue will provide sufficient funding for kicking off several Industrial Park Software Project to different clients at the same time or within a period of time.

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## LETTER FROM THE BOARD

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Currently, the Group has already had in-depth discussion with those potential clients of the Industrial Park Software Project and the Group has understood their needs for digital management and facilitation of services in the industrial park, and the potential clients are keen to form a business relationship with the Group because of the Group's good reputation and the offices across the PRC located in Beijing, Shanghai, Guangzhou and Chengdu, the large network of famous business partners and the extensive past experience of providing solutions and implementation to a wide variety of companies in different kinds of industries and government authorities. The funding needs are determined with reference to the needs of the clients, the type and size of the clients and the services required by the clients. Once the funding from the Rights Issue is in place, the Group will finalise the terms of the contracts with those potential clients. As the Industrial Park Software Project is an on-going business of the Group, the planned use of proceeds from the Rights Issue would not be allocated to other areas of the Group.

The net proceeds from the Rights Issue, after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be not more than approximately HK\$104.05 million (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue).

The Company intends to apply (i) 96% of the net proceeds from the Rights Issue of the maximum amount of approximately HK\$99.96 million (RMB91.50 million) for the general working capital of the Group in the Industrial Park Software Project in which (a) approximately HK\$77.56 million (RMB71 million) will be applied in the procurement of the hardware facilities (including RMB33.40 million for acquiring computer hardware and servers), networking facilities (including RMB2.20 million for leasing broadband), database facilities (including RMB11.70 million for setting up data centre) and application facilities (including RMB23.70 million for purchasing software and setting up application systems) for the use of the clients of the Industrial Park Software Project; (b) approximately HK\$22.40 million (RMB20.50 million) will be applied in the staff cost (including the hiring of professionals), sales and marketing for promotion of the services of the Industrial Park Software Project in different industrial parks located in different provinces in the PRC (including but not limited to (1) placing the Company's brand promotional videos and articles; (2) placing billboards of the Company's products and services; and (3) organising large edge computing technology forums to provide updated industry information and as gathering of business associates and potential clients and seek for business opportunities), and management and other operating expenses (including (1) management fee such as rent and utilities; (2) tax; (3) equipment testing and evaluation; and (4) other miscellaneous expenses) for the use of the Group; and (ii) 4% of the net proceeds of approximately HK\$4.09 million from the Rights Issue will be for the general working capital such as overhead expenses including salary, rental and other expenses of the Company.

For illustration purposes, the table below has summarised the breakdown and the expected timeline of the use of proceeds which would be applied in the Industrial Park Software Project as follows:

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## LETTER FROM THE BOARD

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As planned by the Group, the total net proceeds will be fully utilised in two years and thereafter, the payment of costs/expenses will be sustainable by the Project Fee and Periodical Fee to be received by the Group.

Items	2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>	Sub-total <i>(RMB million)</i>
Hardware facilities, network facilities, database facilities and application facilities	33.80	37.20	71.00
Staff cost	1.90	2.30	4.20
Sale and marketing	4.20	4.40	8.60
Management and other operating expenses			
– Management fee	0.80	0.80	1.60
– Tax	0.80	1.00	1.80
– Equipment testing and evaluation	1.40	1.80	3.20
– Miscellaneous expenses	<u>0.50</u>	<u>0.60</u>	<u>1.10</u>
Total	<u><u>43.40</u></u>	<u><u>48.10</u></u>	<u><u>91.50</u></u>

The expected timeline of the HK\$4.09 million applied in the general working capital of the Company will be used by April 2024.

As the Industrial Park Software Project is a long-term and ongoing business of the Group, the planned sale and marketing expenses are used to prepare for the future business and to find new clients. Given the time required for the Group to introduce the details of the Industrial Park Software Project and to negotiate with clients on the terms and conditions of agreement as well as the two years of set up and development stage, revenue may not increase until three or four years from now. Therefore, the planned sale and marketing expenses are for future sustainable development and to maintain a stable annual income for the Group.

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## LETTER FROM THE BOARD

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Given the Rights Issue will be underwritten on best-effort basis, and the contracts of the potential clients of the industrial parks have not been entered into, in the event that the net proceeds from the Rights Issue is not sufficient for the set-up cost of the Industrial Park Software Projects for the confirmed potential clients, the Group will depend on the amount of the net proceeds to gradually implement the projects to its confirmed clients. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

As at 30 June 2022, the Group had cash and cash equivalent balance of approximately RMB73 million, of which (i) approximately RMB43 million was assigned for the procurement of database software in the Group's sale of database software business; (ii) approximately HK\$15.64 million (equivalent to approximately RMB12.85 million based on the exchange rate of approximately HK\$1 to RMB0.82) deposited in the Company's Hong Kong bank account was reserved for the capital injection in Beijing Orient LegendMaker Software Development Co., Limited ("**Beijing Orient Capital Injection**"); and (iii) approximately RMB16.5 million deposited in the Company's PRC subsidiaries bank account reserved for general working capital use at PRC subsidiaries level. Hence, as at 30 June 2022, the Company had less than RMB1 million funds available for use as general working capital for the Company's Hong Kong office.

Based on the Company's estimation, the monthly operating expenses of the Company's Hong Kong office including salaries payment, rental payments, professional fees, office overheads and other day-to-day operation payments amounted to approximately RMB0.7 million, as such, the funds available for use as general working capital at the listed company level as at 30 June 2022 would only be sufficient to cover not more than two months of the operation of the Company's Hong Kong office. As such, the Company had replenished its working capital by relocating HK\$4 million from the proceeds from the previous subscriptions for the use as general working capital of the Company as an interim measure to resolve the urgent working capital need for the Company's operation in Hong Kong. On 10 August 2022, the Company announced to conduct a placing of new Shares under general mandate and had raised net proceeds of approximately of HK\$10.95 million, of which HK\$4 million will be applied to resolve the shortfall for the planned Beijing Orient Capital Injection and the remaining approximately HK\$6.95 million will be applied as general working capital for the Company's Hong Kong office (for further details, please refer to the announcements of the Company dated 5 August 2022, 10 August 2022 and 25 August 2022).

As disclosed in the annual report for the year ended 31 December 2021, in order to maintain the Group's sustainability and value creation capability over the long term, the Group will continue to look for suitable business opportunities. In addition, having considered that (i) the needs of the industrial parks and business opportunities therein; (ii) the feasibility for the Industrial Park Software Project; (iii) the profitability of the Industrial Park Software Project; (iv) the number of potential customers and the possibility of entering into agreements; and (v) the enhancement of developing the Group's business and broadening its source of income, the Company decided to conduct the Rights Issue to raise the funding for the Industrial Park Software Project.

## LETTER FROM THE BOARD

In light of the above, the Directors are of the view that there remains an imminent need to conduct the Rights Issue for the Industrial Park Software Project and the medium to long-term working capital needs of the Company.

The Directors consider that the Rights Issue will strengthen its capital structure without incurring debt financing cost. Also, the Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro rata provisional entitlement of the Rights Shares and hence avoids dilution in their shareholding interests in the Company. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications.

The expenses in relation to the Rights Issue (including the underwriting commission, financial advisory fee, printing, translation, registration, legal, accounting, levy, and documentation charges) payable by the Company are estimated to be approximately HK\$2.11 million, subject to the final subscription.

In light of the aforementioned, the Directors consider that the terms of the Underwriting Agreement are fair and reasonable and the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

### EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, set out below are the shareholding structures of the Company as at the Latest Practicable Date to immediately after completion of the Rights Issue assuming (i) no exercise of the outstanding Share Options on or before the Record Date; and (ii) the exercise of all the outstanding Share Options in full on or before the Record Date:

#### Scenario 1: assuming no exercise of the outstanding Share Options on or before the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after the Rights Issue			
			Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholder		Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter and/or the subscriber(s) procured by it	
	Number of Shares	Approximate	Number of Shares	Approximate	Number of Shares	Approximate
<b>Substantial Shareholders</b>						
Hong Tai International II LPF	10,192,714	12.49%	25,481,785	12.49%	10,192,714	4.99%
De Gennes Limited (Note 1)	<u>9,637,765</u>	<u>11.81%</u>	<u>24,094,412</u>	<u>11.81%</u>	<u>9,637,765</u>	<u>4.72%</u>
Sub-total	19,830,479	24.30%	49,576,197	24.30%	19,830,479	9.71%
<b>Public Shareholders</b>						
The Underwriter and/or its subscriber(s) procured by it	-	-	-	-	122,446,911	60.00%
Other public Shareholders	<u>61,800,795</u>	<u>75.70%</u>	<u>154,501,988</u>	<u>75.70%</u>	<u>61,800,795</u>	<u>30.29%</u>
Sub-total	<u>61,800,795</u>	<u>75.70%</u>	<u>154,501,988</u>	<u>75.70%</u>	<u>184,247,706</u>	<u>90.29%</u>
Total	<u><u>81,631,274</u></u>	<u><u>100.00%</u></u>	<u><u>204,078,185</u></u>	<u><u>100.00%</u></u>	<u><u>204,078,185</u></u>	<u><u>100.00%</u></u>



## LETTER FROM THE BOARD

### Scenario 2: assuming the exercise of all outstanding Share Options in full on or before the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after the Rights Issue			
			Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholder		Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter and/or the subscriber(s) procured by it	
	Number of Shares	Approximate	Number of Shares	Approximate	Number of Shares	Approximate
<b>Substantial Shareholders</b>						
Hong Tai International II LPF	10,192,714	12.49%	25,481,785	12.24%	10,192,714	4.90%
De Gennes Limited (Note 1)	<u>9,637,765</u>	<u>11.81%</u>	<u>24,094,412</u>	<u>11.57%</u>	<u>9,637,765</u>	<u>4.63%</u>
Sub-total	19,830,479	24.30%	49,576,197	23.81%	19,830,479	9.53%
<b>Director</b>						
Ms. Li Zhuoyang (“Ms. Li”) (Note 2)	<u>-</u>	<u>-</u>	<u>810,175</u>	<u>0.39%</u>	<u>324,070</u>	<u>0.16%</u>
Sub-total	-	-	810,175	0.39%	324,070	0.16%
<b>Public Shareholders</b>						
Options Holders except Ms. Li	-	-	3,272,855	1.57%	1,309,142	0.63%
The Underwriter and/or its subscriber(s) procured by it	-	-	-	-	124,896,729	60.00%
Other public Shareholders	<u>61,800,795</u>	<u>75.70%</u>	<u>154,501,988</u>	<u>74.23%</u>	<u>61,800,795</u>	<u>29.68%</u>
Sub-total	<u>61,800,795</u>	<u>75.70%</u>	<u>157,774,843</u>	<u>75.80%</u>	<u>188,006,666</u>	<u>90.31%</u>
Total	<u><u>81,631,274</u></u>	<u><u>100.00%</u></u>	<u><u>208,161,215</u></u>	<u><u>100.00%</u></u>	<u><u>208,161,215</u></u>	<u><u>100.00%</u></u>

**Notes:**

- De Gennes Limited is wholly-owned by Mr. Wu Xiaodong. Therefore, Mr. Wu Xiaodong is deemed to be interested in the number of Shares held by De Gennes Limited by virtue of the SFO.
- Ms. Li, who is the executive Director, beneficially owns 324,070 Share Options.

### POSSIBLE ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, there are 1,633,212 outstanding share options under the Share Option Scheme. Pursuant to the terms and conditions of the Share Option Scheme and the Listing Rules, the exercise price and/or the number of the outstanding Share Options granted under the Share Option Scheme will be adjusted. Further announcement will be made in respect of the said adjustments as and when appropriate.

## LETTER FROM THE BOARD

### EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activities during the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of net proceeds	Actual use of net proceeds	Allocation of unutilised net proceeds	Expected timeline for the use of proceeds
10 August 2022, 25 August 2022 and 1 September 2022 (date of completion)	Placing of 13,600,000 Shares under general mandate	HK\$10.95 million	(i) HK\$4 million for the Beijing Orient Capital Injection, and  (ii) approximately HK\$6.95 million as general working capital for the Company's Hong Kong office	approximately HK\$1.90 million for general working capital of the Group which was used on, including, but not limited to, approximately HK\$0.49 million for staff cost, approximately HK\$0.98 million for professional fees, approximately HK\$0.23 million for rental payment, and approximately HK\$0.20 million for general administrative and operating expenses of the Group	(i) HK\$4 million for the Beijing Orient Capital Injection, and  (ii) approximately HK\$5.05 million as general working capital for the Company's Hong Kong office	By August 2023  By October 2023

13 July 2022, 29 July 2022 (lapse of the placing)	Placing of 13,606,000 Shares under general mandate	Not applicable (the placing agreement lapsed and ceased to have any effect on 1 August 2022)				
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Date of announcement	Event	Net proceeds raised (approximately)	Intended use of net proceeds	Actual use of net proceeds	Revised allocation of unutilised net proceeds	Expected timeline for the use of proceeds
9 November 2021, 7 December 2021, 29 December 2021 (date of completion) and 5 August 2022 (change in use of proceeds)	Issue of 226,770,954 subscription Shares under general mandate	HK\$22.37 million	(i) approximately HK\$15.64 million for Beijing Orient Capital Injection and  (ii) approximately HK\$6.73 million for general working capital of the Group which should be applied on, including, but not limited to, approximately 70% for staff cost, approximately 20% for professional fees, approximately 5% for rental payments and approximately 5% for general administrative and operating expenses of the Group	approximately HK\$10.73 million for general working capital of the Group which was used on, including, but not limited to, approximately HK\$7.35 million for staff cost, approximately HK\$2.21 million for professional fees, approximately HK\$0.48 million for rental payments and approximately HK\$0.69 million for general administrative and operating expenses of the Group	(i) approximately HK\$11.64 million for Beijing Orient Capital Injection (Note 1)	By August 2023  N/A

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## LETTER FROM THE BOARD

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*Note:*

1. As at the Latest Practicable Date, the unutilised net proceeds from the subscriptions of approximately HK\$11.64 million has not yet been utilised. The remaining proceeds will be used according to the revised allocation of unutilised net proceeds mentioned above.

