
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE;
AND
(II) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter



Lego Securities Limited

力高證券有限公司

Financial adviser to the Company



**Lego Corporate
Finance Limited**

力高企業融資有限公司

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

VINCO 榮高

Vinco Financial Limited

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

A letter from the Board is set out on pages 11 to 29 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 30 to 31 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-23 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 15 January 2024. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 26 January 2024 to Friday, 2 February 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 26 January 2024 to Friday, 2 February 2024 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 11 January 2024 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours (i.e. 11:00 a.m. on Tuesday, 9 January 2024 (Hong Kong time)) before the time scheduled for the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

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

Hong Kong, 22 December 2023

* For identification purpose only

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DEFINITIONS

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

“acting in concert”	has the same meaning ascribed as set out in the Takeovers Code
“Announcement”	the announcement of the Company dated 1 December 2023 in relation to the Rights Issue
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, Hong Kong public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Company”	China Financial Leasing Group Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (stock code: 2312)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Director(s)”	the director(s) of the Company
“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for excess Rights Shares
“EGM”	the extraordinary general meeting of the Company to be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HKSCC”	the Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“Independent Financial Adviser” or “Vincó Financial”	Vincó Financial Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Investment Manager”	Avia Asset Management Limited, a company incorporated in Hong Kong with limited liabilities and a corporation licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, being the investment manager of the Company
“Irrevocable Undertaking”	the irrevocable undertaking by Mr. Lam Shu Chung to the Company as set out in the section headed “The Irrevocable Undertaking” in this circular
“Last Trading Day”	30 November 2023, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	15 December 2023, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 7 February 2024 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares
“Latest Time for Termination”	4:30 p.m. on Friday, 9 February 2024 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time to terminate the Underwriting Agreement
“Law”	The Companies Act, Cap22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

DEFINITIONS

“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Wednesday, 24 January 2024 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 23 January 2024, the record date for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, the address of which is at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong

DEFINITIONS

“Rights Issue”	the proposed issue by way of rights of one (1) Rights Share for every one (1) Share in issue and held on the Record Date at the Subscription Price on the terms and subject to the conditions to be set out in the paragraph headed “Conditions of the Rights Issue and the Underwriting Agreement” in this circular
“Rights Share(s)”	the new Share(s) to be allotted and issued under the Rights Issue, being 173,448,741 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) with par value of HK\$0.04 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Underwriter”	Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, being the underwriter to the Rights Issue
“Underwriting Agreement”	the underwriting agreement dated 1 December 2023 entered into between the Company and the Underwriter in respect of the Rights Issue
“Underwritten Shares”	up to 127,245,381 Rights Shares to be underwritten by the Underwriter pursuant to the Underwriting Agreement

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

** For identification purpose only*

EXPECTED TIMETABLE

EXPECTED TIMETABLE

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

Events	Hong Kong Date and Time
	2024
Latest time for lodging transfer documents of the Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Thursday, 4 January
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM	Friday, 5 January to Thursday, 11 January (both days inclusive)
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Tuesday, 9 January
Record date for determining attendance and voting at the EGM	Thursday, 11 January
Expected date and time of EGM to approve the Rights Issue	11:00 a.m. on Thursday, 11 January
Announcement of the poll result of the EGM	Thursday, 11 January
Register of members of the Company re-opens	Friday, 12 January
Last day of dealings in the Shares on a cum-rights basis relating to the Rights Issue	Friday, 12 January
First day of dealings in the Shares on an ex-rights basis relating to the Rights Issue	Monday, 15 January
Latest time for the Shareholders to lodge transfer documents of the Shares in order to be qualified for the Rights Issue	4:30 p.m. on Tuesday, 16 January

