
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

Da Sen Holdings Group Limited
大森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1580)

(1) PROPOSED SHARE CONSOLIDATION;
(2) CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
FOR DEBT CAPITALISATION;
AND
(3) NOTICE OF EGM

Financial adviser to the Company

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
泓博資本有限公司

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

 **裕韜資本有限公司**
Euto Capital Partners Limited

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

A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 45 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 18 of this circular.

A notice convening the EGM of the Company to be held at 2:00 p.m. on Thursday, 19 October 2023 by way of virtual meeting is set out on pages EGM-1 to EGM-3 of this circular.

The Shareholders and/or their proxies will NOT be able to attend the extraordinary general meeting in person, and can only attend the extraordinary general meeting via visiting the website at <http://meetings.computershare.com/DaSen2023EGM> which enables audio live streaming of the extraordinary general meeting.

Whether or not you are able to attend and/or vote at the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later 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 the Shareholders from attending and voting at the EGM or any adjournment thereof should the Shareholders so wish.

28 September 2023

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EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Share Consolidation:

Event	Time and Date
	2023
Latest time for lodging transfers of shares in order to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 16 October
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive)	Tuesday, 17 October to Thursday, 19 October
Latest time for lodging forms of proxy for the EGM	2:00 p.m. on Tuesday, 17 October
Date and time of the EGM	2:00 p.m. on Thursday, 19 October
Publication of the announcement of the poll results of the EGM	Thursday, 19 October
Effective date of the Share Consolidation	Tuesday, 24 October
First day of free exchange of existing share certificates into new share certificates for the Consolidated Shares	Tuesday, 24 October
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Tuesday, 24 October
Original counter for trading in the Existing Shares in board lots of 30,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 24 October
Temporary counter for trading in Consolidated Shares in board lots of 15,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 24 October
Original counter for trading in the Consolidated Shares in board lots of 30,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Tuesday, 7 November
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences	9:00 a.m. on Tuesday, 7 November
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Tuesday, 7 November
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m., on Monday, 27 November

EXPECTED TIMETABLE

Event	Time and Date
	2023
Temporary counter for trading in the Consolidated Shares in board lots of 15,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m., on Monday, 27 November
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends	4:10 p.m., on Monday, 27 November
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares	4:30 p.m., on Wednesday, 29 November

Note: All times and dates in this circular refer to Hong Kong local times and dates. Shareholders should note that the dates and deadlines specified herein is subject to the satisfaction of all the conditions of the Share Consolidation, including without limitation, the approval of the Share Consolidation by the Shareholders at the EGM, and are therefore for indicative purpose only.

In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

GUIDANCE FOR THE EGM

ATTENDING THE EGM BY MEANS OF ELECTRONIC FACILITIES

No Shareholder, proxy or corporate representative should attend the EGM in person. The Company strongly encourages Shareholders to attend, participate and vote at the EGM through online access by visiting the website – <http://meetings.computershare.com/DaSen2023EGM> (the “**Online Platform**”). Shareholders participating in the EGM using the Online Platform will also be counted towards the quorum and they will be able to cast their vote and submit questions through the Online Platform.

The Online Platform permits a “split vote” on a resolution, in other words, a Shareholder casting his/her/its votes through the Online Platform does not have to vote all of his/her/its shares in the same way (“**For**” or “**Against**”). In the case of a proxy, he/she can vote such number of shares in respect of which he/she has been appointed as a proxy. Votes cast through the Online Platform are irrevocable once the voting session at the EGM ends.

The Online Platform will be open for registered Shareholders and non-registered Shareholders (see below for login details and arrangements) to log in approximately 30 minutes prior to the commencement of the EGM and can be accessed from any location with an internet connection by a smartphone, tablet device, or computer. Shareholders should allow ample time to check into the Online Platform to complete the related procedures. Please refer to the Online User Guide for the EGM sent together with this circular for assistance. Any missed contents as a result of connection issues arising from the Shareholders will not be repeated.

Login details for registered Shareholders

Details regarding the EGM arrangements including login details to access the Online Platform are included in the Company’s notification letter to registered Shareholders sent together with this circular.

Login details for non-registered Shareholders

Non-registered Shareholders who wish to attend, participate and vote at the EGM using the Online Platform should:

- (1) contact and instruct their banks, brokers, custodians, nominees or HKSCC Nominees Limited through which their shares are held (together, the “**Intermediary**”) to appoint themselves as proxy or corporate representative to attend the EGM;
- (2) provide their email address to their Intermediary before the time limit required by the relevant Intermediary.

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email address of the non-registered Shareholders provided by the Intermediary. Any non-registered Shareholder who has provided an email address through the relevant Intermediary for this purpose but has not received the login details by email by 12:00 noon on Tuesday, 17 October 2023 should reach out to the Hong Kong branch share registrar of the Company for assistance. Without the

GUIDANCE FOR THE EGM

login details, non-registered Shareholders will not be able to participate and vote using the Online Platform. Non-registered Shareholders should therefore give clear and specific instructions to their Intermediary in respect of both (1) and (2) above.

Login details for proxies

Details regarding the EGM arrangements including login details to access the Online Platform will be sent by the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, to the email address of the proxies provided to it in the relevant proxy forms.

Registered and non-registered Shareholders should note that only one device is allowed in respect of each set of login details. Please also keep the login details in safe custody for use at the EGM and do not disclose them to anyone else. Neither the Company nor its agents assume any obligation or liability whatsoever in connection with the transmission of the login details or any use of the login details for voting or otherwise. For enquiries regarding the login details to access the Online EGM, please call Computershare Hong Kong Investor Services Limited on (852) 2862 8555 for assistance.

If any Shareholder has any question relating to the EGM, please contact the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Website: www.computershare.com/hk/contact
Tel: (852) 2862 8555
Fax: (852) 2865 0990

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“Capitalisation Shares”	an aggregate of 250,000,000 new Consolidated Shares (equivalent to 500,000,000 Existing Shares before the Share Consolidation becomes effective) to be allotted and issued by the Company to Mr. Wong pursuant to the terms and conditions of the Settlement Deed
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Da Sen Holdings Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 1580)
“Completion”	completion of the Debt Capitalisation pursuant to the terms and conditions of the Settlement Deed
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company after the Share Consolidation becoming effective
“Convertible Bonds”	the convertible bonds in an aggregate principal amount of HK\$7,800,000 issued by the Company on 24 March 2023
“Debt Capitalisation”	the capitalisation of the debt owed by the Group to Mr. Wong
“Director(s)”	member(s) of the Board of the Company
“Effective Date”	effective date of the Share Consolidation, being 24 October 2023

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, if thought fit, to approve, among other things, the Share Consolidation and the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the existing share capital of the Company before the Share Consolidation becoming effective
“Group”	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 People’s Republic of China
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, namely, Mr. CHAN Shiu Yuen Sammy, Mr. KWOK Yiu Tong and Ms. LO Yuk Yee, which has been established to make recommendations to the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Financial Adviser”	Euto Capital Partners Limited, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Independent Shareholders(s)”	Shareholder(s) who are not required to abstain from voting at the EGM for the resolution approving the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate)
“Indebted Sum”	the amount of HK\$20.0 million owned by the Company to Mr. Wong
“Issue Price”	HK\$0.08 per Capitalisation Share (equivalent to HK\$0.04 per Existing Share before the Share Consolidation becomes effective)

DEFINITIONS

“Latest Practicable Date”	25 September 2023, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Mr. Wong Tseng Hon, who is interested in 864,686,442 Shares as at the Latest Practicable Date, being the controlling Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“Settlement Deed”	the settlement deed dated 7 September 2023 entered into between the Company as the issuer and Mr. Wong as the subscriber in relation to the subscription of 250,000,000 Capitalisation Shares (equivalent to 500,000,000 Existing Shares before the Share Consolidation becomes effective)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every two (2) issued and unissued Existing Shares in the share capital of the Company into one (1) Consolidated Share in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Independent Shareholders at the EGM to allot and issue the Capitalisation Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“%”	per cent.

LETTER FROM THE BOARD

Da Sen Holdings Group Limited
大森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1580)

Executive Directors:

Mr. CHAI Kaw Sing
Mr. WONG Ben
Mr. ZHANG Ayang *(Duties suspended)*

Registered Office:

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

Non-executive Director:

Mr. SUN Yongtao *(Chairman)*

Principal place of business in Hong Kong:

Room 2703, 27th Floor,
K. Wah Centre,
No. 191 Java Road,
North Point, Hong Kong

Independent non-executive Directors:

Mr. CHAN Shiu Yuen Sammy
Mr. KWOK Yiu Tong
Ms. LO Yuk Yee

28 September 2023

To the Shareholders,

Dear Sir or Madam,

(1) PROPOSED SHARE CONSOLIDATION;
(2) CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
FOR DEBT CAPITALISATION;
AND
(3) NOTICE OF EGM

INTRODUCTION

References are made to (i) the announcement of the Company dated 7 September 2023 in relation to the proposed issue of new Shares under specific mandate; and (ii) the announcement of the Company dated 15 September 2023 in relation to the proposed Share Consolidation.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation; (ii) further details of the Settlement Deed; (iii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in relation to the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate); (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate); (v) a notice convening the EGM; and (vi) other information as required under the Listing Rules.

LETTER FROM THE BOARD

(1) PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every two (2) issued Existing Shares be consolidated into one (1) Consolidated Share and to round down the number of the Consolidated Shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional Consolidated Share which would otherwise arise therefrom.

Effects of the Share Consolidation

As at the Latest Practicable Date, 1,691,359,093 Existing Shares have been allotted and issued. Upon the Share Consolidation becoming effective and assuming that no Existing Shares are issued or bought back from the Latest Practicable Date until the Effective Date, not more than 845,679,546 Consolidated Shares will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation and the payment to be made to Shareholders in relation to fractional Consolidated Shares to which they would otherwise be entitled as mentioned in the paragraph headed “Fractional entitlement to Consolidated Shares” below, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders would otherwise be entitled.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

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

The Share Consolidation is expected to become effective on Tuesday, 24 October 2023 subject to the fulfilment of the above conditions.

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

LETTER FROM THE BOARD

Listing Application

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

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

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

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Computershare Hong Kong Investor Services Limited as an agent to arrange for matching services on a best effort basis regarding the sale and purchase of odd lots of the Consolidated Shares from 9:00 a.m. on Tuesday, 7 November 2023 to 4:00 p.m. on Monday, 27 November 2023 (both days inclusive). Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares, may contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 4:30 p.m. within such period).

Holders of the Consolidated Shares who would like to match odd lots are recommended to make an appointment in advance by dialing the telephone number of Computershare Hong Kong Investor Services Limited set out above. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

LETTER FROM THE BOARD

Exchange of certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Tuesday, 24 October 2023, Shareholders may during the period from Tuesday, 24 October 2023 to Wednesday, 29 November 2023 (both days inclusive), submit their existing share certificates for the Existing Shares (in blue colour) to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong to exchange for new share certificates for the Consolidated Shares (in green colour) at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.50 per share certificate (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the branch share registrar and transfer office in Hong Kong for exchange of new share certificates issued for the Consolidated Shares or each existing share certificate for the Existing Shares submitted for cancellation, whichever the number of certificates issued or cancelled is higher.