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

### **LISTING RULES IMPLICATIONS**

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 month period immediately preceding the Latest Practicable Date, the Rights Issue will be subject to the approval by the Independent Shareholders at the EGM by way of poll at which the 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 resolution(s) relating to the Rights Issue at the EGM.

The Company has not conducted any rights issue, open offer and/or specific mandate placings within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of such rights issue, open offer and/or specific mandate placings within such 12-month period. 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.

### **EGM**

The EGM will be convened and held at Meeting Room (SOHO1), 6/F., IBIS Hong Kong Central Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Tuesday, 14 March 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, approving the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder. The proposed resolution will be conducted by way of a poll at the EGM pursuant to Rule 13.39(4) of the Listing Rules and an announcement on the results of the EGM will be made by the Company after the EGM.

As at the Latest Practicable Date, the Company has no controlling Shareholder as defined under the Listing Rules and none of the Directors and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolution to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder at the EGM.

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## LETTER FROM THE BOARD

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A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use by the Shareholders at the EGM or any adjournment thereof is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares, PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Monday, 27 March 2023.

### **RECOMMENDATION**

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Cai Jinliang, Mr. Chin Hon Siang and Mr. Chen Kwok Wang, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Capital 9 Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 44 to 45 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Capital 9 Limited set out on pages IFA-1 to IFA-27 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) are of the opinion that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, 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, accordingly, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

### WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES AND NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the section headed “Conditions precedent of the Rights Issue” and “Termination of the Underwriting Agreement” in this circular). Accordingly, the Rights Issue may or may not proceed.

Any Shareholder or other person dealing in the existing Shares and/or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the existing Shares and/or the nil-paid Rights Shares. Any party (including Shareholders and potential investors of the Company) 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).

Yours faithfully,  
For and on behalf of the Board of  
**Enterprise Development Holdings Limited**  
**Li Zhuoyang**  
*Executive Director*



**ENTERPRISE DEVELOPMENT HOLDINGS LIMITED**

**企展控股有限公司**

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

**(Stock Code: 1808)**

24 February 2023

**PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES  
FOR EVERY TWO (2) EXISTING SHARES  
HELD ON THE RECORD DATE;  
AND  
CLOSURE OF REGISTER OF MEMBERS**

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 24 February 2023 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Details of the Rights Issue are set out in the “Letter from the Board” on pages 14 to 43 of the Circular.

Capital 9 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 taken into consideration in arriving thereat, are set out in its letter on pages IFA-1 to IFA-27 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having taken into account the terms of the Rights Issue and the Underwriting Agreement, the information contained in the Circular and the advice of the Independent Financial Adviser, we consider that the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution approving the Rights Issue, the Underwriting Agreement and the transaction contemplated thereunder at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee of

**Enterprise Development Holdings Limited**

**Mr. Cai Jinliang**

**Mr. Chin Hon Siang**

**Mr. Chen Kwok Wang**

*Independent non-executive Directors*

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## LETTER FROM CAPITAL 9 LIMITED

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue for the purpose of incorporation into this Circular.*



**Capital 9 Limited**

24 February 2023

*To the Independent Board Committee and the Independent Shareholders of  
Enterprise Development Holdings Limited*

Dear Sir/Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES 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 Rights Issue, particulars of which are set out in the section headed “Letter from the Board” (the “**Letter from the Board**”) contained in the circular of the Company dated 24 February 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement. The Company proposes to raise up to approximately HK\$106.16 million before expenses, or net proceeds of not more than approximately HK\$104.05 million after deducting the underwriting commission, professional fees and all other relevant expenses, by way of the Rights Issue, by issuing up to 124,896,729 Rights Shares (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue) at the Subscription Price of HK\$0.85 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held on the Record Date. The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders on the Record Date.



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## LETTER FROM CAPITAL 9 LIMITED

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The Company will arrange for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, if any, to be sold in the market as soon as practicable after the commencement of dealings on the Stock Exchange in Rights Shares in nil-paid form and in any event before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. In the event that and to the extent that such nil-paid Rights Shares can be sold, the Company will then distribute such proceeds in Hong Kong dollars (after deducting the expenses of sale (if any)) to the Excluded Shareholders pro rata (but rounded down to the nearest cent) to their shareholdings on the Record Date, except that individual amount of HK\$100 or less shall not be so distributed but shall be retained for the benefit of the Company. Any such unsold nil-paid Rights Shares to which such Excluded Shareholders would otherwise have been entitled will be made available for excess application by the Qualifying Shareholders under the EAF(s).

On 29 November 2022 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to underwrite, on a best effort basis, the Underwritten Shares of up to 124,896,729 Rights Shares (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date) subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained in the Underwriting Agreement. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 124,896,729 Rights Shares are available to be subscribed subject, however, to any scale-down vis-a-vis the MGO Obligation or the Public Float Requirement. In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares, and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue, will increase the total number of issued Shares by more than 50% within a 12 month period immediately preceding the Latest Practicable Date, the Rights Issue will be subject to the approval by the Independent Shareholders at the EGM by way of poll at which the 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 resolution(s) relating to the Rights Issue at the EGM.

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## LETTER FROM CAPITAL 9 LIMITED

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The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to them on how to vote at the EGM. As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give independent opinion to the Independent Board Committee for it to advise the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, among other things, (i) the annual and interim report of the Company for the year ended 31 December 2021 (the “**2021 AR**”) and the six months ended 30 June 2022 (the “**2022 IR**”) respectively; (ii) the Announcement; (iii) the Underwriting Agreement; and (iv) other information contained in the Circular.

We have also relied on (i) the information, facts and representations provided, and the opinions and views expressed, to us by the Company, the Directors and/or the management of the Group, and (ii) the information, facts, representations, opinions and views of the Company, the Directors and/or the management of the Group contained or referred to in the Circular, including but not limited to the Letter from the Board contained therein, all of which have been assumed to be true, accurate and complete at the time they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, view and intention made by the Company, the Directors and/or the management of the Group in the Circular, including but not limited to the Letter from the Board contained therein, were reasonably made after due and careful enquiry and the expectations and intentions made by the Company, the Directors and/or the management of the Group will be met or carried out as the case may be. We consider that we have received and reviewed sufficient information to reach an informed view and have no reason to believe that any material information has been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the Directors and/or the management of the Group. We have been confirmed by the Company that no material facts have been withheld or omitted from the information provided to us, the opinion expressed to us, and/or information or opinion contained or referred to in the Circular.

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

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## LETTER FROM CAPITAL 9 LIMITED

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We have not, however, carried out any independent verification of the information provided by the Company, the Directors and/or the management of the Group, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or any of its subsidiaries, controlled entities, jointly controlled entities or associates. We consider that we have performed our duties with impartiality and independence from the Company.

As at the Latest Practicable Date, we were not aware of any relationships between us and, nor any interests held by us in, the Company that could reasonably be regarded as hindrance to our independence as defined under the Listing Rules to act as the Independent Financial Adviser. In the past two years preceding the Latest Practicable Date, there was no engagement between the Company and us other than this engagement and we did not have any relationship with or interest in the Company that could reasonably be regarded as relevant to our independence. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company. Accordingly, we are qualified to give independent advice in relation to the Rights Issue.

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

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

#### **(1) Information on the Group**

##### ***(a) Historical financial performance***

The Group is principally engaged in (i) the provision of integrated business software solutions and (ii) trading of listed securities.

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## LETTER FROM CAPITAL 9 LIMITED

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Set out below are the summarised financial information of the Group for the two years ended 31 December 2020 (“FY2020”) and 2021 (“FY2021”) and the six months ended 30 June 2021 (“1H2021”) and 2022 (“1H2022”), as extracted from the 2021 AR and 2022 IR respectively, and further confirmed by the Company:

	FY2020	FY2021	1H2021	1H2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
<b>Revenue, comprising</b>	<b>70,839</b>	<b>40,825</b>	<b>20,739</b>	<b>24,852</b>
(i) Software maintenance and other services	67,897	38,172	14,279	15,513
(ii) Sale of software license and other products	2,633	2,293	6,281	9,339
(iii) Others (money lending and security trading)	309	360	179	–
Gross profit	17,578	16,512	7,107	11,032
<b>Gross profit margin</b>	<b>24.8%</b>	<b>40.4%</b>	<b>34.3%</b>	<b>44.4%</b>
Other income and gains, net	862	5,073	3,045	174
Distribution expenses	(19,486)	(16,710)	(8,954)	(7,130)
General and administrative expenses	(17,305)	(17,870)	(9,937)	(9,026)
Other operating expenses	(7)	(6)	–	–
Fair value (loss) gain on financial assets at fair value through profit or loss (“FVPL”)	3,696	(8,028)	(5,896)	(7,829)
Loss allowance on trade and other receivables, net	(975)	(7,056)	–	–
Impairment on intangible assets	(8,215)	(1,479)	–	–
Loss from operation	(23,852)	(29,564)	(14,635)	(12,779)
Finance costs	(1,223)	(715)	(91)	(395)
Loss before taxation	(25,075)	(30,279)	(14,726)	(13,174)
Income tax (expense) credit	(247)	(455)	227	(114)
<b>Loss for the year/period, attributable to</b>	<b>(25,322)</b>	<b>(30,734)</b>	<b>(14,499)</b>	<b>(13,288)</b>
– Equity shareholders of the Company	(16,833)	(23,820)	(11,974)	(12,892)
– Non-controlling interests	(8,489)	(6,914)	(2,525)	(396)

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## LETTER FROM CAPITAL 9 LIMITED

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For FY2021, the Group's revenue amounted to approximately RMB40.8 million, representing a decrease of approximately RMB30.0 million from approximately RMB70.8 million for FY2020. As stated in the 2021 AR, the decrease in overall revenue for the software business was mainly due to outbreak of COVID-19 which has brought a negative impact on overall market sentiment and the Group's financial performance for FY2021. The COVID-19 pandemic has posed significant challenges to the Group's business activities and caused operational delays to some extent. Gross profit of approximately RMB16.5 million was recorded for FY2021, compared to approximately RMB17.6 million for FY2020. Nevertheless, the Group recorded gross profit ratio of approximately 40.4% for FY2021, an improvement compared to that of 24.8% for FY2020, mainly due to the increase in proportion for sale of self-developed products which had higher gross profit margin in FY2021. Loss for the year of approximately RMB30.7 million was recorded for FY2021, compared to loss of approximately RMB25.3 million for FY2020, which was mainly due to recognition of fair value loss on financial assets at FVPL of approximately RMB8.0 million for FY2021, compared to fair value gain of approximately RMB3.7 million for FY2020.

For 1H2022, the Group's revenue amounted to approximately RMB24.9 million, representing an increase of approximately RMB4.2 million from approximately RMB20.7 million for 1H2021. As stated in the 2022 IR, the increase in overall revenue for the software business was mainly driven by the demand from both existing and new customers, and new contracts signed for domestic-produced database software, which was in alignment with the localisation policy for the database software business in the PRC. Gross profit of approximately RMB11.0 million was recorded for 1H2022, compared to approximately RMB7.1 million for 1H2021. Gross profit ratio of approximately 44.4% was recorded for 1H2022, compared to approximately 34.3% for 1H2021. Such increase in gross profit ratio was mainly due to the increase in proportion for self-developed software solution services which had higher gross profit margin for 1H2022. Loss for the period of approximately RMB13.3 million was recorded for 1H2022, compared to loss for the period of approximately RMB14.5 million for 1H2021.