EXPECTED TIMETABLE

Events	Hong Kong Date and Time
	2024
Closure of register of members to determine the eligibility of the Rights Issue	Wednesday, 17 January To Tuesday, 23 January (both days inclusive)
Record date for determining entitlement the Rights Issue	Tuesday, 23 January
Register of members of the Company re-opens	Wednesday, 24 January
Despatch of the Prospectus Documents	Wednesday, 24 January
First day of dealings in nil-paid Rights Share	Friday, 26 January
Latest time for splitting of the PAL	4:30 p.m. on Tuesday, 30 January
Last day of dealings in nil-paid Rights Shares	Friday, 2 February
Latest time for acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 7 February
Latest time for the termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:30 p.m. on Friday, 9 February
Announcement of allotment results of the Rights Issue	Friday, 16 February
Despatch of share certificates for fully-paid Rights Shares and refund cheques (if any) for wholly and partially unsuccessful excess applications to be posted	Monday, 19 February
Commencement of dealings in fully-paid Rights Shares	Tuesday, 20 February
Designated broker starts to stand in the market to provide matching services for odd lots of the Shares	9:00 a.m. on Tuesday, 20 February
Designated broker ceases to stand in the market to provide matching services for odd lots of the Shares	4:00 p.m. on Monday, 11 March

EXPECTED TIMETABLE

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

The Latest Time for Acceptance will not take place if:

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

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

TERMINATION OF THE UNDERWRITING AGREEMENT

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

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

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

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

LETTER FROM THE BOARD



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

Executive Director:

Mr. LUI Cheuk Hang Henri
Mr. CHIU Tak Wai

Independent non-executive Directors:

Mr. HUI Yat On
Mr. CHAN Pak Lam, Tom
Dr. LAU Kin Shing, Charles

Registered office:

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

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

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

22 December 2023

To the Shareholders

Dear Sir/Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE
HELD ON THE RECORD DATE;**

AND

(II) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the proposed Rights Issue.

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

** For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder; and (iv) a notice convening the EGM for the purpose of considering and, if thought fit, approving, among other things, the Rights Issue.

PROPOSED RIGHTS ISSUE

The Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise a gross proceeds of approximately HK\$20.8 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date), by way of the Rights Issue of 173,448,741 Rights Shares to the Qualifying Shareholders. The terms of the Rights Issue are set out as follows:

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.11 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	173,448,741 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	173,448,741 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$6,937,949.64 (assuming no Shares are issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by Mr. Lam Shu Chung	:	46,203,360 Rights Shares
Number of issued Shares immediately upon completion of the Rights Issue	:	346,897,482 Shares (assuming no Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)

LETTER FROM THE BOARD

Gross proceeds from the Rights Issue	:	Approximately HK\$20.8 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

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

Save as disclosed in the section headed “The Irrevocable Undertaking” below, as at the Latest Practicable Date, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue.

Assuming no Shares are issued or repurchased on or before the Record Date, the 173,448,741 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) 100% of the total number of issued share capital of the Company as at the Latest Practicable Date; and (ii) 50% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

The Subscription Price

The Subscription Price of HK\$0.12 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 23.1% to the closing price of HK\$0.1560 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 32.6% to the closing price of HK\$0.1780 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.4% to the average closing price of approximately HK\$0.1776 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 32.3% to the average closing price of approximately HK\$0.1773 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (v) a discount of approximately 19.5% to the theoretical ex-rights price of approximately HK\$0.1490 per Share based on the benchmarked price, being the closing price of HK\$0.1780 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a discount of approximately 65.7% to the net asset value of the Company of approximately HK\$0.3496 per Share as at 30 November 2023.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Rights Issue are approximately HK\$0.1490 per Share, HK\$0.1780 per Share and 16.3%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

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

The Directors (including the independent non-executive Directors) consider that despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Status of the Rights Shares

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

LETTER FROM THE BOARD

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a Shareholder as at the close of business on the Record Date.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 16 January 2024.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 12 January 2024, and the Shares will be dealt with on an ex-rights basis from Monday, 15 January 2024.

Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements). **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 17 January 2024 to Tuesday, 23 January 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

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

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

LETTER FROM THE BOARD

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

Rights of Overseas Shareholders (if any)

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. As at the Latest Practicable Date, there are four individual Overseas Shareholders with registered address located in the PRC.

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

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

Application for the excess Rights Shares

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

LETTER FROM THE BOARD

Application for excess Rights Shares can be made only by duly completing and signing the EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the excess Rights Shares being applied for with the Registrar by 4:00 p.m. on Wednesday, 7 February 2024.

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

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

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

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

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

For Shareholders whose Shares are held by a nominee company (including HKSCC Nominees Limited) and would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar, Tricor Tengis Limited, the address of which is at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 16 January 2024.