After 4:10 p.m. on Monday, 27 November 2023, trading will only be in Consolidated Shares. Existing share certificates in blue colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

The Company issued the Convertible Bonds at an aggregate principal amount of HK\$7,800,000 on 24 March 2023 and the Convertible Bonds will mature on 23 March 2025. Pursuant to the terms of the Convertible Bonds, the conversion price of the Convertible Bonds will be adjusted upon the Share Consolidation becoming effective. Under the terms and conditions of the Convertible Bonds, an adjustment is required to be made to the conversion price as a result of the Share Consolidation. The conversion price, currently HK\$0.15 per Existing Share, will be adjusted to HK\$0.30 per Consolidated Share on the Effective Date. With reference to the total outstanding principal amount of the Convertible Bonds of HK\$7,800,000 at the Latest Practicable Date, the maximum number of Shares that will be issued upon conversion of all the outstanding Convertible Bonds at the existing conversion price and the adjusted conversion price would be 52,000,000 Existing Shares and 26,000,000 Consolidated Shares, respectively. The Company will make further announcement(s) on such adjustments as and when appropriate.

Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding options, warrants or other securities in issue which are convertible into or giving rights to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

REASONS FOR AND BENEFITS OF THE SHARE CONSOLIDATION

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the "Guide") has further stated that market price of the shares at a level less than HK\$0.10 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules. It has also stated in the Guide that taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

LETTER FROM THE BOARD

In view of the recent trading price of the Shares, the Board considers that the Share Consolidation will increase the nominal value of the Shares and will reduce the total number of Shares currently in issue and therefore, it is expected that the Share Consolidation will bring about a corresponding upward adjustment in the trading price of the Consolidated Shares and would enable the Company to comply with the trading requirements under the Listing Rules. In addition, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Consolidated Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction costs for each securities transaction. With a corresponding upward adjustment in the trading price of the Consolidated Shares, the Board believes that the Share Consolidation would make investing in the Shares more attractive to a broader range of investors, and therefore further broaden the shareholder base of the Company.

The Board considers that the Share Consolidation is essential to achieve the above-mentioned purpose. Taking into account of the potential benefits, the Board is of the view that the Share Consolidation is in the best interest of the Company and the Shareholders as a whole.

Save for the entering into of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), the Company does not have any concrete plan or intention to conduct any other fund-raising activities or corporate actions which may have an effect of undermining or negating the intended purpose of the Share Consolidation in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund-raising activities when suitable fund-raising and/or investment opportunities arise in order to support, among others, working capital requirements and future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

Shareholders and potential investors of the Company should note that the Share Consolidation shall be conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this circular. Accordingly, the Share Consolidation may or may not proceed.

NO CHANGE IN BOARD LOT SIZE

The Existing Shares are currently traded on the Stock Exchange in board lot size of 30,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 30,000 Consolidated Shares per board lot.

Based on the closing price of HK\$0.07 per Existing Share (equivalent to the theoretical closing price of HK\$0.14 per Consolidated Share) as at the Latest Practicable Date, (i) the value per board lot of 30,000 Existing Shares is HK\$2,100; and (ii) the value per board lot of 30,000 Consolidated Shares would be HK\$4,200 on the assumption that the Share Consolidation becomes effective.

LETTER FROM THE BOARD

(2) SETTLEMENT DEED

On 7 September 2023 (after trading hours), the Company (as issuer) and Mr. Wong (as subscriber) entered into the Settlement Deed, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 250,000,000 Capitalisation Shares (equivalent to 500,000,000 Existing Shares before the Share Consolidation become effective) at the price of HK\$0.08 per Consolidated Share (equivalent to HK\$0.04 per Existing Share before the Share Consolidation become effective) for the settlement of the Indebted Sum in full. The subscription amount payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising all of the Indebted Sum in the amount of HK\$20.0 million owed by the Company to Mr. Wong.

Details of the Settlement Deed are summarised as follow:

Date

7 September 2023 (after trading hours)

Parties

- (1) The Company (as issuer); and
- (2) Mr. Wong (as subscriber)

Capitalisation Shares

The Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 250,000,000 Capitalisation Shares (equivalent to 500,000,000 Existing Shares before the Share Consolidation becomes effective) at the price of HK\$0.08 per Consolidated Share (equivalent to HK\$0.04 per Existing Share before the Share Consolidation becomes effective).

The Company is in debt to Mr. Wong in the amount of the Indebted Sum. The subscription price payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising the Indebted Sum in the amount of HK\$20.0 million in full.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date, the Capitalisation Shares represent (i) approximately 29.56% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

The aggregate nominal value of the Capitalisation Shares (with a par value of HK\$0.02 each after the Share Consolidation becomes effective) is HK\$5,000,000.

LETTER FROM THE BOARD

Issue Price

The Issue Price of HK\$0.08 per Capitalisation Share (equivalent to HK\$0.04 per Existing Share before the Share Consolidation become effective) represents:

- (i) a discount of approximately 35.48% to the theoretical closing price of HK\$0.124 per Consolidated Share (based on the closing price of HK\$0.062 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on 7 September 2023, being the date of the Settlement Deed;
- (ii) a discount of approximately 40.48% to the average theoretical closing price of HK\$0.1344 per Consolidated Share (based on the average closing price of HK\$0.0672 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Settlement Deed;
- (iii) a discount of approximately 43.50% to the average theoretical closing price of HK\$0.1416 per Consolidated Share (based on the average closing price of HK\$0.0708 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Settlement Deed;
- (iv) a premium of approximately 131.88% over the consolidated net asset value attributable to the Shareholders of approximately HK\$0.0345 per Consolidated Share (equivalent to approximately HK\$0.0173 per Existing Share) as at 31 March 2023, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB27,041,000 (equivalent to approximately HK\$29,204,280 based on the exchange rate of RMB1: HK\$1.08) as at 31 March 2023 by 845,679,546 Consolidated Shares (after taking into account the effect of the Share Consolidation) in issue as at the date of the Settlement Deed; and
- (v) a discount of approximately 42.86% to the theoretical closing price of HK\$0.14 per Consolidated Share (based on the closing price of HK\$0.07 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange as at the Latest Practicable Date.

The Issue Price was arrived at on an arm's length basis between the Company and Mr. Wong after taking into account the recent trading performance of the Shares, the recent market conditions, the current financial position and the business prospects of the Group. In particular, the Group incurred net loss of approximately RMB51.8 million for the fifteen months ended 31 March 2023 and recorded net current liabilities of approximately RMB43.4 million as at 31 March 2023. While the Group intends to improve its liquidity and financial position, the Group lacks the repayment ability with cash and cash equivalent only amounted to approximately RMB6.9 million as at 31 March 2023. On the other hand, trading

LETTER FROM THE BOARD

liquidity in the Shares was very thin over the past year. During the period from 1 September 2022 up to the date of the Settlement Deed, the average daily trading volumes of the Shares ranged from approximately 50,870 Shares in August 2023 to approximately 959,889 Shares in October 2022, representing approximately 0.003% to 0.062% of the total number of Shares in issue of the Company as at the end of relevant month. Meanwhile, the market sentiment has been generally low during 2023, as witnessed by the Hang Seng Index fell from 20,145 as at 3 January 2023 to 18,202 as at 7 September 2023, being the date the Settlement Deed. In view of (i) the unsatisfactory financial performance and position of the Group; (ii) the Group's needs in improving its liquidity and financial position; (iii) the thin trading liquidity of the Shares; and (iv) the generally low market sentiment in 2023, the Directors consider that it is inevitable that the Issue Price would need to be set at a deeper discount to facilitate the Debt Capitalisation. Hence, the Directors consider that the Issue Price and the terms of the Settlement Deed are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The amount of the total Issue Price shall be satisfied by way of capitalising the Indebted Sum owed to Mr. Wong by the Company. In addition, the Group will use its internal resources to settle the professional fees and all related expenses which may be borne by the Company in connection with the relevant debt capitalisation.

Conditions

Completion is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted or agreeing to grant the approval for the listing of and permission to deal in the Capitalisation Shares on the Stock Exchange;
- (ii) the representations and warranties given by the parties are true and accurate in all material respects from the date of the Settlement Deed to the Completion Date;
- (iii) Mr. Wong having obtained all the relevant approvals for the transactions; and
- (iv) the Company having obtained all the relevant approvals for the transactions including the approval of the Independent Shareholders for the entering into of the Settlement Deed and the transactions contemplated thereunder in the EGM.

None of the above conditions can be waived. If the above conditions are not fulfilled by 11:59 p.m. on 31 October 2023 or such other date as the parties to the Settlement Deed may agree, the Settlement Deed will terminate and all rights and obligations under the Settlement Deed will cease save for any rights and obligations accrued before the termination.

Completion

Completion shall take place on the Completion Date provided that the conditions precedent having been fulfilled on the tenth (10) Business Day preceding the Completion Date (or such later date as may be agreed between the Company and Mr. Wong in writing).

LETTER FROM THE BOARD

Ranking of the Capitalisation Shares

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

EFFECT OF THE CAPITALISATION SHARES ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion and the allotment and issue of the Capitalisation Shares under the Debt Capitalisation (assuming the Share Consolidation had not become effective and there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date); (iii) immediately upon the Share Consolidation becoming effective; and (iv) immediately upon the Share Consolidation becoming effective and after Completion and the allotment and issue of the Capitalisation Shares as contemplated under the Debt Capitalisation (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date):

	As at the Latest Practicable Date		Immediately after the issue and allotment of the Capitalisation Shares		Immediately upon the Share Consolidation becoming effective		Immediately upon the Share Consolidation becoming effective and after the issue and allotment of the Capitalisation Shares	
	Number of Existing Shares	Approximate (%)	Number of Existing Shares	Approximate (%)	Number of Consolidated Shares	Approximate (%)	Number of Consolidated Shares	Approximate (%)
Mr. Wong Tseng Hon	864,686,442	51.12	1,364,686,442	62.28	432,343,221	51.12	682,343,221	62.28
Mr. Chai Kaw Sing and his spouse (Note 1)	125,552,973	7.42	125,552,973	5.73	62,776,486	7.42	62,776,486	5.73
Public Shareholders	701,119,678	41.46	701,119,678	31.99	350,559,839	41.46	350,559,839	31.99
Total	1,691,359,093	100.00	2,191,359,093	100.00	845,679,546	100.00	1,095,679,546	100.00

Notes:

- As at the Latest Practicable Date, Mr. Chai Kaw Sing, an executive Director, was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai Kaw Sing, was the legal owner of 31,429,928 Shares. Mr. Chai Kaw Sing is deemed to be interested in all the Shares in which his spouse is interested in by virtue of the SFO.

LETTER FROM THE BOARD

EQUITY FUND RAISING OF THE COMPANY DURING THE PAST TWELVE MONTHS

On 24 March 2023, the Company issued convertible bonds with an aggregate principal amount of HK\$7.8 million to no less than six places. The Company received net proceeds from the placing of approximately HK\$7.6 million, which has been fully utilised as planned and applied as to (i) approximately HK\$5.8 million for the capital injection to a 51% owned subsidiary; and (ii) the remaining HK\$1.8 million utilised for general working capital of the Group. For details, please refer to the announcements of the Company dated 3 March 2023, 20 March 2023 and 24 March 2023.

On 21 April 2023, the Company allotted and issued 73,104,116 capitalisation Shares at the issue price of HK\$0.06 each to a creditor of the Company for capitalisation of debt owned by the Group to the creditor in the amount of approximately HK\$4,386,247. For details, please refer to the announcement of the Company dated 20 January 2023.

Saved as disclosed above, the Company had not conducted any equity fundraising activities in the past twelve months immediately preceding the date of the Settlement Deed.

INFORMATION ON THE COMPANY AND THE CREDITOR

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of plywood products and leasing activities. The Group's plywood products consist of furniture board, ecological plywood, and hardwood multi-layered board. Customers of the Group are mainly end users including furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers.