As stated in the 2021 AR and 2022 IR, the Group's working capital was funded by the cash generated from operating and financing activities. As at 30 June 2022, the Group maintained cash and cash equivalents of approximately RMB73.2 million, a substantial drop compared to approximately RMB115.6 million as at 31 December 2021, and of which approximately RMB72.35 million has been earmarked for specific uses and less than RMB1 million was available for use as general working capital by the Company's Hong Kong office as stated in the Letter from the Board. As at 30 June 2022, the Group's current ratio was approximately 5.88 times, compared to approximately 6.77 times as at 31 December 2021. The Group's interest-bearing borrowings increased to approximately RMB13.8 million as at 30 June 2022 from approximately RMB10.1 million as at 31 December 2021.

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## LETTER FROM CAPITAL 9 LIMITED

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We understood from the Company that given the challenges to the Group posted by the outbreak of COVID-19 pandemic in last two years, it is crucial for the Group to increase its competitiveness to deal with possible challenges in the future by way of, among others, expansion of customer base. Industrial Parks Software Project is a potential business opportunity identified by the Group which the Group has confidence to develop given its industry experience. After considering the factors above, we concur with the Company's views that it is crucial for the Group to raise funds to seize the opportunity to undertake Industrial Park Software Project after taking into account the financial position of the Group as at 30 June 2022 compared to that as at 30 June 2021 as stated above.

***(b) Prospects of the Group***

As stated in the 2022 IR, given the outbreak of COVID-19 causing operational delays to the Group's business activities, the Group has tried to maintain its competitiveness through introduction of new products and services, further broadening of client bases and implementation of various cost control policies. The Group has put great effort on the improvement of its profit margin in the software maintenance services and repositioning its products in terms of lowering the cost of sales. In addition, in or around early 2022, the Group commenced implementation of database software localisation which was in line with relevant policy adopted by the PRC Government in light of trade war between the PRC and the United States. For 1H2022, the Group recorded revenue increase of 19.8% with higher gross profit ratio as compared with 1H2021. The Company expects that on a long-term basis, there will be more PRC-based customers switching to the domestic brand when seeking for database software service providers.

Further, as stated in the Letter from the Board, the Company has identified the business opportunities created by the boom of industrial parks and the needs for the implementation or improvement of the information technology infrastructure there. Hence, it has decided to diversify its software business to industrial parks. With more than 20 years' experience in the provision of integrated business software solutions, the Group is confident of its business diversification and the prospects of software business in the PRC.

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## LETTER FROM CAPITAL 9 LIMITED

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We have reviewed the research report “2022 Industrial Park Series: China’s Industrial Parks High-quality Development Research” as stated in the Letter from the Board. According to such report, the first batch of state-level economic and technological development zone was established in 1984 and there were over 2,700 state-level and provincial level development zones in the PRC by December 2021. The Company estimated that a number of them have been established for many years and thus the hardware and software systems used by them may probably require update and upgrade. We have discussed with and understood from the Company with respect to how the Group identified such need of the industrial parks. As stated in the Letter from the Board, based on communication with business partners and in-depth discussion with potential industrial park clients, and findings from site visits to understand the situation and needs of those parks, the Group identified that there is a demand for the industrial parks to update and upgrade their system to cater for the rapid growth of technology in the PRC. Taking into account the above, we concur with the Directors’ view that software and hardware systems update and upgrade in those industrial parks is necessary.

In respect of the feasibility and profitability of the Industrial Park Software Project, we have reviewed a proposal prepared by the Group with an analysis demonstrating that the undertaking of the project by the Group is feasible after taking into consideration various factors, in particular, IT infrastructure required to be improved and implemented in the parks, business model, services to be provided by the Group, development schedule, budget, profitability, market and risk analysis. As shown in the analysis, while there will be a cost burden on the Group in the set up and development stage of the projects, a double-digit increase of profit margin during the implementation stage is expected with the receipt of project and periodical fee from the clients by the Group.

Further, according to the statistics released in the website of the relevant PRC authority, the accumulated revenue of completed software service in the PRC amounted to approximately RMB9,499.4 billion in 2021, representing a growth of 17.7% compared to 2020<sup>1</sup>. For the first ten months in 2022, the accumulated revenue amounted to RMB8,421.4 billion, representing a 10% growth compared to the same period in 2021<sup>2</sup>.

<sup>1</sup> [https://www.miit.gov.cn/gxsj/tjfx/rjy/art/2022/art\\_7953d1abafe14f00a1b24e693ef73baa.html](https://www.miit.gov.cn/gxsj/tjfx/rjy/art/2022/art_7953d1abafe14f00a1b24e693ef73baa.html)

<sup>2</sup> [https://www.miit.gov.cn/gxsj/tjfx/rjy/art/2022/art\\_f8bfc11548324a248e69b25b63020a0c.html](https://www.miit.gov.cn/gxsj/tjfx/rjy/art/2022/art_f8bfc11548324a248e69b25b63020a0c.html)

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## LETTER FROM CAPITAL 9 LIMITED

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As stated in the Letter from the Board, the Company considered the Industrial Park Software Project an opportunity to the Group to develop its business and broaden its source of income, after into consideration (i) the needs of the industrial parks as supported by the number of potential customers and the possibility of them in entering into agreements with the Group; (ii) the feasibility of the Industrial Park Software Project given the Group's extensive industry experience in the provision of integrated business software solutions and expertise in providing integration services and tailor-made solutions to cater for the needs of different corporate clients in different industries which is applicable to the project; and (iii) the expected profitability of the Industrial Park Software Project. Given the factors discussed above, we concur with the Directors' view that the undertaking of the Industry Park Software Project, being an opportunity to the Group, is in the best interest of the Group.

### **(2) Reasons for the Rights Issue**

The net proceeds from the Rights Issue, after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be not more than approximately HK\$104.05 million (assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue).

The Company intends to apply (i) 96% of the net proceeds from the Rights Issue of the maximum amount of approximately HK\$99.96 million (RMB91.50 million) for the general working capital of the Group in the Industrial Park Software Project in which (a) approximately HK\$77.56 million (RMB71 million) will be applied in the procurement of the hardware facilities (including RMB33.40 million for acquiring computer hardware and servers), networking facilities (including RMB2.20 million for leasing broadband), database facilities (including RMB11.70 million for setting up data centre) and application facilities (including RMB23.70 million for purchasing software and setting up application systems) for the use of the customers of the Industrial Park Software Project; (b) approximately HK\$22.40 million (RMB20.50 million) will be applied in the staff cost, sales and marketing for promotion of the services of the Industrial Park Software Project in different industrial parks located in different provinces in the PRC (including but not limited to (1) placing the Company's brand promotional videos and articles; (2) placing billboards of the Company's products and services; and (3) organising large edge computing technology forums to provide updated industry information and gathering of business associates and potential clients and seek for business opportunities, and management and other operating expenses (including (1) management fee such as rent and utilities; (2) tax; (3) equipment testing and evaluation; and (4) other miscellaneous expenses for the use of the Group; and (ii) 4% of the net proceeds of approximately HK\$4.09 million from the Rights Issue will be for the general working capital such as overhead expenses including salary, rental and other expenses of the Company.



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## LETTER FROM CAPITAL 9 LIMITED

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**(a) *Imminent funding needs***

As stated in the Letter from the Board, in order to further strengthen and expand the business of the Group, the Group has decided to extend its software business from providing software solutions and integrated platform to corporate clients to industrial parks.

The Group has been in touch with a dozen or more industrial parks which may become the potential customers of the Group, of which five which are situated in Fujian Province, the PRC have reached preliminary cooperation intention with the Group in the use of the solutions and integrated platforms in the whole management of those industrial parks. Also, there are another seven potential customers who are in the process of discussion with the Group and have expressed their strong interests to become the customers of the Industrial Park Software Project.

As advised by the Company, in order for the Group to finalise the terms of the contracts with those potential customers, substantial funding is required in place to satisfy the capital requirement for kicking off several Industrial Park Software Project at the same time or within a short period of time, including but not limited to cost of setting up hardware and infrastructure (for example, bandwidth) in those industrial parks in the initial stage. Due to (i) limited internal resources of the Group currently available for financing those projects (as further discussed below) and (ii) payment by customers are expected to be by instalments in accordance with the stage of completion generally, the Group has imminent funding needs from the Rights Issue.

**(b) *Financial resources available***

As stated in the 2022 IR, the Group's current assets mainly comprised (i) trade and other receivables of which (a) the date of cash receipt depends on the terms specified in the relevant contracts between the Group and its customers, or (b) the relevant amount could not be easily converted into cash, such as prepayments made to suppliers and deposits paid for purchase of certain facilities and (ii) cash and cash equivalent. As stated in the Letter from the Board, approximately RMB72.35 million out of the cash and cash equivalent of approximately RMB73 million as at 30 June 2022 has been earmarked for specific uses, including procurement of database software, the Beijing Orient Capital Injection and general working capital of the PRC subsidiaries. Hence, less than RMB1 million was available for use as general working capital by the Company's Hong Kong office.

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## LETTER FROM CAPITAL 9 LIMITED

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As further stated in the Letter from the Board, net proceeds of approximately HK\$10.95 million was raised from a placing of new Shares under general mandate by the Company completed on 1 September 2022, of which approximately HK\$6.95 million has been allocated for use as general working capital of the Company's Hong Kong office and the balance has been allocated for other use. As at the Latest Practicable Date, approximately HK\$1.90 million has been utilised by the Hong Kong office. The balance of approximately HK\$5.05 million can cover around six months' financing needs of the Hong Kong office only, given monthly operating expenses of approximately RMB0.7 million to be incurred by the Hong Kong office as estimated by the Group.

Taking in consideration of (i) the Group's financial position as at 30 June 2022; (ii) the amount of placing proceeds from placing completed in September 2022 allocated for use as general working capital of the Company's Hong Kong office and other specific use; (iii) the capital requirement for setting up hardware and infrastructure in the industrial parks in the first stage for customers; (iv) the financing needs of the Company's Hong Kong office; and (v) the expected positive prospects of the software business and the Industrial Park Software Project, we concur with the Directors' view that the Group can enhance its financial position through the Rights Issue by applying the net proceeds in the manner as stated above.

**(c) *Alternative fund-raising methods***

As stated in the Letter from the Board, the Directors consider that the Rights Issue will strengthen its capital structure without incurring debt financing cost. Debt financing will result in additional interest burden, higher gearing ratio and repayment obligation of the Group. In addition, debt financing may not be achievable on favourable terms in a timely manner.

The Board has also considered other fund-raising alternatives, including placing of new Shares and open offer. The Directors considered that placing would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company.

Open offer is similar to a rights issue and offers the Qualifying Shareholders an opportunity to participate, but it does not allow free trading of rights entitlements in the open market.

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## LETTER FROM CAPITAL 9 LIMITED

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The Rights Issue will allow all the Qualifying Shareholders the equal opportunity to subscribe for their respective pro rata provisional entitlement of the Rights Shares and hence avoids dilution in their shareholding interests in the Company. The Qualifying Shareholders are also able to further increase their interests in the Company through excess applications.

Having considered the feasibility of various fund-raising methods and the pros of the Rights Issue compared to alternative methods as discussed above, we concur with the Directors' view that the Rights Issue is the most suitable fund-raising method to the Group under the current circumstances.

### (3) Principal terms of the Rights Issue

#### (a) Summary of the key terms

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) existing Shares in issue and held at the close of business on the Record Date
Number of Shares in issue as at the Latest Practicable Date	:	81,631,274 Shares
Number of Rights Shares to be issued	:	Up to 124,896,729 Rights Shares ( <i>Note</i> )
Aggregate nominal value of the Rights Shares	:	Up to HK\$12,489,672.90 ( <i>Note</i> )
Subscription Price	:	HK\$0.85 per Rights Share
Net price per Rights Share (i.e. Subscription Price less costs and expenses incurred in the Rights Issue)	:	Approximately HK\$0.83 per Rights Share ( <i>Note</i> )
Enlarged number of Shares in issue upon completion of the Rights Issue	:	Up to 208,161,215 Shares ( <i>Note</i> )
Gross proceeds from the Rights Issue	:	Up to approximately HK\$106,162,220

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## LETTER FROM CAPITAL 9 LIMITED

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Right of excess applications : Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

*Note:*

Assuming all outstanding Share Options are exercised in full on or before the Record Date, but otherwise no other Shares are issued and no repurchase of Shares on or before the Record Date and full subscription under the Rights Issue.

As at the date of the Latest Practicable Date, the Company had an outstanding 1,633,212 Share Options granted to the grantees which entitle the holders thereof to subscribe for an aggregate of 1,633,212 new Shares from 1 December 2020 to 31 August 2030. Save as disclosed above, as at the Latest Practicable Date, the Company had no other outstanding derivatives, options, warrants or securities in issue which confer any rights to subscribe for, convert or exchange into Shares.

**(b) The Subscription Price**

As stated in the section headed “Subscription Price” in the Letter from the Board, the Subscription Price was determined after arm’s length negotiation between the Company and the Underwriter with reference to, among others, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Letter from the Board.