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

LETTER FROM THE BOARD

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

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Monday, 19 February 2024 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Monday, 19 February 2024 by ordinary post to the applicants, at their own risk, to their registered addresses, or in case of joint applicants, to the address of the first-named person.

Arrangement on odd lot trading

Upon completion of the Rights Issue, the board lots of the Company will remain as 10,000 Shares. In order to facilitate the trading of odd lots of Shares which will arise upon the Rights Issue, the Company has appointed Lego Securities Limited to stand in the market and provide matching services on a best effort basis for the holders of odd lots of Shares during the period from 9:00 a.m. on Tuesday, 20 February 2024 to 4:00 p.m. on Monday, 11 March 2024 (both days inclusive). Holders of Shares in odd lots should note that the matching services mentioned above are on a best effort basis only and successful matching of the sale and purchase of odd lots of Shares is not guaranteed and will depend on there being adequate amount of odd lots of Shares available for matching. Shareholders are advised to consult their financial advisers if they are in doubt about the above arrangements. Details of the odd lot arrangement will be provided in the Prospectus.

Fractional entitlement to the Rights Shares

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

Taxation

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

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

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

LETTER FROM THE BOARD

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lot of 10,000 Rights Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the rights shares in their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares.

THE IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Mr. Lam Shu Chung, the substantial shareholder of the Company, holds 46,203,360 Shares, representing approximately 26.64% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, Mr. Lam Shu Chung had irrevocably undertaken to the Company:

- (i) to remain as the beneficial owner of the 46,203,360 Shares up to and including the Record Date;
- (ii) to subscribe for the Rights Shares to be provisionally allotted to him under the Rights Issue, representing the full entitlement under the Rights Issue, by lodging the duly completed and signed provisional allotment letters in respect of all 46,203,360 Rights Shares with payment in full therefor in cash with the Registrar before 4:00 p.m. (Hong Kong time) on the Latest Time for Acceptance in accordance with the terms of Prospectus Documents;
- (iii) the 46,203,360 Shares will remain registered in his name until the close of business on the Record Date; and
- (iv) during the period from the date of the Irrevocable Undertaking to (and including) the Record Date, not to transfer or otherwise dispose of the 46,203,360 Shares or acquire any Shares or any interests therein (except by taking up the 46,203,360 Rights Shares or acquiring nil-paid Rights Shares or submitting application for excess Rights Shares) unless with the prior written consent of the Company and the Underwriter.

LETTER FROM THE BOARD

Save for the above, the Company has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted or offered to them under the Rights Issue as at the Latest Practicable Date.

UNDERWRITING AGREEMENT

On 1 December 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Rights Shares, excluding the Rights Shares subject to the Irrevocable Undertaking, which have not been taken up (“**Untaken Shares**”) will be fully underwritten by the Underwriter and/or subscribers procured by it subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein. The principal terms of the Underwriting Agreement are as follows:

- Date : 1 December 2023(after trading hours)
- Underwriter : Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities.
- To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter confirmed that it has complied with Rule 7.19(1)(a) of the Listing Rules.
- Number of the Underwritten Shares : The total number of the Underwritten Shares shall be in maximum up to 127,245,381 Rights Shares, being such number of the Rights Shares to be issued pursuant to the Rights Issue less the 46,203,360 Rights Shares to be subscribed by Mr. Lam Shu Chung pursuant to the Irrevocable Undertaking.
- Underwriting commission : An amount equal to 1.0% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.15 million in maximum.

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

LETTER FROM THE BOARD

The Underwriter may enter into sub-underwriting arrangement with sub-underwriter(s) (if any) or appoint any person to be sub-agent(s) on its behalf at its own cost for the purpose of arranging for the subscription of the Underwritten Shares with selected subscribers with only such authority and rights as well as such obligations and duties as the Underwriter has pursuant to its appointment under the Underwriting Agreement.

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

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

As the Company is an investment company listed under Chapter 21 of the Listing Rules, the Underwriter will ensure that each of the subscribers of the Untaken Shares procured by it is a professional person.