As at the Latest Practicable Date, Mr. Wong is interested in 864,686,442 Shares, representing approximately 51.12% of the issued share capital of the Company. Therefore, Mr. Wong is the controlling Shareholder and is a connected person of the Company under Chapter 14A of the Listing Rules. Mr. Wong Tseng Hon is also the father of Mr. Wong Ben, an executive Director. Mr. Wong Tseng Hon, aged 81, is a merchant and has been engaged in property investment and development business in the PRC and Hong Kong for over 50 years. He has been investing in real estate projects since the 1970s and was appointed as a member of the Shenzhen Municipal Committee of the Chinese People's Political Consultative Congress from 2000 to 2010.

Mr. Wong has provided the following cash advances to the Company:

- (i) HK\$2.5 million in November 2020, which is unsecured, interest free and repayable by 31 December 2021. Such cash advance was fully utilised by the Company by June 2021 for settlement of professional fees;
- (ii) HK\$1.5 million in October 2021, which is unsecured, interest free and repayable by 31 December 2022. Such cash advance was fully utilised by the Company by March 2022 for settlement of professional fees;

LETTER FROM THE BOARD

- (iii) an aggregate amount of HK\$9.5 million during 2022 and up to August 2023, which is unsecured, interest free and repayable by 31 December 2023. Such cash advance was fully utilised by the Company by August 2023 for general working capital purpose; and
- (iv) paid expenses in the aggregate amount of HK\$6.5 million on behalf of the Company in August 2023, which is unsecured, interest free and repayable by 31 December 2023. Such accrued expenses mainly comprised of professional fees and staff costs.

As at the Latest Practicable Date, the entire amount of HK\$20.0 million advanced by Mr. Wong were outstanding and the loan amount in a total of HK\$4 million (items (i) and (ii) above) was in default. Mr. Wong has not exercised his rights under the relevant loan agreement to demand immediate full repayment or charged any default interests on the Company. The cash advance provided by Mr. Wong were accounted as amounts due to related parties under the financial statements of the Group.

REASONS FOR THE DEBT CAPITALISATION

As disclosed in the annual report of the Company for the fifteen months ended 31 March 2023, the Group incurred net loss of RMB51,770,000 and recorded net operating cash outflow of RMB13,194,000 for the fifteen months ended 31 March 2023. As at 31 March 2023, the Group recorded net current liabilities of RMB43,351,000, among which the Group's current borrowings amounted to RMB37,736,000, which comprised bank borrowing of RMB8,500,000 and other loans of RMB29,236,000 from independent third parties in the PRC and Hong Kong. On the other hand, the Group's cash and cash equivalents amounted to RMB6,939,000 only as at 31 March 2023, which is substantially less than the outstanding amount of borrowings. In this regard, the Directors have undertaken substantial work for improving the Group's liquidity and financial position, including the adoption of the scheme of arrangement, an open offer, debt capitalisation and issuance of convertible bonds. The Company is in progress of exploring the opportunity to dispose of the Group's certain assets, arranging financial support from major shareholders and exploring new business initiatives for further improvement of the Group's liquidity and financial position.

Capitalisation of the Indebted Sum enables the Group to settle its outstanding indebtedness without utilising existing financial resources of the Company and avoid cash outflows. Although part of the amounts due to Mr. Wong are not due until 31 December 2023, the Group is not expected to have sufficient financial resources to repay Mr. Wong when those amounts fall due in light of the financial position of the Group. As the Group is in the progress of restructuring its debt so as to facilitate the Group to focus on the improvement of its business development, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to settle the amounts due to Mr. Wong to improve its financial position while preserving as much liquidity as possible in order to strengthen the Group's financial and liquidity position for its business development.

Although the allotment and issue of the Capitalisation Shares will have a dilution effect to the existing Independent Shareholders, having considered (i) the capitalisation of the Indebted Sum can alleviate the repayment and settlement pressure of the Group; and (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group, the Directors are of the view that the dilution effect arising from the allotment and issue of the Capitalisation Shares is justifiable in this regard.

LETTER FROM THE BOARD

In view of the above, the Directors consider that the terms of the Settlement Deed are fair and reasonable based on the current market conditions and are on normal commercial terms. Accordingly, the Directors consider the Debt Capitalisation is in the interest of the Company and the Shareholders as a whole.

SPECIFIC MANDATE

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

APPLICATION FOR LISTING

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

Shareholders and potential investors should note that completion of the Settlement Deed is subject to fulfillment of the Conditions. As the Settlement Deed may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

As at the Latest Practicable Date, Mr. Wong is interested in 864,686,442 Shares, representing approximately 51.12% of the issued share capital of the Company. Therefore, Mr. Wong is the controlling Shareholder and a connected person of the Company. Accordingly, the Debt Capitalisation constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Wong and his associates shall abstain from voting in respect of the resolution approving the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM.

Mr. Wong Ben, being an executive Director and the son of Mr. Wong, has abstained from voting on the Board resolution approving the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate). Save as disclosed above, (i) no other Director has a material interest in the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) or is required to abstain from voting on the Board resolution in relation to the aforesaid matters; (ii) to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has any material interest in the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) and therefore no other Shareholder is required to abstain from voting at the EGM in respect of the resolution approving the aforesaid matters.

LETTER FROM THE BOARD

GENERAL

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Share Consolidation and the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate). No Shareholders are required to abstain from voting on the resolution in relation to the Share Consolidation.

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders regarding, among other things, the terms of the Settlement Deed and transactions contemplated thereunder (including the grant of the Specific Mandate). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be held at 2:00 p.m. on Thursday, 19 October 2023 by way of a virtual meeting and the Shareholders will not be able to attend the EGM in person. A notice convening the EGM is set out on pages EGM-1 to EGM-3 of this circular for the purpose of considering and, if thought fit, passing the resolutions as set out therein.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. If you are not able to attend and/or vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM, or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

In order to qualify for attending and voting at the EGM, the register of members of the Company will be closed from Tuesday, 17 October 2023 to Thursday, 19 October 2023, both dates inclusive, for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period. In order to qualify to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 16 October 2023.

LETTER FROM THE BOARD

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the terms of the Share Consolidation and the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board recommends the Shareholders to vote in favour of the resolutions to approve the Share Consolidation and the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate).

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the relevant resolutions to approve the the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) at the EGM.

The text of the letter from the Independent Board Committee is set out on page 18 of this circular. The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons which it has taken into account in arriving at its advice is set out on pages 19 to 45 of this circular. Independent Shareholders are strongly recommended to read carefully these two letters for details of the advice.

ADDITIONAL INFORMATION

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

By order of the Board
Da Sen Holdings Group Limited
SUN Yongtao
Chairman and non-executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is text of the letter of the Independent Board Committee setting out its recommendation to the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Da Sen Holdings Group Limited
大森控股集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1580)

28 September 2023

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE
FOR DEBT CAPITALISATION

We refer to the circular of the Company dated 28 September 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Euto Capital Partners Limited has been appointed to act as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

We wish to draw your attention to (i) the letter of advice from the Independent Financial Adviser, the details of which (including the principal factors and reasons the Independent Financial Adviser has taken into consideration) are set out on pages 19 to 45 of the Circular; and (ii) the letter from the Board as set out on pages 4 to 17 of the Circular.

Having taken into account the terms of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), and the advice from the Independent Financial Adviser, we are of the opinion that although the Debt Capitalisation is not conducted in the ordinary and usual course of business of the Group, the terms of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are on normal commercial terms which is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate).

Yours faithfully,
the Independent Board Committee

Mr. CHAN Shiu Yuen Sammy
independent non-executive
Directors

Mr. KWOK Yiu Tong
independent non-executive
Directors

Ms. LO Yuk Yee
independent non-executive
Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Euto Capital Partners Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Debt Capitalisation, which has been prepared for the purpose of incorporation in this circular.



Room 1204, Jubilee Centre,
18 Fenwick Street, Wan Chai,
Hong Kong.

28 September 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 28 September 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 otherwise defined or the context requires otherwise.

As stated in the Letter from the Board, on 7 September 2023 (after trading hours), the Company (as issuer) entered into the Settlement Deed with Mr. Wong (as subscriber) pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 250,000,000 Capitalisation Shares (equivalent to 500,000,000 Existing Shares) at the price of HK\$0.08 per Consolidated Share (equivalent to HK\$0.04 per Existing Share) for the settlement of the Indebted Sum in full. The subscription amount payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising all of the Indebted Sum in the amount of HK\$20.0 million owed by the Company to Mr. Wong.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date, the Capitalisation Shares represent (i) approximately 29.56% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. Wong is interested in 864,686,442 Shares, representing approximately 51.12% of the issued share capital of the Company. Therefore, Mr. Wong is the controlling Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. Hence, the Debt Capitalisation constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all independent non-executive Directors, namely Ms. Lo Yuk Yee, Mr. Chan Shiu Yuen Sammy and Mr. Kwok Yiu Tong, has been established to advise the Independent Shareholders on whether (i) the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) is in the ordinary and usual course of business of the Group; (ii) the terms of the Settlement Deed are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the Debt Capitalisation is in the interests of the Company and the Shareholders as a whole, and as to voting.

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

OUR INDEPENDENCE

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance ("**SFO**") to carry out Type 6 (advising on corporate finance) regulated activity. Euto Capital has been participated in and completed various independent financial advisory transactions since 2015. Ms. Wendy Liu ("**Ms. Liu**") is the person signing off the opinion letter from Euto Capital contained in the Circular. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Ms. Liu has participated in and completed various independent financial advisory transactions in Hong Kong.

Euto Capital was engaged as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the Company's conditional mandatory cash offer (details of which were set out in the Company's circulars dated 12 October 2022) ("**Previous Engagement**"). Save for the aforesaid engagement, there was no other service provided by Euto Capital to the Company during the past two years immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could reasonably be regarded as a hindrance to Euto Capital's independence as set out under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Debt Capitalisation and the transactions contemplated thereunder (including the grant of the Specific Mandate).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are not associated with and have no significant connection financially or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, the total service fee received by us in relation to the Previous Engagement and the total service fee payable to us in relation to this appointment accounted for an immaterial part of our total revenue for the financial year ending 31 December 2023 and accordingly, we are eligible to give independent advice and recommendations.

Accordingly, we consider that we have performed all reasonable steps as required under the Listing Rules and are eligible to give independent advice on the terms of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate).

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things: the Settlement Deed, the financial statements of the Group and other information as set out in the Circular. We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”).