The Subscription Price represents:

- (i) a discount of approximately 39.29% to the closing price of HK\$1.400 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 39.72% to the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 39.37% to the average of the closing price of HK\$1.402 per 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 38.89% to the average of the closing price of HK\$1.391 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 20.86% to the theoretical ex-rights price of approximately HK\$1.074 per Share based on the closing price of HK\$1.410 per Share as quoted on the Stock Exchange on the Last Trading Day;

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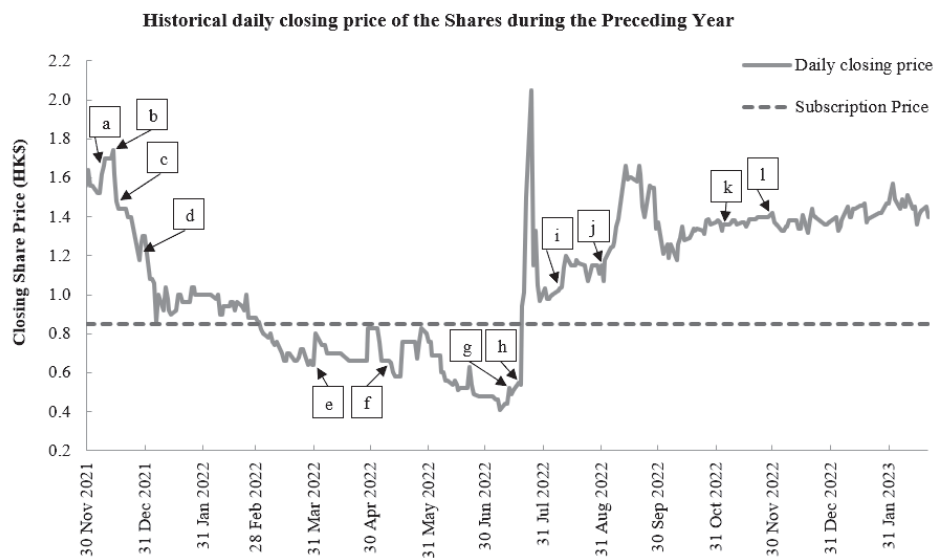
## LETTER FROM CAPITAL 9 LIMITED

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- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 23.83%, represented by the theoretical diluted price of approximately HK\$1.074 per Share to the benchmarked price of HK\$1.410 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$1.410 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day of HK\$1.400 per Share); and
- (vii) a discount of approximately 55.96% to the unaudited consolidated net asset value attributable to the Shareholders per Share of approximately HK\$1.93 (based on the latest published unaudited consolidated net asset value attributable to the Shareholders of approximately RMB112,234,000 (equivalent to approximately HK\$131,470,908 based on the exchange rate of RMB1 to HK\$1.1714) and 68,031,274 Shares in issue as at 30 June 2022).

### *Historical price performance of the Shares*

The chart below depicts the daily closing price level of the Share in the preceding year and up to and including the Latest Practicable Date (the “**Preceding Year**”), and the comparison of the Share price performance with the Subscription Price:



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

Note:

Announcement of

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## LETTER FROM CAPITAL 9 LIMITED

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- a- (9 Dec 2021) appointment of Director
- b- (14 Dec 2021) capital reorganisation
- c- (16 Dec 2021) change of auditors
- d- (29 Dec 2021) issue of subscription share under general mandate completed
- e- (31 Mar 2022) FY2021 results
- f- (10 May 2022) CSRC's disciplinary action
- g- (13 Jul 2022) placing of new shares under general mandate (lapsed on 1 August 2022)
- h- (18 Jul 2022) Stock Exchange's disciplinary action
- i- (10 Aug 2022) placing of new shares at HK\$0.84 per placing share under general mandate
- j- (31 Aug 2022) 1H2022 results
- k- (4 Nov 2022) capital increase in a subsidiary
- l- (29 Nov 2022) Rights Issue

We consider the length of the Preceding Year to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares.

There was a downward trend of the daily closing price per Share from December 2021 to early July 2022. During such period, other than the announcements of purchase of listed securities which were conducted in the ordinary and usual course of business of the Group, the Company have announced the appointment of a new independent non-executive Director, capital reorganisation, change of auditors, completion of issue of subscription shares under general mandate, placing of new shares under general mandate, financial results for FY2021 and disciplinary action.

After reaching the lowest point of HK\$0.41 on 8 July 2022, the closing price of the Shares went upward and surged to HK\$2.05 on 25 July 2022, and then moved between HK\$0.97 (recorded on 29 July 2022) and HK\$1.66 (recorded on 13 and 20 September 2022) up to and including the Latest Practicable Date. As confirmed by the Directors, other than the announcements such as placing of new shares under general mandate, financial results for 1H2022 and the Rights Issue as stated in the chart above, they are not aware of the reasons leading to the aforesaid price movement.

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## LETTER FROM CAPITAL 9 LIMITED

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The Subscription Price represents a discount of approximately 21.95% to the average closing price of HK\$1.089 per Share for the Preceding Year. Taking into account (i) it is considered reasonable and a common practice among the other rights issues transactions as shown below to set the subscription price at a substantial discount to closing price in order to attract qualifying shareholders to take part in the rights issue, especially when the trading price of the Shares closed at below the Subscription Price in one-third of the period during the Preceding Year as shown in the price movement chart of the Shares above; (ii) the fair and reasonable view based on analysis of the discount of the Subscription Price to the LTD Price, ATD Price and Ex-rights Price as compared with the Comparables as shown in the paragraphs headed “Comparison with other rights issues” below; and (iii) the Rights Issue is crucial to the Group in order to raise fund to seize the opportunity of the Industrial Park Software Projects as discussed above, we concur with the Company’s view that the aforesaid discount of approximately 21.95% is fair and reasonable.

### *Comparison with other rights issues*

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 55 rights issues transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange (except those terminated or lapsed) for the 12-month period immediately prior to the Last Trading Day (the “**Review Period**”). 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.

# LETTER FROM CAPITAL 9 LIMITED

It should be noted that, in forming our opinion, we have taken into account 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 initial announcement	Company name	Stock code	Basis of entitlement	Premium/(Discount) of subscription price per rights issue		Premium/(Discount) of subscription price per rights issue		Premium/(Discount) of subscription price per rights issue latest published consolidated net asset value attributable to the shareholders per share ("NAV per share") (Note 1)	Theoretical dilution effect (Note 2)	Underwriting commission (%) (Note 9)	Excess application (Yes/No)	Placing commission (%) (Note 10)
				share over/last trading day announcement of LTD rights issue ("LTD Price") (%)	share over/average closing price per share for the five consecutive trading days prior to announcement of LTD rights issue ("ATD Price") (%)	share over/average closing price per share for the five consecutive trading days prior to announcement of LTD rights issue ("LTD Price") (%)	share over/average closing price per share for the five consecutive trading days prior to announcement of LTD rights issue ("ATD Price") (%)					
28 Nov 2022	CCIAM Future Energy Limited	145	1 for 2	(21.88)	(23.31)	(15.97)	42.86	(7.63)	2.5	Yes	N/A	
14 Nov 2022	Comel Technology Company Limited	1912	2 for 5	(23.2)	(25.0)	(18.2)	(80.9)	(7.1)	N/A	No	3.5	
10 Nov 2022	Lai Sun Garment (International) Limited ("LSG")	191	1 for 2	(50.0)	(50.8)	(40.8)	(95.2)	(17.1)	2	No	–	
10 Nov 2022	Lai Sun Development Company Limited ("LSD")	488	1 for 2	(50.2)	(51.9)	(42.1)	(95.2)	(17.4)	2	No	–	
21 Oct 2022	C&N Holdings Limited	8430	3 for 1	(13.3)	(13.3)	(3.7)	(90.0)	(10.0)	N/A	No	1.5	
21 Oct 2022	E. Bon Holdings Limited	599	1 for 4	(20.00)	(20.99)	(16.32)	(75.48)	(4.47)	2.5	Yes	N/A	
20 Oct 2022	Crocoble Garments Limited	122	1 for 2	(66.1)	(66.4)	(56.5)	(93.7)	(22.8)	N/A	Yes	N/A	
18 Oct 2022	Cherish Sunshine International Limited ("Cherish Sunshine")	1094	5 for 8	(13.70)	(17.11)	(8.96)	8.62	(6.69)	–	No	1.0	
18 Oct 2022	China Zenith Chemical Group Limited	362	5 for 2	(28.57)	(25.93)	(9.10)	N/A	(21.43)	1	Yes	N/A	
13 Oct 2022	Great Wall Terror Holdings Limited	524	1 for 4	(6.3)	(15.7)	(5.1)	12.50	(3.27)	N/A	Yes	N/A	
11 Oct 2022	AMCO United Holding Limited	630	1 for 1	(16.7)	(16.7)	(9.1)	(57.9)	(8.33)	N/A	No	2.5	
26 Sep 2022	Endurance RP Limited ("Endurance")	575	1 for 1	(21.50)	(25.24)	(11.80)	30.83	(13.89)	1	No	2	
23 Sep 2022	Tasty Concepts Holding Limited	8096	5 for 2	(14.3)	(14.3)	(4.5)	100.00	(10.3)	N/A	No	2.5	
13 Sep 2022	China International Capital Corporation Limited	3908	Up to 3 for 10	(17.9)	(20.0)	(14.3)	(45.12)	(4.6)	N/A	Yes	N/A	
10 Aug 2022	Easy Repay Finance & Investment Limited	8079	1 for 2	(44.95)	(47.83)	(35.14)	(85.82)	(16.09)	N/A	No	7.07	
5 Aug 2022	Jia Yao Holdings Limited	1626	1 for 1	(14.29)	(12.02)	(7.69)	(4.76)	(7.14)	5	Yes	N/A	
4 Aug 2022	Xinyi Electric Storage Holdings Limited	8328	1 for 10	(18.82)	(8.03)	(17.41)	425.71	(1.71)	N/A	Yes	N/A	
3 Aug 2022	SJM Holdings Limited	880	1 for 4	(33.8)	(34.8)	(29.0)	(34.80)	(7.1)	2.0	Yes	N/A	
3 Aug 2022	Kwan On Holdings Limited ("Kwan On")	1559	1 for 4	–	(0.40)	–	(44.44)	(0.13)	N/A	Yes	N/A	
28 Jul 2022	China Financial Leasing Group Limited	2312	2 for 1	(29.1)	(29.2)	(12.1)	(33.7)	(19.6)	1.0	Yes	N/A	
14 Jul 2022	Wan Cheng Metal Packaging Company Limited	8291	1 for 1	(25.0)	(31.2)	(14.3)	11.9	(16.5)	N/A	No	2.5	