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed all currently available information and documents, among others: the annual report of the Company for the fifteen months ended 31 March 2023 (the “**2023 Annual Report**”), the interim report of the Company for the twelve months ended 31 December 2022 (the “**2022 Interim Report**”) and the announcement of the Company dated 7 September 2023 in relation to the Debt Capitalisation which are made available to us and enable us to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that the Debt Capitalisation will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Debt Capitalisation, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Debt Capitalisation. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with note 1 to Rule 13.80 of the Listing Rules.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate), except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Settlement Deed and transactions contemplated thereunder (including the grant of the Specific Mandate), we have taken into consideration, inter alia, the following principal factors and reasons:

1a) Background and financial information of the Group

The Company is an investment holding company. The Group is principally engaged in manufacturing and sales of plywood products and leasing activities. The Group's plywood products consist of furniture board, ecological plywood, and hardwood multi-layered board. Customers of the Group are mainly end users including furniture manufacturers, equipment manufacturers, decoration or renovation companies and packing material producers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table summarises the key financial information of the Group for the fifteen months ended 31 March 2023, (“**15M2023**”) and the twelve months ended 31 December 2021 (“**12M2021**”) as extracted from the 2023 Annual Report, and the twelve months ended 31 December 2022 (“**12M2022**”) as extracted from 2022 Interim Report:

	12M2021 <i>RMB'000</i> <i>(audited)</i> <i>(restated)</i>	12M2022 <i>RMB'000</i> <i>(unaudited)</i>	15M2023 <i>RMB'000</i> <i>(audited)</i> <i>(15 months)</i>
<i>Continuing operations</i>			
Revenue	172,748	57,754	59,487
– Sales of plywood	170,548	54,269	54,239
– Rental income	2,200	3,485	5,248
Cost of sales	(229,799)	(58,630)	(64,609)
Gross loss	(57,051)	(876)	(5,122)
Selling and distribution expenses	(1,140)	(424)	(424)
Administrative expenses	(16,883)	(13,801)	(22,482)
Allowance for expected credit losses, net	(22,629)	(4,858)	(19,934)
Other income, gains or (losses)	(17,662)	14,255	3,244
Finance costs	(3,745)	(5,099)	(7,052)
Loss before tax from continuing operations	(119,110)	(10,803)	(51,770)
Income tax expense	(41)	(83)	–
Loss for the period from continuing operations	(119,151)	(10,886)	(51,770)
Loss attributable to the shareholders of the Company	(119,151)	(10,886)	(50,799)

Source: the 2023 Annual Report and 2022 Interim Report

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15M2023 as compared to 12M2021

Revenue of the Group decreased significantly from approximately RMB172.7 million for 12M2021 to approximately RMB59.5 million for 15M2023 as a result of the uncertain and volatile socioeconomic environment, the demand of the Group's customers had been low during the period. Given the low demand and the competition in the plywood industry, The Group has shifted its focus to premium customers who have substantial sales network within China and gradually scale down the demands of customers who rely on exporting during the 15M2023, which resulted in the low revenue.

Net loss from continuing operations decreased from approximately RMB119.2 million for 12M2021 to approximately RMB51.8 million for 15M2023, which was primarily resulted from (a) the decrease in revenue as mentioned above; and (b) the decrease in allowance for expected credit losses, due to the fact that the Company has focused on customers with good repayment abilities and profit margins and shifted away from many long-term customers which are under financial distress.

As a result of the foregoing, the loss attributable to the Shareholders decreased from approximately RMB119.2 million for 12M2021 to approximately RMB50.8 million for 15M2023.

12M2022 as compared to 12M2021

Revenue of the Group was approximately RMB57.8 million for 12M2022, representing a decrease of approximately 66.6% from approximately RMB172.7 million for 12M2021 which was mainly due to the fact that the Company has focused on customers with good repayment abilities and profit margins and shifted away from many long-term customers which are under financial distress and this allows the company to achieve better overall profit margins despite a lower turnover in sales. The sales of plywood amounted to approximately RMB54.3 million and rental income amounted to approximately RMB3.5 million.

The total selling and administrative expenses were approximately RMB14.2 million for 12M2022, representing a decrease of approximately 21.1% from approximately RMB18.0 million for 12M2021, mainly due to the implementation of more management controls in cost savings and production.

Net loss from continuing operations decreased from approximately RMB119.2 million for 12M2021 to approximately RMB10.9 million for 12M2022. Such decrease in loss was mainly due to improvements made in profit margins and other cost control measures in the production process.

As a result of the foregoing, loss attributable to the Shareholders decreased from approximately RMB119.2 million for 12M2021 to approximately RMB10.9 million for 12M2022.

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(i) Financial position

Set out below is a summary of the consolidated financial position of the Group as at 31 March 2023, 31 December 2021 as extracted from the 2023 Annual Report and 31 December 2022 as extracted from the 2022 Interim Report:

	As at 31 December 2021 RMB'000 (audited)	As at 31 December 2022 RMB'000 (unaudited)	As at 31 March 2023 RMB'000 (audited)
Non-current assets	89,937	86,350	76,628
Right-of-use assets	7,352	2,770	2,753
Property, plant and equipment	37,425	17,645	5,417
Investment properties	45,160	65,935	66,901
Financial assets at fair value through profit or loss	—	—	1,557
Current assets	90,748	82,291	71,450
Inventories	5,116	3,342	1,932
Trade and other receivables	82,373	78,793	62,579
Cash and cash equivalents	3,259	156	6,939
Total assets	180,685	168,641	148,078
Equity attributable to owners of the Company	50,120	65,778	26,070
Non-current liabilities	267	242	7,207
Deferred income	267	242	235
Convertible bond payable	—	—	6,972
Current liabilities	130,298	102,621	114,801
Trade and other payables	53,983	48,241	58,849
Deferred income	25	25	25
Receipt in advance	240	4,621	3,311
Tax payables	7,168	7,168	7,085
Amount due to related parties	6,235	7,484	7,795
Borrowings	62,647	35,082	37,736
Total liabilities	130,565	102,863	122,008
Net current liabilities	(39,550)	(20,330)	(43,351)
Gearing ratio (note)	125.0%	53.3%	171.5%

Note:

Calculated based on total interest-bearing debts divided by total equity of the Company as at the end of the respective period.

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As at 31 March 2023, the total assets of the Group mainly comprise properties, plant and equipment, investment properties and trade and other receivables and in aggregate amounted to approximately RMB134.9 million, which represented approximately 91.1% of the total assets. The total liabilities of the Group mainly comprise trade and other payables and borrowings and in aggregate amounted to approximately RMB96.6 million, which represented approximately 79.2% of the total liabilities. As a result, the Group recorded net assets of approximately RMB26.1 million as at 31 March 2023 which was mainly due to the reduction in trade receivables.

As at 31 December 2022, the total assets of the Group mainly comprise properties, plant and equipment, investment properties and trade and other receivables and in aggregate amounted to approximately RMB162.4 million, which represented approximately 96.3% of the total assets. The total liabilities of the Group mainly comprise trade and other payables and borrowings and in aggregate amounted to approximately RMB83.3 million, which represented approximately 81.0% of the total liabilities. As a result, the Group recorded net assets of approximately RMB65.8 million as at 31 December 2022 which was mainly due to the reduction in trade receivables.

As at 31 December 2021, the total assets of the Group mainly comprise properties, plant and equipment, investment properties and trade and other receivables and in aggregate amounted to approximately RMB165.0 million, which represented approximately 91.3% of the total assets. The total liabilities of the Group mainly comprise trade and other payables and borrowings and in aggregate amounted to approximately RMB116.6 million, which represented approximately 89.3% of the total liabilities. As a result, the Group recorded net assets of approximately RMB50.1 million as at 31 December 2021.

The Group held current assets of approximately RMB71.5 million as at 31 March 2023 (31 December 2021: RMB90.7 million), comprising inventories, trade and other receivables and cash and cash equivalents. The Group's total current liabilities amounted to approximately RMB114.8 million as at 31 March 2023, as compared to approximately RMB130.3 million as at 31 December 2021. The decrease was mainly due to (a) the secured bank borrowings of RMB16.1 million borrowed from banks in the PRC by the PRC subsidiaries have been auctioned to an independent third party in the PRC. The Group's net current liabilities were increased by approximately 9.6% from approximately RMB39.6 million as at 31 December 2021 to approximately RMB43.4 million as at 31 March 2023.

During the 15M2023, the gearing ratio of the Group, calculated based on the total interest-bearing debts divided by the total equity of the Company as at the respective period and multiplied by 100%, was approximately 171.5% (31 December 2021: approximately 125.0%). During the 15M2023, the Group's total interest-bearing debts amounted to approximately RMB44.7 million, which comprised bank borrowings of approximately RMB8.5 million, other loan of approximately RMB29.2 million and convertible bonds payable of approximately RMB7.0 million. The increase in the gearing ratio was primarily attributable to the decrease in equity.

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(ii) Independent Auditor's Opinion

Based on the independent auditor's report of the Company for 15M2023, the independent auditor of the Company pointed out that there were multiple uncertainties relating to going concern: (i) for 15M2023, the Group incurred a net loss of approximately RMB51.8 million and recorded a net operating cash outflow of approximately RMB13.2 million; and (ii) as at 31 March 2023, the Group recorded net current liabilities of approximately RMB43.4 million where the Group's current borrowings amounted to approximately RMB37.7 million in total, including bank borrowings of approximately RMB8.5 million and other loan of approximately RMB29.2 million from independent third parties in the PRC and Hong Kong, while the Group's cash and cash equivalents amounted to approximately RMB6.9 million. As at 31 March 2023, related interests of approximately RMB5.4 million and eleven other loans in the PRC and Hong Kong amounting to approximately RMB27.9 million in total were defaulted in repayment. The default in repayment of other loans entitled the bank lender a right to demand immediate repayment of the bank borrowing from the Group. These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The opinion of the independent auditor of the Company in respect of the consolidated financial statements of the Group for the 15M2023 was a disclaimer of opinion because of the multiple uncertainties relating to going concern as mentioned above. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively in the Group's consolidated financial statements.

In view of the above, we consider the Debt Capitalisation is an appropriate fund raising method currently available to the Group as it enables the Group to mitigate a substantial cash outflow, allowing the Company to retain working capital to support its business operations and development,

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1b) Background and information of Mr. Wong

Mr. Wong is also the father of Mr. Wong Ben, an executive Director. Mr. Wong, aged 81, is a merchant and has been engaged in property investment and development business in the PRC and Hong Kong for over 50 years. He has been investing in real estate projects since the 1970s and was appointed as a member of the Shenzhen Municipal Committee of the Chinese People's Political Consultative Congress from 2000 to 2010.

Mr. Wong has provided the following cash advances to the Company:

- (i) HK\$2.5 million in November 2020, which is unsecured, interest free and repayable by 31 December 2021. Such cash advance was fully utilised by the Company by June 2021 for settlement of professional fees;
- (ii) HK\$1.5 million in October 2021, which is unsecured, interest free and repayable by 31 December 2022. Such cash advance was fully utilised by the Company by March 2022 for settlement of professional fees;
- (iii) an aggregate amount of HK\$9.5 million during 2022 and up to August 2023, which is unsecured, interest free and repayable by 31 December 2023. Such cash advance was fully utilised by the Company by August 2023 for general working capital purpose; and
- (iv) paid expenses in the aggregate amount of HK\$6.5 million on behalf of the Company in August 2023, which is unsecured, interest free and repayable by 31 December 2023. Such accrued expenses mainly comprised professional fees and staff costs.

As at the Latest Practicable Date, the entire amount of HK\$20.0 million advanced by Mr. Wong was outstanding and the loan amount in a total of HK\$4 million (items (i) and (ii) above) was in default. We are advised by the Management that Mr. Wong has not exercised his rights under the relevant loan agreement to demand immediate full repayment or charged any default interests on the Company. The cash advances provided by Mr. Wong were accounted as amounts due to related parties under the financial statements of the Group.

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2. Principal terms of the Settlement Deed

On 7 September 2023 (after trading hours), the Company and Mr. Wong entered into the Settlement Deed, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 250,000,000 Capitalisation Shares (equivalent to 500,000,000 Existing Shares) at the price of HK\$0.08 per Consolidated Share (equivalent to HK\$0.04 per Existing Share) for the settlement of the Indebted Sum in full. The subscription amount payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising all of the Indebted Sum in the amount of HK\$20.0 million owed by the Company to Mr. Wong.