# LETTER FROM CAPITAL 9 LIMITED

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/(Discount) of subscription price per rights issue share over/under the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/(Discount) of subscription price per rights issue share over/under the average closing price per share for the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/(Discount) of subscription price per rights issue share over/under the theoretical ex-rights price per share based on LTD Price ("Ex-rights Price") (%)	Premium/(Discount) of subscription price per rights issue share over/under the latest published consolidated net asset value attributable to the shareholders per share ("NAV per share") (Note 1) (%)	Theoretical dilution effect (Note 2) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
12 Jul 2022	Besunyen Holdings Company Limited ("Besunyen")	926	2 for 1	(14.22)	(15.87)	(5.41)	(92.58)	(10.58)	1.0	Yes	N/A
17 Jun 2022	Ocean Star Technology Group Limited	8297	1 for 2	(41.2)	(41.9)	(32.0)	900.0	(13.9)	1.0	Yes	N/A
13 Jun 2022	China Water Industry Group Limited	1129	1 for 2	(31.37)	(30.00)	(23.25)	(79.65)	(10.46)	N/A	Yes	N/A
10 Jun 2022	Gameone Holdings Limited	8282	1 for 2	(40.4)	(40.3)	(31.2)	29.3	(13.5)	1.5	Yes	N/A
25 May 2022	F8 Enterprises (Holdings) Group Limited	8347	1 for 2	(5.56)	(2.86)	(3.68)	(64.1)	(1.94)	5	Yes	N/A
24 May 2022	Progressive Path Group Holdings Limited	1581	1 for 1	(42.22)	(39.95)	(26.76)	(73.47)	(21.11)	N/A	No	1.5
18 May 2022	K Group Holdings Limited	8475	2 for 1	(28.8)	(30.5)	(12.3)	N/A	(20.4)	3.0	Yes	N/A
12 May 2022	KOALA Financial Group Limited	8226	2 for 1	(4.76)	(7.12)	(1.64)	(88.19)	(4.7)	3	Yes	N/A
29 Apr 2022	China CITIC Bank Corporation Limited	998	3 for 10	N/A	N/A	N/A	N/A	N/A	N/A	Yes	N/A
28 Apr 2022	Palinda Group Holdings Limited	8179	1 for 2	(39.76)	(39.61)	(13.25)	(80.77)	(13.25)	7.07	Yes	N/A
28 Apr 2022	Life Concepts Holdings Limited	8056	3 for 2	(6.98)	(13.04)	(2.91)	N/A	(9.28)	1.0	Yes	N/A
21 Apr 2022	Vivtel Technologies Holdings Limited	1782	1 for 2	(34.5)	(39.2)	(26.0)	25.4	(13.6)	1.5	Yes	N/A
18 Apr 2022	東方證券股份有限公司("DFZQ")	3958	2.8 for 10	113.58	115.71	24.90	(7.49)	-	N/A	Yes	N/A
12 Apr 2022	CA Cultural Technology Group Limited	1566	1 for 2	(42.11)	(29.90)	(32.50)	(87.98)	(14.0)	7.07	Yes	N/A
23 Mar 2022	Kia Hung International Holdings Limited	381	3 for 1	(18.00)	(17.00)	(5.09)	(65.08)	(13.5)	N/A	No	0.5
15 Mar 2022	Success Dragon International Holdings Limited ("Success Dragon")	1182	3 for 2	(2.86)	(4.49)	(1.16)	(8.60)	(2.77)	1	No	1
3 Mar 2022	China Eco-Farming Limited	8166	1 for 2	(10.11)	(12.57)	(6.98)	(83.51)	(5.26)	2	Yes	N/A
2 Mar 2022	Feyang International Holdings Group Limited	1901	1 for 3	(56.52)	(55.75)	(49.49)	614.29	(13.91)	2.5	Yes	N/A
28 Feb 2022	Zincom Holdings Limited	8287	1 for 2	(16.7)	(14.2)	(11.8)	(66.67)	(5.6)	N/A	No	2.5
14 Feb 2022	Gold Peak Industries (Holdings) Limited ("Gold Peak")	40	1 for 6	(21.52)	(20.92)	(19.06)	(71.30)	(3.04)	4.6	Yes	N/A
28 Jan 2022	Affluent Partners Holdings Limited	1466	1 for 1	(4.35)	(6.30)	(2.22)	(4.35)	(3.15)	2.5	Yes	N/A
21 Jan 2022	Comestone Financial Holdings Limited	8112	3 for 1	(11.63)	(17.39)	(3.18)	(86.52)	(14.62)	3.5	Yes	N/A
19 Jan 2022	RMH Holdings Limited ("RMH")	8437	1 for 2	(29.58)	(30.56)	(21.88)	66.67	(9.86)	2.5	Yes	N/A
14 Jan 2022	Beaver Group (Holding) Company Limited	8275	3 for 2	(24.14)	(23.08)	(11.29)	(54.92)	(14.48)	N/A	No	3.5
14 Jan 2022	CITIC Securities Company Limited	6050	1.5 for 10	(15.0)	(13.0)	(13.3)	1.44	(2.0)	N/A	Yes	N/A

# LETTER FROM CAPITAL 9 LIMITED

Date of initial announcement	Company name	Stock code	Basis of entitlement	Premium/(Discount) of subscription price per rights issue share over/under the last trading day prior to announcement of rights issue ("LTD Price") (%)	Premium/(Discount) of subscription price per rights issue share over/under the five consecutive trading days prior to announcement of rights issue ("ATD Price") (%)	Premium/(Discount) of subscription price per rights issue share over/under the average closing price per share for the five consecutive trading days prior to announcement of rights issue ("LTD Price based on LTD Price") (%)	Premium/(Discount) of subscription price per rights issue share over/under the latest published consolidated net asset value attributable to the shareholders per share ("NAV per share") (Note 1) (%)	Theoretical dilution effect (Note 2) (%)	Underwriting commission (%)	Excess application (Yes/No)	Placing commission (%)
10 Jan 2022	Wisdom Wealth Resources Investment Holding Group Limited	7	1 for 2	-	(7.7)	-	(90.0)	(3.6)	N/A	Yes	N/A
7 Jan 2022	China New Economy Fund Limited	80	1 for 2	(28.0)	(30.8)	(23.3)	38.5	(10.4)	N/A	No	3.5
6 Jan 2022	Youth Champ Financial Group Holdings Limited	1160	1 for 2	(60)	(60)	(80)	N/A	(20)	3.5	No	3.5
5 Jan 2022	China Information Technology Development Limited	8178	1 for 2	(34.78)	(34.78)	(26.11)	(90.26)	(11.74)	N/A	Yes	1.5
29 Dec 2021	Bank of Qingdao Co., Ltd. ("Bank of Qingdao")	3866	3 for 10	(11.5)	(13.1)	(9.1)	(53.50)	(3.1)	5.5	Yes	N/A
24 Dec 2021	Hanvey Group Holdings Limited	8219	1 for 2	(22.81)	(22.81)	(16.35)	(45.00)	(7.60)	N/A	No	3.5
20 Dec 2021	KNT Holdings Limited ("KNT")	1025	1 for 2	(15.38)	(14.33)	(10.81)	205.56	(5.13)	N/A	No	2.50
15 Dec 2021	Future World Holdings Limited ("Future World")	572	3 for 2	(33.82)	(34.02)	(16.97)	(95.08)	(23.23)	5	No	3.5
2 Dec 2021	Seazen Group Limited	1030	1 for 21	(5.86)	(11.19)	(5.61)	(24.61)	(0.51)	N/A	Yes	N/A
			Maximum	-	(0.4)	-	100.00	0.00	7.07		7.07
			Minimum	(66.1)	(66.4)	(56.5)	(95.2)	(23.2)	0		0
			Average	(24.23)	(24.99)	(16.73)	(40.93)	(10.06)	2.76		2.36
			Median	(21.52)	(22.81)	(13.25)	(56.41)	(9.93)	2.50		2.50
<b>29 Nov 2022</b>	<b>The Company</b>	<b>1808</b>	<b>3 for 2</b>	<b>(39.72)</b>	<b>(39.37)</b>	<b>(20.86)</b>	<b>(55.96)</b>	<b>(23.83)</b>	<b>1</b>	<b>Yes</b>	<b>N/A</b>

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

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## LETTER FROM CAPITAL 9 LIMITED

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*Notes:*

1. Being the premium/(discount) of the subscription price over/to the NAV per share, which is calculated by the net asset value attributable to the shareholders of the Comparables divided by the number of issued shares, as disclosed in the relevant latest published announcements, circulars, prospectuses and/or annual/interim reports.
2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM, or extracted from announcement, circular or prospectus in respect of the relevant right issue.
3. It is calculated based on the indicative minimum rights issue price of approximately HK\$9.89 (equivalent to approximately RMB8.91), for illustrative purpose only. The final rights issue price is subject to, among others, the market conditions before the issuance.
4. DFZQ was considered as outlier as it is the only Comparable of which the subscription price per right issue share represented a premium over the LTD Price and the ATD Price of DFZQ of over 100% compared to a discount to nil to over 60% of all the other Comparables, and therefore were excluded for comparison and analysis purpose.
5. According to the clarification announcement issued by Kwan On (1559) on 11 August 2022, the subscription price was equal to the theoretical ex-rights price of HK\$0.15 based on the LTD Price.
6. These companies had consolidated net deficits per share and therefore were excluded for comparison and analysis purpose.
7. These extraordinary high figures of 200% to 900% premium, compared to that of the other Comparables which ranged from a premium of approximately 100% to a discount of approximately 95%, were considered as outliers and were excluded in the analysis of subscription price to net asset value per share.
8. According to the clarification announcement issued by RMH (8437) on 20 January 2022, the theoretical dilution effect should be 9.86%.
9. LSG (191) and LSD (488) shall pay (i) the underwriter 2% of the aggregate subscription price in respect of the number of underwritten shares committed to be underwritten, subscribed for or procured to be subscribed for; and (ii) additional commission at the rate of 7% of the aggregate subscription price in respect of the number of untaken shares to be subscribed or procure to be subscribed by the underwriter in accordance with the provision in the underwriting agreement.
10. Endurance (575) shall pay the underwriter approximately HK\$1.23 million (or approximately US\$0.16 million), being 1% of the aggregate subscription amount in respect of the maximum number of underwritten shares committed to be underwritten, subscribed for or procured subscription for by the underwriter.
11. Besunyen (926) shall pay the underwriter the higher of (i) HK\$150,000; and (ii) 1% of the aggregate subscription price in respect of the underwritten shares.

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## LETTER FROM CAPITAL 9 LIMITED

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12. The underwriting commission is calculated based on the underwriting fee of HK\$2 million paid by Gold Peak (40) divided by 70,349,310 rights shares underwritten and subscription price per rights share of HK\$0.62.
13. The underwriting commission is calculated based on the underwriting fee of approximately HK\$18 million paid by Bank of Qingdao (3866) divided by 83,845,542 H rights shares underwritten and subscription price per H rights share of HK\$3.92.
14. Future World (572) shall pay the underwriter the higher of (i) HK\$1,350,000; and (ii) 5% of the aggregate subscription price in respect of the underwritten shares.
15. LSG (191) and LSD (488) shall pay the placing agent all costs and expenses reasonably incurred in connection with or arising out of the placing. The placing commission is not disclosed in the relevant announcement/circular of this comparable.
16. Cherish Sunshine (1094) shall pay the placing agent the sum of (a) the higher of a fee of HK\$100,000 and 0.5% of the portion of the placing amount that is equal to or less than HK\$20,000,000; and (b) if the total placing amount is over HK\$20,000,000, a fee of 1.5% of the portion of the placing amount that exceeds HK\$20,000,000. An average placing commission of 1% is assumed for illustrative purpose.
17. Endurance (575) shall pay the placing agent the higher of (i) HK\$150,000 (or approximately US\$19,000) and (ii) 2% of the gross proceeds from the successful placement of unsubscribed rights shares.
18. Success Dragon (1182) shall pay the placing agent 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 shares.
19. According to the announcement issued by KNT (1025) on 14 January 2022, KNT entered into a new placing agreement with placing agent on substantially the same terms (including placing commission) as those of the previous placing agreement.

According to our research, we observed that 53 out of the 54 Comparables had set the subscription price of their rights issue at a discount to (i) the LTD Price; (ii) the ATD Price; and/or (iii) the Ex-rights Price. It indicates that it is common for listed companies to set such discounts with the view to encourage participation.

The discount of the subscription price to the LTD Price of the Comparables ranged from a discount of nil to approximately 66.1% with average and median discounts of approximately 24.23% and 21.52% respectively. The discount of approximately 39.72% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The discount of the subscription price to the ATD Price of the Comparables ranged from a discount of approximately 0.4% to 66.4% with average and median discounts of approximately 24.99% and 22.81% respectively. The discount of approximately 39.37% of the Subscription Price to the ATD Price of the Company falls within the range of those of the Comparables.

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## LETTER FROM CAPITAL 9 LIMITED

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The discount of the subscription prices to the Ex-rights Price of the Comparables ranged from a discount of nil to approximately 56.5% with average and median discounts of approximately 16.73% and 13.25% respectively. The discount of approximately 20.86% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

The discount of the subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 100.0% to a discount of approximately 95.2% with average and median discounts of approximately 40.93% and 56.41% respectively. The discount of approximately 55.96% of the Subscription Price to the unaudited consolidated net asset value attributable to the Shareholders per Share falls within the range of those of the Comparables.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from 0 to 23.2% with average and median of approximately 10.06% and 9.93% respectively. The theoretical dilution effect of the Rights Issue of approximately 23.83% is close to the high-end of the range of the Comparables.

Taking into account that (i) the Subscription Price falls below the daily closing price per Share in the Preceding Year, except for the period from 3 March 2022 to 19 July 2022; (ii) loss was recorded by the Group for FY2021 and 1H2022; (iii) 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; (iv) the discounts of the Subscription Price to the LTD Price, the ATD Price, the Ex-rights Price and the NAV per share of the Company fall within discount ranges of the Comparables; and (v) the Rights Issue is crucial to the Group to raise fund to seize the opportunity of the Industrial Park Software Projects as advised by the Company, we consider the Subscription Price is fair and reasonable notwithstanding that the theoretical dilution effect of the Rights Issue is slightly higher than the high-end of the range of the Comparables.

**(c) *Excess application***

Among the Comparables, we noted that 35 out of the 55 Comparables had excess application arrangements in their rights issue. As such, we consider that it is acceptable for rights issue to have excess application arrangements.

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## LETTER FROM CAPITAL 9 LIMITED

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### **(d) Underwriting Agreement**

As stated in the Letter from the Board, the Rights Issue is only underwritten on a best effort basis. On 29 November 2022 (after trading hours), the Company and the Underwriter entered into the Underwriting Agreement in relation to the underwriting and respective arrangements in respect of the Rights Issue.

According to the Underwriting Agreement, the Company will pay the Underwriter an underwriting commission (the “**Underwriting Commission**”) of 1% of the aggregate Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription.