Details of the Settlement Deed are summarised as follows:

Date

7 September 2023 (after trading hours)

Parties

- (1) The Company (as issuer); and
- (2) Mr. Wong (as subscriber)

Capitalisation Shares

The Company has conditionally agreed to allot and issue, and Mr. Wong has conditionally agreed to subscribe for, a total of 250,000,000 Capitalisation Shares (equivalent to 500,000,000 Existing Shares) at the price of HK\$0.08 per Consolidated Share (equivalent to HK\$0.04 per Existing Share).

The Company is in debt to Mr. Wong in the amount of the Indebted Sum. The subscription price payable by Mr. Wong under the Settlement Deed shall be satisfied by capitalising the Indebted Sum in the amount of HK\$20.0 million in full.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Completion Date, the Capitalisation Shares represent (i) approximately 29.56% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.82% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares.

The aggregate nominal value of the Capitalisation Shares (with a par value of HK\$0.02 each after the Share Consolidation becomes effective) is HK\$5,000,000.

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Issue Price

The Issue Price of HK\$0.08 per Capitalisation Share represents:

- (i) a discount of approximately 35.48% to the theoretical closing price of HK\$0.124 per Consolidated Share (based on the closing price of HK\$0.062 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on 7 September 2023, being the date of the Settlement Deed;
- (ii) a discount of approximately 40.48% to the average theoretical closing price of HK\$0.1344 per Consolidated Share (based on the average closing price of HK\$0.0672 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Settlement Deed;
- (iii) a discount of approximately 43.50% to the average theoretical closing price of HK\$0.1416 per Consolidated Share (based on the average closing price of HK\$0.0708 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Settlement Deed;
- (iv) a premium of approximately 131.88% over the consolidated net asset value attributable to the Shareholders of approximately HK\$0.0345 per Consolidated Share (equivalent to approximately HK\$0.0173 per Existing Share) as at 31 March 2023, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB27,041,000 (equivalent to approximately HK\$29,204,280 based on the exchange rate of RMB1: HK\$1.08) as at 31 March 2023 by 845,679,546 Consolidated Shares (after taking into account the effect of the Share Consolidation) in issue as at the date of the Settlement Deed; and
- (v) a discount of approximately 42.86% to the theoretical closing price of HK\$0.14 per Consolidated Share (based on the closing price of HK\$0.07 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange as at the Latest Practicable Date.

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The Issue Price was arrived at on an arm's length basis between the Company and Mr. Wong after taking into account the recent trading performance of the Shares, the recent market conditions, the current financial position and the business prospects of the Group. In particular, the Group incurred net loss of approximately RMB51.8 million for 15M2023 and recorded net current liabilities of approximately RMB43.4 million as at 31 March 2023. While the Group intends to improve its liquidity and financial position, the Group lacks the repayment ability with cash and cash equivalent only amounted to approximately RMB6.9 million as at 31 March 2023. On the other hand, trading liquidity in the Shares was very thin over the past year. During the period from 1 September 2022 up to the date of the Settlement Deed, the average daily trading volumes of the Shares ranged from approximately 50,870 Shares in August 2023 to approximately 959,889 Shares in October 2022, representing approximately 0.003% to 0.062% of the total number of Shares in issue of the Company as at the end of the relevant month. Meanwhile, the market sentiment has been generally low during 2023, as witnessed by the Hang Seng Index which fell from 20,145 as at 3 January 2023 to 18,202 as at 7 September 2023, being the date of the Settlement Deed. In view of (i) the unsatisfactory financial performance and position of the Group; (ii) the Group's needs in improving its liquidity and financial position; (iii) the thin trading liquidity of the Shares; and (iv) the generally low market sentiment in 2023, the Directors consider that it is inevitable that the Issue Price would need to be set at a deeper discount to facilitate the Debt Capitalisation. Hence, the Directors consider that the Issue Price and the terms of the Settlement Deed are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The amount of the total Issue Price shall be satisfied by way of capitalising the Indebted Sum owed to Mr. Wong by the Company. In addition, the Group will use its internal resources to settle the professional fees and all related expenses which may be borne by the Company in connection with the relevant debt capitalisation.

Conditions

Completion is conditional upon the fulfilment of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted or agreeing to grant the approval for the listing of and permission to deal in the Capitalisation Shares on the Stock Exchange;
- (ii) the representations and warranties given by the parties are true and accurate in all material respects from the date of the Settlement Deed to the Completion Date;
- (iii) Mr. Wong having obtained all the relevant approvals for the transactions; and
- (iv) the Company having obtained all the relevant approvals for the transactions including the approval of the Independent Shareholders for the entering into of the Settlement Deed and the transactions contemplated thereunder (including to grant of the specific mandate) in the EGM.

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None of the above conditions can be waived. If the above conditions are not fulfilled by 11:59 p.m. on 31 October 2023 or such other date as the parties to the Settlement Deed may agree, the Settlement Deed will terminate and all rights and obligations under the Settlement Deed will cease save for any rights and obligations accrued before the termination.

Completion

Completion shall take place on the Completion Date provided that the conditions precedent having been fulfilled on the tenth (10) Business Day preceding the Completion Date (or such later date as may be agreed between the Company and Mr. Wong in writing).

The Specific Mandate

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

Ranking of the Capitalisation Shares

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

3. Reasons for and benefits of the Debt Capitalisation

As detailed in the 2023 Annual Report, the Group experienced a net loss of approximately RMB51.8 million and recorded a net operating cash outflow of approximately RMB13.2 million for the same period. As of 31 March 2023, the Group reported net current liabilities of approximately RMB43.4 million, among which the Group's current borrowings amounted to approximately RMB37.7 million, consisting of approximately RMB8.5 million in bank borrowing and approximately RMB29.2 million in loans from independent third parties in the Hong Kong and PRC. In contrast, the Group's cash and cash equivalents stood at only approximately RMB6.9 million as of 31 March 2023, significantly less than the outstanding borrowings.

With reference to the Letter from the Board, the Directors have undertaken significant efforts to enhance the Group's liquidity and financial position. This includes implementing a scheme of arrangement, conducting an open offer, capitalising debt, and issuing convertible bonds. Additionally, the Company is actively exploring opportunities to divest certain Group assets, securing financial support from major Shareholders, and investigating new business initiatives to further strengthen the Group's liquidity and financial position.

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As stated in the Letter from the Board, the Company also considers that the Debt Capitalisation allows the Group to clear its debt obligations without tapping into the Company's existing financial reserves, thus avoiding cash outflows. Although part of the amounts due to Mr. Wong are not due until 31 December 2023, the Group is not expected to have sufficient financial resources to repay Mr. Wong as those amounts fall due given the financial position of the Group. As the Group is in the progress of restructuring its debt so as to facilitate the Group to focus on the improvement of its business development, the Directors believe that settle the amounts due to Mr. Wong to improve its financial position while preserving liquidity to the greatest extent possible is in the best interest of the Company and all its Shareholders as a whole. This approach is aimed at bolstering the Group's financial standing and liquidity for its ongoing business expansion.

Upon our enquiry, we noted that the Company has also considered various alternative financing methods apart from the Debt Capitalisation, including but not limited to debt financing and other ways of equity financing.

Regarding debt financing, the Company considers that it would result in substantial additional interest burden on the Group, which would be detrimental to the financial performance, financial position and debt to total equity ratio especially under the existing tightened financing environment.

Regarding equity financing options, given the Group's current financial performance, the limited liquidity of its shares, and the Company's market capitalisation, the Board believes in respect of rights issue or open offer, the subscription price would have to be set at a deep discount to the prevailing market price of the Shares in order to attract potential investors or existing Shareholders. In addition, rights issue or open offer of new Shares may also be subjected to underwriting uncertainty and market risks. These transactions typically involve extensive documentation and higher transaction costs, including underwriting commissions and associated fees for documentation and other professional services. For placing of new Shares to independent investors, it is challenging for a placement agent to secure independent third-party investors willing to subscribe to new Shares without applying a relatively substantial discount compared to the Issue Price. Accordingly, the Directors consider that the Debt Capitalisation is an appropriate financing option for the Group as compared with other financing alternative.

Having considered: (i) the Debt Capitalisation will allow the Company to settle the Indebted Sum without imposing any substantial cash outflow so as to release the liquidity and working capital pressure of the Company; (ii) the severe shortage of cash and working capital for the repayment of the indebtedness of the Group; (iii) the latest published financial position of the Group as set out under section headed "1. Background and Financial Information of the Group" in this letter above; (iv) the Debt Capitalisation is an appropriate financing option for the Group as compared with other financing alternatives; and (v) the terms of the Settlement Deed are generally in line with recent market practice as discussed in the subsection headed "Comparable transactions analysis" below, we therefore concur with the Directors' view that the the terms of the Settlement Deed are fair and reasonable and the Debt Capitalisation is in the interests of the Company and the Shareholders as a whole.

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4. Capital-raising activities in the past 12 months

On 24 March 2023, the Company issued convertible bonds with an aggregate principal amount of HK\$7.8 million to no less than six placees. The Company received net proceeds from the placing of approximately HK\$7.6 million, which has been fully utilised as planned and applied as to (i) approximately HK\$5.8 million for the capital injection to a 51% owned subsidiary; and (ii) the remaining HK\$1.8 million utilised for general working capital of the Group. For details, please refer to the announcements of the Company dated 3 March 2023, 20 March 2023 and 24 March 2023. On 21 April 2023, the Company allotted and issued 73,104,116 capitalisation Shares at the issue price of HK\$0.06 each to a creditor of the Company for capitalisation of debt owned by the Group to the creditor in the amount of approximately HK\$4,386,247. For details, please refer to the announcement of the Company dated 20 January 2023.

Saved as disclosed above, the Company had not conducted any equity fundraising activities in the past twelve months immediately preceding the Latest Practicable Date.

5. Evaluation of the Issue Price

The Issue Price of HK\$0.08 per Capitalisation Share, represents:

- (i) a discount of approximately 35.48% to the theoretical closing price of HK\$0.124 per Consolidated Share (based on the closing price of HK\$0.062 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange on 7 September 2023, being the date of the Settlement Deed;
- (ii) a discount of approximately 40.48% to the average theoretical closing price of HK\$0.1344 per Consolidated Share (based on the average closing price of HK\$0.0672 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Settlement Deed;
- (iii) a discount of approximately 43.50% to the average theoretical closing price of HK\$0.1416 per Consolidated Share (based on the average closing price of HK\$0.0708 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the Settlement Deed;
- (iv) a premium of approximately 131.88% over the consolidated net asset value attributable to the Shareholders of approximately HK\$0.0345 per Consolidated Share (equivalent to approximately HK\$0.0173 per Existing Share) as at 31 March 2023, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB27,041,000 (equivalent to approximately HK\$29,204,280 based on the exchange rate of RMB1: HK\$1.08) as at 31 March 2023 by 845,679,546 Consolidated Shares (after taking into account the effect of the Share Consolidation) in issue as at the date of the Settlement Deed; and

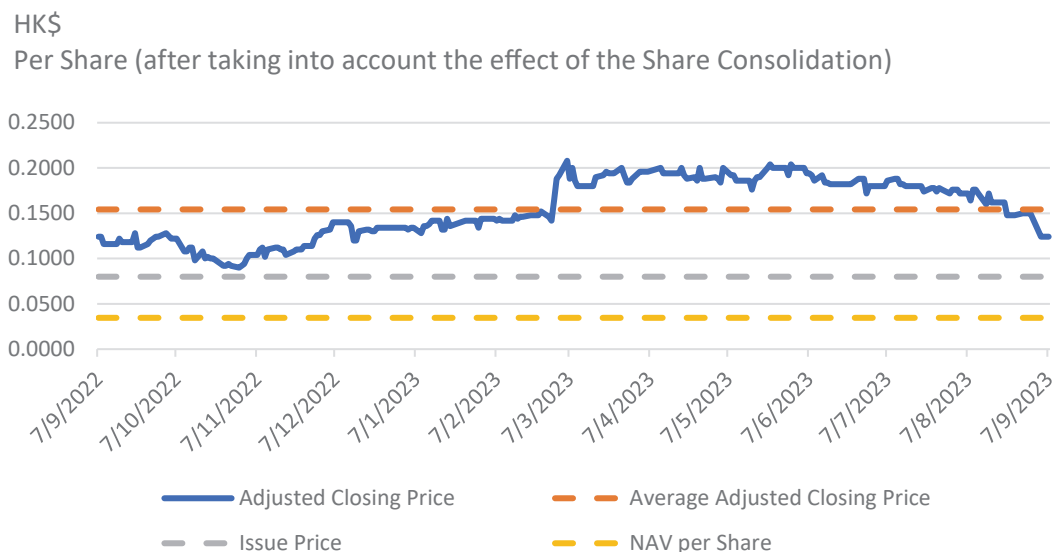
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- (v) a discount of approximately 42.83% to the theoretical closing price of HK\$0.14 per Consolidated Share (based on the closing price of HK\$0.07 per Existing Share and after taking into account the effect of the Share Consolidation) as quoted on the Stock Exchange as at the Latest Practicable Date.

Historical Share price performance

In order to assess the fairness and reasonableness of setting the Issue Price at HK\$0.08 per Capitalisation Share (equivalent to HK\$0.04 per Existing Share), we have reviewed the daily closing prices of the Shares from 7 September 2022, being approximately one year prior to the date of the Settlement Deed, to 7 September 2023 (the “**Review Period**”) (after taking into account the effect of the Share Consolidation). We consider that the Review Period, covering a full twelve-months period prior to the Last Trading Day, (i) is appropriate for illustration of the general trend and level of movement of the daily closing prices of the Shares which can reflect the correlation between the recent business performance of the Company and the latest market reaction in the Share price; (ii) is long enough to avoid any short-term fluctuation which may distort our analysis; and (iii) is sufficient and a common market practice. The following diagram sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Movement of the Share closing price during the Review Period



Sources: the Stock Exchange

Note: net asset value per Share is calculated by dividing the Group’s audited consolidated net assets attributable to the Shareholders of approximately RMB27 million (equivalent to approximately HK\$29.2 million based on the exchange rate of RMB1: HK\$1.08) as at 31 March 2023 by 845,679,546 Consolidated Shares (after taking into account the effect of the Share Consolidation)

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As illustrated by the chart above, during the Review Period, the closing price of the Shares after taking into account the effect of the Share Consolidation (the “**Adjusted Closing Price**”) traded between a range of HK\$0.09 per Share (equivalent to HK\$0.045 per Existing Share) on 31 October 2022 (the “**Lowest Adjusted Closing Price**”) and HK\$0.208 per Share (equivalent to HK\$0.104 per Existing Share) on 6 March 2023 (the “**Highest Adjusted Closing Price**”) with an average Adjusted Closing Price per Share of approximately HK\$0.154 (equivalent to HK\$0.077 per Existing Share) per Share (the “**Average Adjusted Closing Price**”).

During the Review Period, the daily Adjusted Closing Price remained fairly stable, ranging between HK\$0.112 (equivalent to HK\$0.056 per Existing Share) to HK\$0.128 (equivalent to HK\$0.064 per Existing Share) from the beginning until 7 October 2022. After a downward trend from 10 October 2022 to 31 October 2022, when it reached HK\$0.09 (equivalent to HK\$0.045 per Existing Share). It began to rise, going from HK\$0.09 (equivalent to HK\$0.045 per Existing Share) on 31 October 2022 to HK\$0.208 (equivalent to HK\$0.104 per Existing Share) on 6 March 2023. We have discussed with the Company regarding the increasing trend of the Share price and were advised that it is because of the market reaction to the placing of convertible bonds and the entering into a joint venture agreement, more shares were traded during this period which led to an upward trend of the price of the Shares. The price then remained consistent from March to July 2023, but from July 2023 until 7 September 2023, it faced a downward trend, decreasing from HK\$0.180 (equivalent to HK\$0.09 per Existing Share) on 20 July 2023 to HK\$0.124 (equivalent to HK\$0.062 per Existing Share) on 7 September 2023. Finally, the closing price was HK\$0.124 (equivalent to HK\$0.062 per Existing Share) per Share on the date of the Settlement Deed.

It is noted that the Issue Price has been lower than the Average Adjusted Closing Price during the Review Period, nonetheless, having considered (i) the Issue Price is slightly lower than the Lowest Adjusted Closing Price during the Review Period; (ii) the Issue Price is at a premium of approximately 131.21% over the net assets value per Share; (iii) the declining trend of the Share price of the Company and the relatively thin trading liquidity during the Review Period as set out in the section headed “Review on the trading liquidity of the Shares” below, (iv) the Group had a relatively low cash position as at 31 March 2023 as set out in the section headed “1. Background and financial information of the Group” above in this letter; (v) the reasons for and benefits of the Debt Capitalisation as set out in the section headed “3. Reasons for and benefits of the Debt Capitalisation” above in this letter; (vi) Mr. Wong, who is a controlling Shareholder of the Company which in our view demonstrates his confidence as a substantial shareholder towards the Company and his support for the Company’s business development with an aim to improve the financial position of the Company; and (vii) the terms of the Settlement Deed are fair and reasonable based on our assessments with comparable analyses detailed in this section, we are of the view that the Debt Capitalisation is in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Review on the trading liquidity of the Shares

In order to further assess the fairness and reasonableness of setting the Issue Price, we have also reviewed the trading volume data in respect of the Shares from 1 September 2022 up to the Latest Practicable Date as illustrated in the table below:

Table 2: Trading liquidity analysis

	Total trading volume <i>(No. of Shares)</i>	Number of trading days <i>(No. of days)</i>	Average daily trading volume <i>(No. of Shares)</i> <i>(Note 1)</i>	Average daily trading volume of Shares as a percentage of the issued Shares of the Company <i>(Note 2)</i>
2022				
September	18,541,681	21	882,937	0.057%
October	19,197,774	20	959,889	0.062%
November	1,985,000	22	90,227	0.006%
December	2,180,000	20	109,000	0.007%
2023				
January	1,430,000	18	79,444	0.005%
February	2,363,000	20	118,150	0.007%
March	11,925,409	23	518,496	0.032%
April	1,620,010	17	95,295	0.006%
May	4,800,000	21	228,571	0.014%
June	4,446,628	21	211,744	0.013%
July	1,969,000	20	98,450	0.006%
August	1,170,000	23	50,870	0.003%
September (up to the Latest Practicable Date)	6,363,702	15	424,247	0.025%
Maximum	19,197,774	N/A	959,889	0.062%
Minimum	1,170,000	N/A	50,870	0.003%

Source: the Stock Exchange

Notes:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated from the table above, the average daily trading volume of the Shares was relatively low during the Review Period on the trading liquidity of the Share, with a range of approximately 50,870 Shares in August 2023 to approximately 959,889 Shares in October 2022, representing approximately 0.003% to 0.062% of the total number of Shares in issue of the Company as at the end of the relevant month.

The limited trading liquidity and low trading volume pose significant hurdles for the Company when considering alternative financing options such as placing new Shares with independent investors, rights issues, and open offers. This relatively constrained liquidity situation also suggests that selling a substantial block of Shares in the open market could potentially lead to a decline in Share prices. Consequently, when the Company explores substantial equity financing options in the stock market, potential investors are likely to seek more significant incentives, including a substantial discount on the issue price relative to the prevailing market price of the Shares, to encourage their participation in these fundraising initiatives.

In addition to the relatively low trading volume during the Review Period, based on the terms of the Debt Capitalisation which are fair and effective in addressing the Group's liquidity challenges; and our analysis of recent market practices related to comparable transactions of debt capitalisation, as detailed in the "Comparable Transactions Analysis" section, we are of the view that it is reasonable to set the Issue Price at a discount to the prevailing historical closing prices of the Shares to balance the low liquidity of the Shares during the Review Period.

Comparable transactions analysis

To further assess the fairness and reasonableness of the Issue Price, we have reviewed comparable transactions involving subscription of new shares by independent third party(ies) or connected person(s) under specific mandate, announced by companies listed on the Stock Exchange (other than the Company) in the past 12 months immediately preceding the date of the Settlement Deed but excluding issues of shares as part of consideration in acquisition or share award or restricted stock unit scheme (the "**Share Comparable Transactions**"). We have, to our best effort and so far as we are aware, identified 21 Share Comparable Transactions which we consider to be exhaustive. We consider the following list of the Share Comparable Transactions is fair, representative and comparable to the Settlement Deed, taking into account that (i) they involve the same type of transaction as the subscription of new shares under specific mandate by listed companies listed on the Main Board of the Stock Exchange, which could facilitate meaningful comparison purpose. The selection of the Share Comparable Transactions without considering the connected relationship of the subscriber(s) with the listed companies could instead provide a more balanced and comprehensive reference as terms given to connected person(s) shall be no more favourable than terms given to independent third party(ies) under the general regulatory framework; (ii) the 12-month period immediately prior to the date of the Settlement Deed represents a reasonable and meaningful time period to capture the recent market practice for the said transaction; and (iii) a list of 21 Share Comparable Transactions identified in accordance with the aforesaid selection criteria shall be adequate to provide a general reference for comparison purpose. Independent Shareholders should note that the businesses, operations and prospects of the Group may not be the same as, or vary from, those of the listed companies conducting the Share Comparable Transactions, and the Share Comparable Transactions set out below are for the purpose of providing a general insight on the terms in respect of the subscription of new shares under specific mandate during the said 12 months' period. Details of the Share Comparable Transactions are set out below:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Table 3: Analysis of the Comparable Debt Capitalisation