As set out in the table under paragraph headed “Comparison with other rights issues” above, the underwriting commission paid to the underwriter ranged from nil to 7.07% with average and median of approximately 2.76% and 2.50% respectively. The Underwriting Commission falls within the range of those of the Comparables.

Taking into consideration (i) the Subscription Price is fair and reasonable; (ii) the underwriting offers an additional means to facilitate the subscription of the Untaken Shares to the maximum extent given the funding needs of the Company and its difficulties in conducting alternative fund-raising methods as discussed in the paragraphs headed “Reasons for the Rights Issue” above; and (iii) the Underwriting Commission as compared with the Comparables is fair and reasonable, we concur with the Directors’ view that the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable.

### **(4) Financial impacts of the Rights Issue**

Set out below is the analysis of the financial impacts of the Rights Issue as estimated by the Company. The analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will become upon completion of the Rights Issue.

#### **(a) Liquidity**

As stated in the 2022 IR, the cash and cash equivalent of the Group amounted to approximately RMB73.2 million as at 30 June 2022. Since the net proceeds from the Rights Issue will be applied as working capital of the Group in the Industrial Park Software Project and daily operation, it is expected that the Group’s liquidity position would be improved as a result of the Rights Issue.

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## LETTER FROM CAPITAL 9 LIMITED

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**(b) *Net tangible assets***

As stated in the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, as if the Rights Issue had taken place on 30 June 2022, the net tangible assets of the Group attributable to the Shareholders as at 30 June 2022 would increase from approximately RMB110.7 million to RMB200.9 million. The unaudited pro forma consolidated net tangible asset value per Share attributable to the Shareholders as at 30 June 2022 would decrease to RMB1.055 from RMB1.628 as the Subscription Price represented a discount to the net asset value per Share as at 30 June 2022.

**(c) *Gearing ratio***

As stated in the 2021 AR and 2022 IR, the Group calculated its net gearing ratio by the balance of total borrowings less cash, time deposits and pledged deposits divided by total equity multiplied by 100%. Such ratio as at 30 June 2022 were not applicable since the Group had cash in excess of interest bearing borrowings.

The Group's gearing ratio, if calculated by the amount of total interest-bearing liabilities divided by total equity multiplied by 100%, would be approximately 8.2% as at 30 June 2022. Since the net proceeds are intended to be applied as working capital of the Group, it is expected that the gearing ratio of the Group will be improved as a result of the Rights Issue.

**(5) *Possible dilution effect***

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue or do not take up their full provisional allotments under the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights in the market. However, they should note that their shareholdings in the Company will be diluted, depending on the extent to which they subscribe for the Rights Shares, upon completion of the Rights Issue.

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## LETTER FROM CAPITAL 9 LIMITED

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The table below illustrates the respective shareholding structure of the Company as at the Latest Practicable Date to immediately after completion of the Rights Issue assuming (i) no exercise of the outstanding Share Options on or before the Record Date; and (ii) exercise of all the outstanding Share Options in full on or before the Record Date:

**(i) assuming no exercise of the outstanding Share Options on or before the Record Date**

	As at the Latest Practicable Date		Immediately after the Rights Issue			
			Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholder		Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by it	
			Shares	%	Shares	%
<b>Substantial Shareholders</b>						
Hong Tai International II LPF	10,192,714	12.49	25,481,785	12.49	10,192,714	4.99
De Gennes Limited (Note 1)	<u>9,637,765</u>	<u>11.81</u>	<u>24,094,412</u>	<u>11.81</u>	<u>9,637,765</u>	<u>4.72</u>
Sub-total	19,830,479	24.30	49,576,197	24.30	19,830,479	9.71
<b>Public Shareholders</b>						
The Underwriter and/or its subscriber(s) procured by it	-	-	-	-	122,446,911	60.00
Other public Shareholders	<u>61,800,795</u>	<u>75.70</u>	<u>154,501,988</u>	<u>75.70</u>	<u>61,800,795</u>	<u>30.29</u>
Sub-total	<u>61,800,795</u>	<u>75.70</u>	<u>154,501,988</u>	<u>75.70</u>	<u>184,247,706</u>	<u>90.29</u>
Total	<u><u>81,631,274</u></u>	<u><u>100.00</u></u>	<u><u>204,078,185</u></u>	<u><u>100.00</u></u>	<u><u>204,078,185</u></u>	<u><u>100.00</u></u>



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**LETTER FROM CAPITAL 9 LIMITED**

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**(ii) assuming exercise of all the outstanding Share Options in full on or before the Record Date**

	As at the Latest Practicable Date		Immediately after the Rights Issue			
			Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholder		Assuming (a) no acceptance by the Qualifying Shareholders; and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the it	
	Shares	%	Shares	%	Shares	%
<b>Substantial Shareholders</b>						
Hong Tai International II LPF	10,192,714	12.49	25,481,785	12.24	10,192,714	4.90
De Gennes Limited (Note 1)	<u>9,637,765</u>	<u>11.81</u>	<u>24,094,412</u>	<u>11.57</u>	<u>9,637,765</u>	<u>4.63</u>
Sub-total	19,830,479	24.30	49,576,197	23.81	19,830,479	9.53
<b>Director</b>						
Ms. Li Zhuoyang (“Ms. Li”) (Note 2)	<u>–</u>	<u>–</u>	<u>810,175</u>	<u>0.39</u>	<u>324,070</u>	<u>0.16</u>
Sub-total	–	–	810,175	0.39	324,070	0.16
<b>Public Shareholders</b>						
Option Holders except Ms. Li	–	–	3,272,855	1.57	1,309,142	0.63
The Underwriter and/or its subscriber(s) procured by it	–	–	–	–	124,896,729	60.00
Other public Shareholders	<u>61,800,795</u>	<u>75.70</u>	<u>154,501,988</u>	<u>74.23</u>	<u>61,800,795</u>	<u>29.68</u>
Sub-total	<u>61,800,795</u>	<u>75.70</u>	<u>157,774,843</u>	<u>75.80</u>	<u>188,006,666</u>	<u>90.31</u>
Total	<u><u>81,631,274</u></u>	<u><u>100.00</u></u>	<u><u>208,161,215</u></u>	<u><u>100.00</u></u>	<u><u>208,161,215</u></u>	<u><u>100.00</u></u>

**Notes:**

- De Gennes Limited is wholly-owned by Mr. Wu Xiaodong. Therefore, Mr. Wu Xiaodong is deemed to be interested in the number of Shares held by De Gennes Limited by virtue of the SFO.
- Ms. Li, who is the executive Director, beneficially owns 324,070 Share Options.

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## LETTER FROM CAPITAL 9 LIMITED

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Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and their shareholding interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) all Qualifying Shareholders have the opportunity to realise their nil-paid rights in the market; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group, we concur with the Directors' view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro rata Rights Shares, is acceptable and justifiable.

### RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the Rights Issue (including the Underwriting Agreement) is in the interests of the Company and the Shareholders as a whole and the terms of it are on normal commercial terms and fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour on the relevant resolutions at the EGM in relation to the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Capital 9 Limited**

**Chu Tat Hoi**  
*Managing Director*

**Chan Man Yee**  
*Director*

*Chu Tat Hoi and Chan Man Yee are licensed persons and responsible officers of Capital 9 Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 20 years and 15 years of experience in the corporate finance industry.*

**1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for each of the three financial years ended 31 December 2019, 2020 and 2021 were disclosed in the annual reports of the Company for the years ended 31 December 2019 (pages 53 to 124), 2020 (pages 52 to 126), 2021 (pages 60 to 134) and the interim report for the six months ended 30 June 2022 (pages 3 to 32) respectively. The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.1808.com.hk](http://www.1808.com.hk)). Please refer to the hyperlinks as stated below:

- Annual report for the year ended 31 December 2019  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0421/2020042101332.pdf>
- Annual report for the year ended 31 December 2020  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801217.pdf>
- Annual report for the year ended 31 December 2021  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201085.pdf>
- Interim report for the six months ended 30 June 2022  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0929/2022092900665.pdf>

**2. INDEBTEDNESS OF THE GROUP****Loan from a bank, unsecured and unguaranteed**

At the close of business on 31 December 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had a short-term borrowing of RMB3,000,000 from a bank.

**Loan from a third party, unsecured and unguaranteed**

At the close of business on 31 December 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had a short-term borrowing of RMB6,108,708 from an independent third party.

**Loan from a former fellow subsidiary, unsecured and unguaranteed**

At the close of business on 31 December 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had a short-term borrowing of RMB7,109,432 from a former fellow subsidiary.

**Lease liabilities**

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 31 December 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had current and non-current liabilities amounting to RMB983,134 and RMB1,154,177, respectively.

**Disclaimers**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at the close of business on 31 December 2022, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration the financial resources presently available to the Group, including margin facilities and other internal resources, and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any 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 consolidated financial statements of the Group were made up.

## 5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in the provision of integrated business software solutions and trading of listed securities.

The Group has more than 20 years' experience in provision of integrated business software solutions. Due to the enhancement of network bandwidth and change of needs of business environment in different industries, the Group has also expanded and enriched its software business in (i) sale of high-end software products; (ii) provision of software value added services and (iii) personalised and custom development of software products. The software business has obtained a significant market share and a strong brand effect in this area.

In 2022, the COVID-19 pandemic (the “**Pandemic**”) continued to cause an adverse impact on every aspect in the society. Despite the Pandemic has posed significant challenges to the Group's business activities which has caused operational delays to some extent in 2022, Group has tried to maintain its competitiveness through introduction of new products and services, further broadening of client base and implementation of various cost control policies. Due to the trade war between the PRC and the United States back in 2020 and since then deteriorating trade relationships, the PRC Government has adopted a localization policy for the database software industry. In line with the PRC Government's Policy, the clients of software business started searching for domestic-produced database software, which were at preliminary development stage back then, from various local database software developers with the view to replace imported database software. In or around early 2022, the Group commenced implementation of database software localization. The Group has put great effort on the improvement of its profit margin in the software maintenance services and repositioning its products in terms of lowering the cost of sales. As a result, the Group recorded an increase of 19.8% in the consolidated revenue with higher gross profit ratio of the Group for the first half of 2022 as compared with the same period of 2021.

In order to maintain the Group's sustainability and value creation capability over the long term, the Group will continue to look for suitable business opportunities. For example, the Group plans to diversity the Groups software business from providing software solutions and integrated platform to corporate clients to industrial parks. As the Groups see the needs of the industrial parks to update and upgrade the systems including the software and hardware, with over 20 years' experience in the provision of integrated business software solutions, the Company is confident of its ability to grasp the business opportunities created by the boom of industrial parks so as to broaden its source of income that can enhance return to the Shareholders.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as if the Rights Issue had been completed on 30 June 2022 and taking into account of certain assumptions.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2022, as extracted from the published interim report of the Group for the six months period ended 30 June 2022, with adjustments described below.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the equity shareholders of the Company as at 30 June 2022	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the equity shareholders of the Company as at 30 June 2022
	Estimated net proceeds from the Rights Issue				
	RMB'000	RMB'000	RMB'000	RMB	RMB
	(Note i)	(Note ii)		(Note iii)	(Note iv)
					(Note v)
Rights Issue of 122,446,911 Rights Shares at subscription price of HK\$0.85 per Rights Share					
		110,746	90,199	200,945	1.628
					1.055
					1.193

*Notes:*

- (i) The unaudited consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 of approximately RMB110,746,000 is based on the consolidated net assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 of RMB112,234,000, adjusted by intangible assets attributable to the equity shareholders of the Company of RMB1,488,000. The intangible assets attributable to the equity shareholders of the Company of RMB1,488,000 is calculated based on the intangible assets of RMB2,480,000 as extracted from the published interim report of the Group for the six months period ended 30 June 2022 after deducting the intangible assets attributable to non-controlling interests of RMB992,000.
- (ii) The estimated net proceeds from the Rights Issue of approximately HK\$101,989,000 (equivalent to approximately RMB90,199,000) are based on 122,446,911 Rights Shares to be issued (in the proportion of three rights shares for every two existing shares) at the subscription price of HK\$0.85 per Rights Share, after deduction of the estimated related expenses, which are directly attributable to the Rights Issue, of approximately HK\$2,091,000 (equivalent to approximately RMB1,849,000, assuming that the Rights Issue had been completed on 30 June 2022).
- (iii) The unaudited consolidated net tangible assets of the Group per share attributable to the equity shareholders of the Company as at 30 June 2022 is RMB1.628, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 of RMB110,746,000 as set out in Note (i) above divided by 68,031,274 shares in issue as at 30 June 2022.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the equity shareholders of the Company as at 30 June 2022 immediately after completion of the Rights Issue of RMB1.055, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 immediately after completion of the Rights Issue of RMB200,945,000 divided by 190,478,185 shares, which comprising 68,031,274 shares in issue as at 30 June 2022 and 122,446,911 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of three Rights Shares for every two existing shares held as at the Rights Issue record date), that are in issue assuming that the Rights Issue had been completed on 30 June 2022 and no outstanding share options of the Company will be exercised.
- (v) For the purpose of the unaudited pro forma financial information, conversion of RMB and HK\$ is calculated at the exchange rate of RMB0.8844 to HK\$1.0. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.
- (vi) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2022.