Date of announcement	Name of company	Stock code	Connected transaction (Yes/No)	Premium/(discount) of subscription price over/(to) closing price per share on the last trading day prior to or on the date of subscription agreement	Premium/(discount) of subscription price over/(to) average closing price per share for the last five trading days prior to or including the date of subscription agreement	Premium/(discount) of subscription price over/(to) average closing price per share for the last ten trading days prior to or including the date of subscription agreement
06-Sep-23	New City Development Group Limited	456.HK	Yes	(5.00)%	(7.00)%	(5.63)%
31-Aug-23	Bonjour Holdings Limited	653.HK	Yes	0.00%	0.65%	0.00%
24-Aug-23	VPower Group International Holdings Limited	1608.HK	No	(19.51)%	(17.50)%	(15.38)%
14-Aug-23	China Evergrande New Energy Vehicle Group Limited (Note 1)	708.HK	Yes	157.7%	147.4%	129.8%
28-Jul-23	CT Vision Investment Limited	994.HK	Yes	(11.11)%	(10.31)%	(14.62)%
26-Jul-23	Applied Development Holdings Limited	519.HK	Yes	(17.00)%	(19.00)%	(20.47)%
10-Jul-23	Summi (Group) Holdings Limited	756.HK	No	(9.46)%	(9.46)%	(9.46)%
9-Jul-23	NVC International Holdings Limited	2222.HK	No	16.90%	23.88%	21.52%
16-Jun-23	Bank of Jiujiang Co., Ltd.	6190.HK	No	0%	2.6%	2.6%
12-Jun-23	VPower Group International Holdings Limited	1608.HK	No	2.4%	5.0%	7.7%
9-Jun-23	China Silver Technology Holdings Limited	515.HK	No	(4.8)%	(5.7)%	(7.0)%
28-Apr-23	Energy International Investments Holdings Limited	353.HK	Yes	(5.5)%	(8.4)%	(7.6)%
26-Apr-23	New Huo Technology Holdings Limited	1611.HK	Yes (Note 2)	(9.6)%	(11.8)%	(14.8)%
20-Apr-23	Glory Sun Financial Group Limited	1282.HK	No	65.3%	67.5%	63.6%
19-Mar-23	Suoxinda Holdings Limited	3680.HK	No	(5.0)%	(6.9)%	(7.8)%
21-Feb-23	North Mining Shares Company Limited	433.HK	No	(40.00)%	(41.8)%	(42.6)%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Name of company	Stock code	Connected transaction (Yes/No)	Premium/(discount) of subscription price over/(to) closing price per share on the last trading day prior to or on the date of subscription agreement	Premium/(discount) of subscription price over/(to) average closing price per share for the last five trading days prior to or including the date of subscription agreement	Premium/(discount) of subscription price over/(to) average closing price per share for the last ten trading days prior to or including the date of subscription agreement
19-Jan-23	New Concepts Holdings Limited	2221.HK	No	(13.64)%	(11.01)%	(12.14)%
11-Jan-22	COFCO Joycome Foods Limited Holdings Limited	1610.HK	Yes	(1.7)%	(2.13)%	0.22%
8-Dec-22	China Ecotourism Group Limited	1371.HK	Yes	(28.57)%	(4.8)%	(5.7)%
18-Oct-22	China Titans Energy Technology Group Co., Limited	2188.HK	No	3.0%	5.9%	4.6%
13-Sep-22	Link-Asia International	1143.HK	No	78.4%	78.4%	78.4%
			Maximum (excluding outlier)	78.40%	78.40%	78.4%
			Minimum (excluding outlier)	(40.00)%	(41.8)%	(42.6)%
			Average (excluding outlier)	(0.24)%	1.41%	0.77%
7-Sep-23	The Company	1580.HK	Yes	(35.48)%	(40.48)%	(43.50)%

Source: the website of the Stock Exchange

Notes:

- As the premium of the subscription price over (i) the closing price per share on the last trading day prior to or on the date of subscription agreement; (ii) the average closing price per share for the last five trading days prior to or including the date of subscription agreement; and (iii) the average closing price per share for the last ten trading days prior to or including the date of subscription agreement (collectively known as the “Comparable Benchmarked Prices”) are more than two standard deviations above the average premium, China Evergrande New Energy Vehicle Group Limited is considered as outlier and has been excluded for analysis purpose.
- The company announced on the same date that it entered into relevant subscription agreements with both its connected person(s) and independent third party(ies) at the same subscription price. For illustrative purpose under this table, “Yes” is stated.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the subscription price per share issued under the Share Comparable Transactions ranged from (i) a discount of approximately 40.00% to a premium of approximately 78.40% over their respective closing price per share on the last trading day prior to or on the date of subscription agreement, with an average discount of approximately 0.24%; (ii) a discount of approximately 41.80% to a premium of approximately 78.40% over their respective average closing price per share for the last five trading days prior to or including the date of subscription agreement, with an average premium of approximately 1.41%; and (iii) a discount of approximately 42.60% to a premium of approximately 78.40% over their respective average closing price per share for the last ten trading days prior to or including the date of subscription agreement, with an average premium of approximately 0.77%.

We observe that (i) the respective discounts of the Issue Price compared to the closing Share price on the date of the Settlement Deed (the “**Settlement Date Closing Price**”) and the average for the last five trading days immediately prior to the date of the Settlement Deed (the “**Five Days Settlement Date Average Closing Price**”), of approximately 35.48% and 40.48%, fall within the respective ranges of the Share Comparable Transactions; (ii) the discount of the Issue Price to the average for the last ten trading days immediately prior to the date of the Settlement Deed (the “**Ten Days Settlement Date Average Closing Price**”), of approximately 43.50%, is slightly below the lower range of the Share Comparable Transactions, and (iii) the discounts of the Issue Price to the Settlement Date Closing Price, the Five Days Settlement Date Average Closing Price and the Ten Days Settlement Date Average Closing Price, collectively known as (the “**Settlement Benchmarked Price**”) are beyond the average Comparable Benchmarked Prices, as described above.

Nevertheless, having considered that (i) the Issue Price of HK\$0.08 per Capitalisation Share is slightly lower than the range of the closing prices of the Shares during the review period, but is higher than the net asset value per Share; (ii) the Shares had a relatively low liquidity during the review period; (iii) the analysis in relation to the Share Comparable Transactions as mentioned above; (iv) the Issue Price was arrived at after arm’s length negotiations between the Company and Mr. Wong with reference to the recent trading price and trading volume of the Shares as advised by the Directors; (v) the reasons for entering into of the Settlement Deed, especially the difficulties in conducting alternative fundraising activities, as mentioned previously in this letter, (vi) the anticipated financial improvements arising from the Debt Capitalisation as set out under the section headed 7. Financial effects of the Debt Capitalisation; and (vii) the cash advances made by Mr. Wong were unsecured and interest free which resulted in significant cost savings for the Company, especially in the context of Hong Kong’s economic downturn over the past three years, we are of the view that the Issue Price and the terms of the Settlement Deed are fair and reasonable, and the entering into of the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Potential dilution effects of the Debt Capitalisation and the Subscriptions

As at the Latest Practicable Date, the Company had a total of 1,691,359,093 Shares in issue. Set out below is the shareholding structure of the Company: (i) as at the Latest Practicable Date; (ii) immediately after the issue and the allotment of the Capitalisation Shares under the Debt Capitalisation (assuming the Share Consolidation had not become effective and there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date); (iii) immediately upon the Share Consolidation becoming effective; and (iv) immediately upon the Share Consolidation becoming effective and after the issue and allotment of the Capitalisation Shares as contemplated under the Debt Capitalisation (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date)

	As at the Latest Practicable Date		Immediately after the issue and allotment of the Capitalisation Shares		Immediately upon the Share Consolidation becoming effective		Immediately upon the Share Consolidation becoming effective and after the issue and allotment of the Capitalisation Shares	
			Number of Existing Shares		Number of Consolidated Shares		Number of Consolidated Shares	
	Number of Shares	Approximate (%)	Number of Existing Shares	Approximate (%)	Number of Consolidated Shares	Approximate (%)	Number of Consolidated Shares	Approximate (%)
Mr. Wong Tseng Hon	864,686,442	51.12	1,364,686,442	62.28	432,343,221	51.12	682,343,221	62.28
Mr. Chai Kaw Sing and his spouse (Note 1)	125,552,973	7.42	125,552,973	5.73	62,776,486	7.42	62,776,486	5.73
Public Shareholders	701,119,678	41.46	701,119,678	31.99	350,559,839	41.46	350,559,839	31.99
Total	1,691,359,093	100.00	2,191,359,093	100.00	845,679,546	100.00	1,095,679,546	100.00

Notes:

- As at the date of this announcement, Mr. Chai Kaw Sing, an executive Director, was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai Kaw Sing, was the legal owner of 31,429,928 Shares. Mr. Chai Kaw Sing is deemed to be interested in all the Shares in which his spouse is interested in by virtue of the SFO

As shown in the above table, we noted that the shareholding in the Company held by the existing public Shareholders would be diluted from approximately 41.46% as at the Latest Practicable Date to approximately 31.99% immediately after the completion of the Debt Capitalisation, representing a dilution of approximately 9.47%. We are aware of the Debt Capitalisation will incur a dilution effect on the shareholding of the existing public Shareholders. Nonetheless, having considered that (i) the Debt Capitalisation can relieve part of the Group's existing borrowings without depleting its existing financial resources; (ii) the Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base and enhance the net asset position of the Group; and (iii) the terms of the Settlement Deed being fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

7. Financial effects of the Debt Capitalisation

Effect on total liabilities and net asset value

According to the 2023 Annual Report, the audited total liabilities and net asset value attributable to owners of the Company was approximately RMB122.0 million and RMB26.1 million as at 31 March 2023 respectively. Assuming the Group will not incur new borrowings and no other settlement will be made on the Group's liabilities, the Group's total liabilities will be decreased by the amount of Indebted Sum of HK\$20.0 million upon the Completion. In light of the decrease of total liabilities, the net asset value attributable to owners of the Company will also be enhanced by the amount of the Indebted Sum of HK\$20.0 million. We consider that the Debt Capitalisation will result in an overall improvement on the Group's net assets position.

Effect on debt to total equity ratio

Based on the 2023 Annual Report, the gearing ratio of the Group, calculated based on the total interest-bearing debts (amounted to approximately RMB44.7 million, which comprised bank borrowings of approximately RMB8.5 million, other loans of approximately RMB29.2 million and convertible bonds payable of approximately RMB7.0 million) divided by the total equity (amounted to approximately RMB26.1 million), was approximately 171.5% as at 31 March 2023. Upon the Completion, the gearing ratio is expected to improve accordingly as the total interest-bearing debts of the Group would decrease by HK\$20.0 million, being the amount of the Indebted Sum and the total equity of the Group will be enlarged by the allotment and issue of the Capitalisation Shares. We, therefore, consider that the Debt Capitalisation will have an overall improvement on the gearing ratio of the Group.

Effect on working capital

As the Indebted Sum will be fully settled by way of allotment and issue of the Capitalisation Shares without incurring any cash outflow (save and except the professional fees in relation to the Debt Capitalisation) by the Group, the Debt Capitalisation would enable the Company to free the cash flow on its general working capital, for repayment of other borrowings and/or development of its business without affecting the working capital of the Company. Accordingly, the cash and liquidity positions of the Group are expected to improve upon the completion of the Debt Capitalisation.

Although the above analysis is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Debt Capitalisation. Based on the above analyses, the Debt Capitalisation would have a positive impact on the Group's net asset value, gearing ratio and working capital. On such bases, we are of the view that the Debt Capitalisation is fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OPINION AND RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, having taken into account the following in arriving at our opinion:

- (i) the Group reported net losses for 12M2021, 12M2022 and 15M2023 which suggest that the Group is operating in a challenging business environment and it remains uncertain as to the future performance of the Group as a whole;
- (ii) the net current liabilities of the Group since 12M2021;
- (iii) the independent auditor's opinion regarding multiple uncertainties relating to going concern issue of the Group as discussed above;
- (iv) the Debt Capitalisation is an appropriate fund raising method currently available to the Group as it enables the Group to mitigate a substantial cash outflow, allowing the Company to retain working capital to support its business operations and development;
- (v) the Issue Price represents a premium of approximately 131.88% over the consolidated net asset value attributable to the Shareholders of approximately HK\$0.0345 per Consolidated Share (equivalent to approximately HK\$0.0173 per Existing Share) as at 31 March 2023, calculated by dividing the Group's audited consolidated net assets attributable to the Shareholders of approximately RMB27,041,000 (equivalent to approximately HK\$29,204,280 based on the exchange rate of RMB1: HK\$1.08) as at 31 March 2023 by 845,679,546 Consolidated Shares (after taking into account the effect of the Share Consolidation) in issue as at the date of the Settlement Deed;
- (vi) the limited trading liquidity and low trading volume pose significant hurdles for the Company when considering alternative financing options such as placing new Shares with independent investors, rights issues, and open offers;
- (vii) the discounts of the Issue Price to the Settlement Benchmarked Prices are fair and reasonable, as described above; and
- (viii) the potential dilution effect to the shareholding interest of the public Shareholders arising from the Debt Capitalisation is acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are of the view that, although the Settlement Deed and the transactions contemplated thereunder (including the grant of the Specific Mandate) are not conducted in the ordinary and usual course of business of the Group, the terms of the Settlement Deed are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Debt Capitalisation at the EGM.

Yours faithfully,
For and on behalf of
Euto Capital Partners Limited
Wendy Liu
Director

Ms. Wendy Liu (“Ms. Liu”) is a licensed person registered with SFC and regarded as a responsible officer of Type 6 (advising on corporate finance) of Euto Capital Partners Limited. Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2014 and has participated in and completed various independent financial advisory transactions in Hong Kong

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.

1. SHARE CAPITAL

Set out below are the authorised and issued share capital of the Company as at the Latest Practicable Date:

Authorised		<i>HK\$</i>
3,000,000,000	Existing shares	30,000,000.00
Issued and fully paid		<i>HK\$</i>
1,691,359,093	Existing shares	16,913,590.93

2. DISCLOSURE OF INTERESTS

Interest of Directors and Chief Executive in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares or underlying shares and debentures of the Company and 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 the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he was deemed or taken 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 maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Number of Shares held capacity and nature of interest			Percentage of the Company's share capital
	Directly beneficially owned	Through spouse or minor children	Total	
Mr. CHAI Kaw Sing (Note 1)	94,123,045	31,429,928	125,552,973	7.42%
Mr. ZHANG Ayang (Note 2)	–	107,844,800	107,844,800	6.66%

Note:

1. Mr. Chai Kaw Sing was the legal owner of 94,123,045 Shares and Ms. Chang Yu Chen, the spouse of Mr. Chai Kaw Sing, was the legal owner of 31,429,928 Shares. Mr. Chai Kaw Sing is deemed to be interested in all the Shares in which his spouse is interested by virtue of the SFO.
2. Ms. Wu Haiyan, the spouse of Mr. Zhang Ayang, is interested in 107,844,800 Shares. Mr. Zhang Ayang is deemed to be interested in all the Shares in which his spouse is interested by virtue of the SFO.

3. SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had an interest or a short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange:

Name of shareholder	Number of Shares held, capacity and nature of interest			Percentage of the Company's share capital
	Directly beneficially owned	Interests in persons acting in concert (<i>Note 1</i>)	Total	
Mr. WONG Tseng Hon	864,686,442	–	864,686,442	51.12%
Concert party group				
Ms. WU Haiyan (<i>Note 1</i>)	47,539,200	60,305,600	107,844,800	6.38%
Mr. WANG Songmao (<i>Note 1</i>)	40,465,600	67,379,200	107,844,800	6.38%
Mr. WU Shican (<i>Note 1</i>)	19,680,000	88,164,800	107,844,800	6.38%
Mr. LIN Qingxiong (<i>Note 1</i>)	160,000	107,684,800	107,844,800	6.38%

Note:

1. Pursuant to the concert party agreement dated 3 March 2016 and entered into among Mr. KE Mingcai, Mr. CAI Jinxu, Mr. WANG Songmao, Mr. LIN Qingxiong, Mr. WU Shican and Ms. WU Haiyan, they have agreed on certain arrangements pertaining to their shareholdings in the Company.

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

5. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
Euto Capital Partners Limited	a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert (i) had no direct or indirect shareholdings in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (ii) had no interests, direct or indirect, in any assets which had been, since 31 March 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to any of member of the Group, or are proposed to be acquired or disposed of by or leased to any of member of the Group.

The above expert has given and has not withdrawn its respective written consent to the issue of this circular with the inclusion herein of its respective letter, report, advice and/or references to its respective name, in the form and context in which they respectively appear.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any asset which, since 31 March 2023, being the date to which the latest published audited financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

8. LITIGATION

The Group has defaulted on three loans (the “**Loans**”) from a bank (the “**Bank**”) in the PRC, totaling RMB16,154,000 (after partial repayment). This had triggered cross default of another bank borrowing of RMB8,500,000 as at 31 March 2023 and subject to immediately repayment. During the year ended 31 December 2021, the Bank filed a petition to the People’s Court in Chengwu County of Shandong Province (the “**Court**”) for the repayment of the Loans and interest accrued and the Court ordered the repayment of the principal amount and the interest accrued within the time specified. During the fifteen months ended 31 March 2023, the Bank sold the defaulted loans to an asset management company. On 11 April 2023, the Group received notices from the Court which stated that the asset management company had applied to the Court for the enforcement of the pledge under the Loans. As at the Latest Practicable Date, the Group is in negotiation with the asset management company regarding the disposal of the parcel of land and buildings located at Chengwu County Industrial Park of Heze, Shandong Province, the PRC (the “**Disposal**”). It is intended that the proceeds from the Disposal will be used for the repayment of the overdue debts to the asset management company, and the lawsuit will be fully settled following completion of the repayment.

As at the Latest Practicable Date, save as disclosed above, no member of the Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.

9. 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 March 2023, being the date to which the latest published audited consolidated financial statement of the Group were made up.

10. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the Settlement Deed;
- (b) the placing agreement dated 3 March 2023 entered between the Company Blackwell Global Securities Limited in relation to the placing of the Convertible Bonds (as amended by a supplemental agreement dated 20 March 2023); and
- (c) the settlement deed dated 20 January 2023 entered between the Company and a creditor of the Company in relation to the subscription of 73,104,116 Shares for the debt capitalisation of an aggregate amount of approximately HK\$4,386,247 owed by the Company to the creditor.

11. GENERAL

- (a) The company secretary of the Company is Mr. Leung Wing Lun. He has over 18 years of experience in providing professional corporate services and is a member of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, P.O. Box 2681, Grand Cayman.
- (c) The principal place of business of the Company in Hong Kong is situated at Room 2703, 27th Floor, K. Wah Centre, No. 191 Java Road, North Point, Hong Kong.
- (d) The principal place of business of the Company in the PRC is situated at Economic Development Zone, Sunsi Town, Chengwu, Shangdong, the PRC.
- (e) The Hong Kong branch share registrar and transfer office of the Company is at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong.
- (f) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

12. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the website of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.msdsn.com>), during the period of 14 days from the date of this circular:

- (a) the Settlement Deed;
- (b) each of the material contract(s) as referred to in the section headed "Material contracts" above;
- (c) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular;

- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular; and
- (e) the written consent referred to in the section headed “Qualification and consent of expert” above.

NOTICE OF EGM

Da Sen Holdings Group Limited 大森控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1580)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Da Sen Holdings Group Limited (the “**Company**”) will be held at 2:00 p.m. on Thursday, 19 October 2023 by way of virtual meeting for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon the granting of approval by the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) for the listing of, and permission to deal in, the issued and unissued shares of the Company consolidated in the manner as set out in paragraph (a) of this resolution below (the “**Share Consolidation**”), with effect from the second business day immediately following the date on which this resolution is passed:
 - (a) every two (2) issued and unissued ordinary shares of HK\$0.01 each (the “**Existing Share(s)**”) in the share capital of the Company be consolidated into one (1) consolidated ordinary share of HK\$0.02 each (the “**Consolidation Share(s)**”), such Consolidated Shares shall rank pari passu in all respects with each other and have the rights and privileges and be subject to the restrictions as contained in the articles of association of the Company;
 - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to the shareholders (“**Shareholder(s)**”) of the Company but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company; and
 - (c) any one of the directors of the Company be and is hereby authorised generally to do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary, desirable or expedient to give effect to the foregoing arrangement for the Share Consolidation.”

NOTICE OF EGM

2. “**THAT**

- (a) the settlement deed (the “**Settlement Deed**”) (a copy of which has been produced to the Meeting marked “**A**” and initialed by the chairman of the Meeting for identification purpose) dated 7 September 2023 entered into between the Company as the issuer and Mr. Wong Tseng Hon (the “**Subscriber**”) in relation to the subscription of 500,000,000 Existing Shares (equivalent to 250,000,000 Consolidated Shares after the Share Consolidation becomes effective) (the “**Capitalisation Shares**”) at the price of HK\$0.04 per Existing Share (equivalent to HK\$0.08 per Consolidated Share after the Share Consolidation becomes effective) for the settlement of the amount of HK\$20.0 million owned by the Company to the Subscriber (the “**Indebted Sum**”) in full and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) conditional upon the Stock Exchange having approved the listing of and dealing in the Capitalisation Shares, the Directors be and are hereby granted the specific mandate (the “**Specific Mandate**”) to allot and issue the Capitalisation Shares in accordance with the terms of the Settlement Deed, provided that the Specific Mandate shall be in addition to, and shall not prejudice nor revoke any existing or such other general or specific mandates which may from time to time be granted to the Directors prior to the passing of this resolution; and
- (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the allotment and issue of the Capitalisation Shares to the Subscriber.”

By order of the Board
Da Sen Holdings Group Limited
SUN Yongtao
Chairman and non-executive Director

Hong Kong, 28 September 2023

Notes:

1. The Company will conduct the EGM by way of a virtual meeting. Both registered Shareholders and non-registered Shareholders can (i) attend the EGM and vote by way of electronic means; or (ii) exercise their right to vote at the EGM by appointing their own proxy or the Company’s designated proxy(ies), to act as their proxy. By logging in the dedicated online platform, Shareholders will be able to view a live webcast of the EGM, submit questions, and cast vote in real-time.

The online platform will be opened for registered Shareholders and non-registered Shareholders to log in 30 minutes prior to the commencement of the extraordinary general meeting, and only those Shareholders who logged in 5 minutes before the start of the Online EGM will be entitled to attend and vote at the Online EGM. The online platform can be accessed from any location with internet connection by a smart phone, tablet device or computer. Shareholders should allow ample time to check into the online platform to complete the login procedure and remain logged in until the commencement of and during the Online EGM. For online voting, Shareholders can refer to the enclosed notification letter and the Online Meeting User Guide for details. Any missed contents as a result of connection issues arise from the Shareholders will not be repeated.

NOTICE OF EGM

2. Any Shareholder entitled to attend and vote at the EGM is entitled to appoint one or, if he/she holds two or more Shares, more than one proxy to attend and vote in his/her stead. A proxy need not be a Shareholder.
3. To be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form shall not preclude the Shareholder from attending and voting at the EGM.
4. In the case of joint registered holders of any Share(s), the proxy form may be signed by any joint registered holder, but if more than one joint registered holder are present at the EGM or by proxy, that one of the joint registered holders whose name stands first on the register of Shareholders in respect of the relevant jointly registered Shares(s) shall alone be entitled to vote in respect thereof to the exclusion of the votes of the other joint registered holders.
5. The register of members of the Company will be closed from Tuesday, 17 October 2023 to Thursday, 19 October 2023, both dates inclusive, during which period no transfer of Shares will be effected. In order to qualify for attending the EGM, all transfers accompanied by the relevant share certificates and transfer forms must be lodged at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 October.
6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 12:00 noon on the date of the EGM, the EGM will not be held on that day and will be adjourned. The Company will publish an announcement on the website of Company at www.msdsn.com and on the website of the Stock Exchange at www.hkexnews.hk to notify the Shareholders of the date, time and place of the adjourned meeting.

As at the date of this notice, the executive Directors are Mr. Chai Kaw Sing, Mr. Wong Ben and Mr. Zhang Ayang (duties suspended); the non-executive Director is Mr. Sun Yongtao; and the independent non-executive Directors are Mr. Chan Shiu Yuen Sammy, Mr. Kwok Yiu Tong and Ms. Lo Yuk Yee.