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

Room 1607, 16th Floor, Tower 3,  
Phase 1 Enterprise Square,  
9 Sheung Yuet Road,  
Kowloon Bay, Hong Kong  
Tel: +852 2757 0816  
Email: Info@bofacpa.com

The Board of Directors  
Enterprise Development Holdings Limited  
Flat B, 11/F, Hing Lung Commercial Building  
68-74 Bonham Strand, Sheung Wan, Hong Kong

Dear Sirs,

**ENTERPRISE DEVELOPMENT HOLDINGS LIMITED  
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Enterprise Development Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 30 June 2022 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out on page II-1 to II-2 of Appendix II to the circular dated 24 February 2023 (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 Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 122,446,911 right shares at HK\$0.85 per rights share (the “**Rights Shares**”) on the basis of three Rights Shares for every two existing shares of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group's consolidated net tangible assets attributable to the equity shareholders of the Company as at 30 June 2022 as if the Rights Issue had taken place on 30 June 2022.

As part of this process, information about the Group's financial position as at 30 June 2022 has been extracted by the Directors from the Group's published interim report for the six months period ended 30 June 2022, on which no review report or audit report has been published.



**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**OUR INDEPENDENCE AND QUALITY MANAGEMENT**

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

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**REPORTING ACCOUNTANT'S RESPONSIBILITIES**

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

**OPINION**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**BOFA CPA LIMITED**

*Certified Public Accountants*

Hong Kong, 24 February 2023

**SHUM CHING SAN, JOHNSON**

Practising Certificate Number: P05332

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued and fully paid share capital of the Company (a) as at the Latest Practicable Date; (b) immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue and no further issue or repurchase of Shares from the Latest Practicable Date up to completion of the Rights Issue); and (c) immediately after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date upon full exercise of all outstanding Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue) are set out as follows:

### (a) As at the Latest Practicable Date:

<i>Authorised:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.10 each	<u>1,000,000,000</u>
<i>Issued and fully paid up:</i>		
81,631,274	Shares of HK\$0.10 each	<u>8,163,127.40</u>

### (b) Immediately after completion of the Rights Issue (assuming full acceptance of the Rights Issue and 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>
<u>10,000,000,000</u>	Shares of HK\$0.10 each	<u>1,000,000,000</u>
<i>Issued and fully paid up:</i>		
81,631,274	Shares of HK\$0.10 each	8,163,127.40
<u>122,446,911</u>	Rights Shares to be allotted and issued	<u>12,244,691.10</u>
<u>204,078,185</u>	Total	<u>20,407,818.50</u>

- (c) Immediately after completion of the Rights Issue (assuming new Shares are allotted and issued on or before the Record Date upon full exercise of all outstanding Share Options but otherwise no other change in the issued share capital of the Company from the Latest Practicable Date up to completion of the Rights Issue):

Authorised: HK\$

<u>10,000,000,000</u>	Shares of HK\$0.10 each	<u>1,000,000,000</u>
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Issued and fully paid up:

81,631,274	Shares of HK\$0.10 each	8,163,127.40
1,633,212	Shares to be allotted and issued upon full exercise of all the outstanding Share Options	163,321.20
<u>124,896,729</u>	Rights Shares to be allotted and issued	<u>12,489,672.90</u>
<u>208,161,215</u>	Total	<u>20,816,121.50</u>

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

Neither part of the share capital nor any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. Save as disclosed below, the Company has no other outstanding convertible securities, options or warrants, which confer any right to subscribe for or convert or exchange into the Shares.

As at the Latest Practicable Date, the Company has an outstanding 1,633,212 Share Options granted to the grantees which entitle the holders thereof to subscribe for an aggregate of 1,633,212 new Shares from 1 December 2020 to 31 August 2030 under the Share Option Scheme, details of which are set out below:

Name of category of participant	Date of grant	Exercisable period	Exercise price	Number of outstanding Share Options
Executive Director	1 September 2020	1 December 2020 to 31 August 2030 (both days inclusive)	HK\$4.126	324,070
Employees in aggregate	1 September 2020	1 December 2020 to 31 August 2030 (both days inclusive)	HK\$4.126	1,309,142
				1,633,212

### 3. DISCLOSURE OF INTERESTS

#### (a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures of the Company and associated corporation

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or were otherwise required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

#### *Interests in the Shares and underlying Shares*

Name of Director	Capacity/ Nature of interest	Number of underlying Shares (Note 1)	Approximate percentage of the total issued Shares
Ms. Li (Note 2)	Beneficial Owner (Note 2)	324,070 (L)	0.40%

Notes:

- “L” denotes long position.

2. 6,300,000 share options were granted to Ms. Li on 1 September 2020 (subsequent to the grant date, the number of share options was adjusted to 6,481,413 to reflect the bonus element of the previous rights issue completed on 18 May 2021 and was further adjusted to 324,070 upon the capital reorganisation became effective on 25 March 2022) pursuant to the Share Option Scheme. Therefore, under Part XV of the SFO, Ms. Li is taken to be interested in the underlying Shares that she is entitled to subscribe for subject to the exercise of and/or the validity period of the share options granted.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, or chief executives of the Company has any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein, or which were required, pursuant to the Model Code.

**(b) Substantial shareholders' interests and short positions in the Shares and underlying Shares of the Company**

Save as disclosed below, as at the Latest Practicable Date, to the best knowledge of the Directors, interests or short positions of the persons, other than a Director or chief executive of the Company, in the Shares and/or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of the substantial Shareholder	Capacity in which the Shares are held	Long position/short position in Shares	Approximate percentage of total issued Shares (Note 1)
Hong Tai International II LPF	Beneficial owner	Long position 10,192,714	12.49%
De Gennes Limited (Note 2)	Beneficial owner	Long position 9,637,765	11.81%
Wu Xiaodong (Note 2)	Interest of controlled corporations	Long position 9,637,765	11.81%
Zhongwei Group (Hong Kong) Company Limited ("Zhongwei Group") (Note 3)	Beneficial owner	Long position 6,318,107	7.74%
Han Lili (Note 3)	Interest of controlled corporations	Long position 6,318,107	7.74%
Teoh Ronnie Chee Keong	Beneficial owner	Long position 4,944,000	6.06%

*Notes:*

1. As at the Latest Practicable Date, the percentage of shareholding is calculated based on 81,631,274 Shares in issue.
2. De Gennes Limited is wholly-owned by Mr. Wu Xiaodong. Therefore, Mr. Wu Xiaodong is deemed to be interested in the number of Shares held by De Gennes Limited by virtue of the SFO.
3. Zhongwei Group is wholly-owned by Ms. Han Lili. Therefore, Ms. Han Lili is deemed to be interested in the number of Shares held by Zhongwei Group by virtue of the SFO.

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

**4. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date:

- (a) none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation;
- (b) none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2021, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) none of the Directors and their respective associates was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

**5. DIRECTOR'S INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors was considered to have interests in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.



## 6. LITIGATION

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

## 7. MATERIAL CONTRACTS

Save for the following, there were no material contracts (not being contract(s) entered into in the ordinary course of business) which had been entered into by any member of the Group within two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the underwriting agreement dated 19 February 2021 entered into between the Company and the underwriter in relation to the rights issue on the basis of one (1) rights share for every two (2) existing shares then in issue at the subscription price of HK\$0.12 per rights share (the “**2021 Rights Issue**”), and as revised, supplemented and/or amended from time to time in accordance with its terms;
- (b) the supplemental underwriting agreement dated 24 March 2021 entered into between the Company and the underwriter, pursuant to which the Company and the underwriter agreed that the timetable for the 2021 Rights Issue shall have to be revised to such an extent that certain dates ought to be put off (the “**2021 Extension**”) and to carry out and give effect to the 2021 Extension;
- (c) the subscription agreements dated 9 November 2021 (the “**Subscription Agreements**”) entered into between the Company and De Gennes Limited and Ms. Sun Ningning (the “**Subscribers**”) in respect of the subscription of 192,755,311 subscription shares and 34,015,643 subscription shares at the subscription price of HK\$0.07 per subscription share respectively;
- (d) the supplemental agreements to the Subscription Agreements dated 7 December 2021 entered into between the Company and the Subscribers in relation to the amendment of the new subscription price from HK\$0.07 to HK\$0.10 per subscription share and the extension of long stop date from 7 December 2021 to 22 December 2021 (or such other date as may be mutually agreed between the Company and each of the Subscribers);
- (e) the conditional placing agreement dated 13 July 2022 (the “**First Placing Agreement**”) entered into between the Company and the placing agent in relation to the placing, on a best effort basis, of up to 13,606,000 Shares at the placing price of HK\$0.42 per placing share pursuant to the terms of the First Placing Agreement;

- (f) the conditional placing agreement dated 10 August 2022 (the “**Second Placing Agreement**”) and entered into between the Company and the placing agent in relation to the placing, on a best effort basis, of up to 13,606,000 Shares at the placing price of HK\$0.84 per placing share pursuant to the terms of the Second Placing Agreement;
- (g) the capital increase agreement dated 4 November 2022 and entered into between the Company and Beijing Orient LegendMaker Software Development Co. Ltd. (北京東方龍馬軟件發展有限公司) and Oriental Legend Maker Technology Ltd. (東方龍馬科技有限公司), pursuant to which, the Company agreed to carry out the increase in capital by the Company in Beijing Orient LegendMaker Software Development Co. Ltd. with an investment amount of RMB12.85 million;
- (h) the Underwriting Agreement;
- (i) the Supplemental Underwriting Agreement; and
- (j) the Second Supplemental Underwriting Agreement.

## 8. EXPERTS AND CONSENTS

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

<b>Name</b>	<b>Qualification</b>
BOFA CPA Limited	Certified Public Accountants and Registered Public Interest Entity Auditor
Capital 9 Limited	a licensed corporation carrying out type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of BOFA CPA Limited and Capital 9 Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report and references to its name in the form and context in which it appears.

Each of BOFA CPA Limited and Capital 9 Limited confirmed that as at the Latest Practicable Date:

- (a) it did not have any shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and
- (b) it was not interested, directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are 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. EXPENSES**

The expenses in relation to the Rights Issue (including the underwriting commission, financial advisory fee, printing, translation, registration, legal, accounting, levy, and documentation charges) payable by the Company are estimated to be approximately HK\$2.11 million, subject to the final subscription.

## **10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**

<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Principal place of business in Hong Kong</b>	Flat B, 11/F Hing Lung Commercial Building 68-74 Bonham Strand Sheung Wan Hong Kong
<b>Authorised representatives</b>	Li Zhuoyang Chan Yuen Ying, Stella
<b>Company secretary</b>	Chan Yuen Ying, Stella

<b>Principal share registrar and transfer office in the Cayman Islands</b>	Suntera (Cayman) Limited Suite 3204, Unit 2A Block 3, Building D P.O. Box 1586, Gardenia Court Camana Bay Grand Cayman, KY1-1100 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
<b>Principal banker</b>	Bank of Communications Co., Ltd. 20 Peddar Street Central Hong Kong
<b>Legal adviser to the Company as to the Rights Issue</b>	WT Law Offices Flat A, 11/F. Two Chinachem Plaza 68 Connaught Road Central Central Hong Kong
<b>Legal adviser to the Company as to the Companies Act (Revised) of the Cayman Islands</b>	Conyers Dill & Pearman 29th Floor, One Exchange Square 8 Connaught Place Central Hong Kong
<b>Auditor</b>	BOFA CPA Limited Room 1607, 16th Floor Tower 3, Phase 1 Enterprise Square 9 Sheung Yuet Road Kowloon Bay Kowloon, Hong Kong

<b>Financial adviser to the Company</b>	VC Capital Limited 7/F, Centre Point 181-185 Gloucester Road Wanchai, Hong Kong
<b>Independent Financial Adviser</b>	Capital 9 Limited Room 1219, 12/F Bank of America Tower 12 Harcourt Road Central Hong Kong
<b>Underwriter</b>	VC Brokerage Limited 6/F, Centre Point 181-185 Gloucester Road Wanchai, Hong Kong

## 11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

### Profiles of the Directors and senior management

#### *Executive Director*

Ms. Li (formerly, Li Yueqiu), aged 48, was appointed as an executive Director on 24 May 2021. She is also a member of each of the nomination committee of the Company (the “**Nomination Committee**”) and the remuneration committee of the Company (the “**Remuneration Committee**”). Ms. Li obtained a bachelor’s degree from Southwestern University of Finance and Economics in December 1998. She is currently an EMBA student at China Europe International Business School. Ms. Li has joined 北京東方龍馬軟件發展有限公司 (Beijing Orient LegendMaker Software Development Co., Ltd.\*) (“**Beijing Orient LegendMaker**”), a non wholly-owned subsidiary of the Company since 2000. She was a director of Beijing Orient LegendMaker, a legal representative and an executive director of each of 上海東方龍馬技術有限公司 (Shanghai Orient LegendMaker Technology Co., Ltd.\*) and 成都東方龍馬信息產業有限公司 (Chengdu Orient LegendMaker Information Industry Co., Ltd.\*), all are non wholly-owned subsidiaries of the Company, and a legal representative of the Guangzhou Branch of Beijing Orient LegendMaker. Ms. Li has been a legal representative of Beijing Orient LegendMaker, chairman and president since 2019.

*Independent non-executive Directors*

Mr. Cai Jinliang (“**Mr. Cai**”), aged 53, was appointed as an independent non-executive Director on 24 August 2020. He is also the chairman of the audit committee of the Company (the “**Audit Committee**”), and a member of each of the Remuneration Committee and the Nomination Committee.

On 18 July 2022, the Stock Exchange commenced enforcement action against the Company, Ms. Mao Junjie (“**Ms. Mao**”), a former executive director, and the then relevant directors (including Mr. Cai) in respect of the breaches of the Listing Rules relating to the appointment of Ms. Mao and inaccurate disclosure of Ms. Mao’s biography in the appointment announcement of Ms. Mao dated 3 January 2021 and in the notice of annual general meeting dated 28 May 2021. After the investigation, the Enforcement Department of the Listing Division concluded that, including but not limited to, the relevant directors (including Mr. Cai) breached their duties under Rule 3.08 of the Listing Rules and their undertakings. Mr. Cai is required and has undergone 17 hours of training on regulatory and legal topics and Listing Rule compliance.

Mr. Cai was graduated from Gannan Normal University in July 1989, majoring in Mathematics and obtained a Master degree of Business Administration and a Postgraduate Degree from Northwest Polytechnical University in September 2006. He has been a certified public accountant in China since August 2008 and has more than 14 years of practicing experience and obtained the qualification of a certified internal auditor, certification in control self-assessment and an independent director in the Shanghai Stock Exchange. Mr. Cai joined Wuyige Certified Public Accountants LLP in October 2012 and has been a partner and department manager since April 2018. He had been a senior project manager and a manager in RSM China LLP (now known as Ruihua Certified Public Accountants) during the period from 2006 to September 2012. Mr. Cai has been an independent director and the convener of the board of directors, the audit committee of Fujian Start Group Co., Ltd. (“**Fujian Start**”) (a company listed on the Shanghai Stock Exchange; stock code: 600734) since September 2018.

According to the announcement of Fujian Start made on 8 April 2022 (the “**Regulatory Announcement**”), 中國證券監督管理委員會福建監管局 (China Securities Regulatory Commission (Fujian)\*) (“**CSRC**”) concluded after investigation that Fujian Start failed to make accurate disclosure (i) in relation to its financial statements of 2018 (the “**FY2018 Financial Statements**”), which contained inflated recorded revenue and costs of sales of one of its subsidiaries; and (ii) in relation to its financial statement of 2019 (the “**FY2019 Financial Statements**”), which contained inflated net profits and net assets of Fujian Start as a result of inaccurate impairment valuation assessment. CSRC considered that the relevant directors of Fujian Start, including Mr. Cai, who was then an independent director of Fujian Start, failed to exercise proper due diligence to ensure true, accurate and complete disclosure of the financial conditions of Fujian Start in the FY2018 Financial Statements and FY2019 Financial Statements and hence had breached the applicable securities laws in the People’s Republic of China. According to the Regulatory Announcement, CSRC issued a warning against the relevant directors of Fujian Start, including Mr. Cai, and imposed penalty in the amount of RMB90,000 (as confirmed by the announcement of CSRC issued on 8 December 2022) against Mr. Cai.

He had conducted the audit work on the annual reports of Jingwei Textile Machinery Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 666), Shandong Xinneng Taishan Power Generation Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 720), Xinyangfeng Agricultural Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange; stock code: 902), Metallurgical Corporation of China Ltd. (a company listed on both the Shanghai Stock Exchange and the Stock Exchange; stock code: 601618, 01618), China Huaneng Group Co., Ltd., Great Wall Securities Co., Ltd (a company listed on the Shenzhen Stock Exchange; stock code: 2939) and Yintai Securities Co., Ltd., and has extensive experience in auditing annual report, significant assets restructuring and special audit on state-owned enterprises and listed companies. Mr. Cai performed internal audits according to corporate internal control standards of Datang International Power Generation Co., Ltd. (a company listed on both the Shanghai Stock Exchange and the Stock Exchange; stock code: 601991, 991) and Angang Steel Company Limited (a company listed on both the Shenzhen Stock Exchange and the Stock Exchange; stock code: 898, 347), provided consultation services on the establishment of internal control system of Xinjiang Bayi Iron & Steel Group Co., Ltd. (a company listed on the Shanghai Stock Exchange; stock code: 600581) and has extensive experience in internal audit, evaluation and system construction consulting services.

Mr. Chin Hon Siang (“**Mr. Chin**”), aged 53, was appointed as an independent non-executive Director on 26 May 2021. He is also the chairman of each of the Remuneration Committee and the Nomination Committee, and a member of the Audit Committee. Mr. Chin holds a Bachelor of Commerce Degree from Monash University, Australia. He is a member of CPA Australia. He has over 20 years of experience in external auditing, merger and acquisition and corporate finance.

Mr. Chin served as the financial controller of Zhong Ji Longevity Science Group Limited (a company listed on the main board of the Stock Exchange; stock code: 767) from 10 September 2021 to 25 March 2022. He served as an independent non-executive director of Pine Capital Group Limited, a company listed on the Catalist Board of the Singapore Exchange (stock code: ADJ.SI) from January 2020 to July 2020. He had also served as an independent non-executive director of Blockchain Group Company Limited, a company incorporated in the Cayman Islands with limited liability and formerly listed on the Main Board of the Stock Exchange (stock code: 00364) until 10 August 2021 (which is principally engaged in the manufacture and sale of raw teas, refined teas and other related products in the PRC and was ordered to be wound up by the High Court of Hong Kong on 19 November 2018), from July 2016 to July 2018 and an independent non-executive director of Rentian Technology Holdings Limited, a company incorporated in the Cayman Islands with limited liability and formerly listed on the Main Board of the Stock Exchange until 29 May 2022, which is principally engaged in the businesses of (i) the provision of integrated smart internet-of-things solutions to enterprise customers; (ii) human-machine interactive devices; (iii) intelligent documentation service; (iv) securities investment; and (v) money lending and was ordered to be wound up by the High Court of Hong Kong on 21 October 2020), from October 2015 to January 2021. Mr. Chin confirmed that he is not a party of such winding up proceedings and is not aware of any actual or potential claim that has been or will be made against him as a result of the above. He served as the Chief Financial Officer of Asia Green Agriculture Corp, a company formerly listed on the Over-the-Counter Bulletin Board in the United States of America (stock code: AGAC), from September 2012 to August 2015, the Chief Finance Manager of Dukang Distillers Holdings Limited, a company listed on Singapore Exchange (stock code: GJ8.SI) and Taiwan Stock Exchange Corporation (stock code: 911616.TW), from May 2010 to March 2012 and the Chief Financial Officer of United Food Holdings Limited, a company listed on Singapore Exchange (stock code: AZR.SI), from September 2002 to April 2010.



Mr. Chen Kwok Wang (“**Mr. Chen**”), aged 60, was appointed as an independent non-executive Director on 9 December 2021. He is also a member of the Audit Committee. Mr. Chen is currently a partner of Fairbairn Catley Low & Kong. He has been admitted as a solicitor of the High Court since 2005 and a member of the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants) since February 1990. Mr. Chen obtained a Master degree of Business Administration in December 1997 from the University of Hong Kong. He also obtained his Bachelor of Laws from the University of Wolverhampton in February 2002 and his Postgraduate Certificate in Laws from the University of Hong Kong in June 2003.

Mr. Chen has been an independent non-executive director of Wai Chi Holdings Company Limited (a company listed on the main board of the Stock Exchange; stock code: 1305) since 11 March 2014 and he had been an independent director of Fujian Start from 20 May 2014 to 27 March 2022.

According to the Regulatory Announcement, CSRC concluded after investigation that Fujian Start failed to make accurate disclosure (i) in relation to the FY2018 Financial Statements, which contained inflated recorded revenue and costs of sales of one of its subsidiaries; and (ii) in relation to FY2019 Financial Statements, which contained inflated net profits and net assets of Fujian Start as a result of inaccurate impairment valuation assessment. CSRC considered that the relevant directors of Fujian Start, including Mr. Chen, who was then an independent director of Fujian Start, failed to exercise proper due diligence to ensure true, accurate and complete disclosure of the financial conditions of Fujian Start in the FY2018 Financial Statements and FY2019 Financial Statements and hence had breached the applicable securities laws in the People’s Republic of China. According to the Regulatory Announcement, CSRC issued a warning against the relevant directors of Fujian Start, including Mr. Chen, and imposed penalty in the amount of RMB30,000 (as confirmed by the announcement of CSRC issued on 8 December 2022) against Mr. Chen.

#### ***Company Secretary***

Ms. Chan Yuen Ying, Stella is a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrator) and a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries).

## **12. DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.1808.com.hk](http://www.1808.com.hk)) between the period from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and the articles of association of the Company;

- (b) the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021;
- (c) the interim report of the Company for the six months ended 30 June 2022;
- (d) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 44 to 45 of this circular;
- (e) the letter of advice from Capital 9 Limited, the text of which is set out on pages IFA-1 to IFA-27 of this circular;
- (f) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (g) the material contracts disclosed in the paragraph headed “**7. MATERIAL CONTRACTS**” in this Appendix; and
- (h) the written consents of the experts referred to in the paragraph headed “**8. EXPERTS AND CONSENTS**” in this Appendix.

### **13. LANGUAGE**

In case of any inconsistency between the English and Chinese versions of this circular, the English version will prevail.

### **14. MISCELLANEOUS**

- (a) 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.
- (b) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (c) The business address of all Directors and authorised representatives of the Company is Flat B, 11/F, Hing Lung Commercial Building, 68-74 Bonham Strand, Sheung Wan, Hong Kong.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### ENTERPRISE DEVELOPMENT HOLDINGS LIMITED

### 企展控股有限公司

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

**(Stock Code: 1808)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of Enterprise Development Holdings Limited (the “**Company**”) will be held at Meeting Room (SOHO1), 6/F., IBIS Hong Kong Central Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Tuesday, 14 March 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments or modifications, the following ordinary resolution:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (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 29 November 2022 (as supplemented by the supplemental underwriting agreement dated 10 January 2023 and the second supplemental underwriting agreement dated 3 February 2023) and made between the Company and VC Brokerage 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 124,896,729 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\$0.85 per Rights Share on the basis of three (3) Rights Shares for every two (2) existing Shares held by the Shareholders whose names appeared on the register of members of the Company on Friday, 24 March 2023 (the “**Record Date**”) as described in further details in a circular issued by the Company dated 24 February 2023 and on and subject to such terms and conditions as may be determined by the directors (the “**Director(s)**”) of the Company, be and is hereby approved, confirmed and ratified;

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- (d) the Directors be and are hereby authorised 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
- (e) the Directors be and hereby authorised 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.”

By Order of the board of Directors  
**Enterprise Development Holdings Limited**  
**Li Zhuoyang**  
*Executive Director*

Hong Kong, 24 February 2023

*Notes:*

1. A form of proxy for use at the EGM is enclosed.
2. Any member of the Company entitled to attend and vote at the EGM convened by this notice shall be entitled to appoint proxy to attend and vote instead of him in accordance with the articles of association of the Company. A proxy need not be a member of the Company, but must be present in person to represent the member.
3. In the case of joint registered holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members of the Company.
4. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event the instrument appointing a proxy shall be deemed to be revoked.
5. The above resolution will be voted by way of a poll at the EGM.

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6. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 8 March 2023 to Tuesday, 14 March 2023, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 7 March 2023.
7. **In light of the epidemic situation of COVID-19, Shareholders may consider appointing the chairman of the EGM as his/her proxy to vote on the resolution, instead of attending the EGM in person.**
8. **In case the meeting venue is being closed on the date of the EGM due to COVID-19 or bad weather, the EGM shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Directors. The Company will post an announcement on the Stock Exchange and the Company's website notifying Shareholders of the date, time and place of the adjourned meeting.**
9. As at the date of this notice, the board of Directors comprises one executive Director, namely Ms. Li Zhuoyang, and three independent non-executive Directors, namely Mr. Cai Jinliang, Mr. Chin Hon Siang and Mr. Chen Kwok Wang.