LETTER FROM THE BOARD

Conditions of the Rights Issue and the Underwriting Agreement

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

- (i) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (ii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval of the listing of, and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) on or before the Prospectus Posting Date;
- (iv) the passing of the necessary resolution by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms) on or before the Prospectus Posting Date;
- (v) compliance with and performance of all the undertakings and obligations of the Company under terms of the Underwriting Agreement;
- (vi) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (vii) Mr. Lam Shu Chung, having duly executed the Irrevocable Undertaking and compliance by Mr. Lam Shu Chung with his obligations under the Irrevocable Undertaking; and
- (viii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date.

As at the Latest Practicable Date, none of the conditions has been satisfied. If the conditions have not been fulfilled in all respects by the Latest Time for Termination (or such other date as the Company and the Underwriter may mutually agree in writing) or if the Underwriting Agreement is rescinded or terminated pursuant to the terms thereof, all obligations and liabilities of the parties under the Underwriting Agreement

LETTER FROM THE BOARD

shall cease and determine and neither party shall have any claim against the other for fees, costs, damages, compensation or otherwise, save for any antecedent breach of any obligation under the Underwriting Agreement.

Termination of the Underwriting Agreement

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

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

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

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

LETTER FROM THE BOARD

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

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

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

The estimated net proceeds from the Rights Issue will be approximately HK\$19.4 million (equivalent to a net price of approximately HK\$0.11 per Rights Share) which will be used as follows:

- (i) approximately HK\$15.2 million, being approximately 78.4% of the net proceeds, for investment in listed securities and unlisted securities; and
- (ii) approximately HK\$4.2 million, being approximately 21.6% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees.

As at the Latest Practicable Date, the Company has not identified any particular potential investments or opportunities and currently does not have any intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) in relation thereof.

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

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

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

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

LETTER FROM THE BOARD

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

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

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

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

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

LETTER FROM THE BOARD

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue, assuming full acceptance by all Shareholders		Immediately after completion of the Rights Issue, assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares (other than those subscriptions pursuant to the Irrevocable Undertaking) and all the unsubscribed Rights Shares under the PALs and EAFs were subscribed for through the Underwriter	
	<i>No. of</i> <i>Shares</i>	<i>Approx. %</i> <i>(Note 3)</i>	<i>No. of</i> <i>Shares</i>	<i>Approx. %</i> <i>(Note 3)</i>	<i>No. of</i> <i>Shares</i>	<i>Approx. %</i> <i>(Note 3)</i>
Mr. Lam Shu Chung	46,203,360	26.6	92,406,720	26.6	92,406,720	26.6
Underwriter <i>(Note 1 and 2)</i>	—	—	—	—	127,245,381	36.7
Other public Shareholders	<u>127,245,381</u>	<u>73.4</u>	<u>254,490,762</u>	<u>73.4</u>	<u>127,245,381</u>	<u>36.7</u>
 Total	 <u>173,448,741</u>	 <u>100.0</u>	 <u>346,897,482</u>	 <u>100.0</u>	 <u>346,897,482</u>	 <u>100.0</u>

Notes:

- Pursuant to the Underwriting Agreement, the Underwriter undertakes to the Company that the Underwriter shall ensure (i) that each of the subscribers or purchasers of the Rights Shares procured by it are independent of and not connected or acting in concert with the Directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; and (ii) that none of the relevant subscriber shall own 10% or more of the total number of Shares in issue immediately upon completion of the Rights Issue.
- As the Company is an investment company listed under Chapter 21 of the Listing Rules, the Underwriter will ensure that each of the subscribers of the Untaken Shares procured by it is a professional person.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

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

LETTER FROM THE BOARD

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

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

LISTING RULES IMPLICATIONS

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

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

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

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

GENERAL

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

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 30 to 31 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Advisor set out on pages IFA-1 to IFA-23 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

The notice convening the EGM to be held at Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong on Thursday, 11 January 2024 at 11:00 a.m. is enclosed with this circular.

The register of members of the Company will be closed from Friday, 5 January 2024 to Thursday, 11 January 2024 (both days inclusive) for determining the eligibility of the Shareholders to attend and vote at the EGM.

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

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date. Copies of the Prospectus Documents will also be made available on the websites of the Company (<https://www.cflg.com.hk>) and the Stock Exchange (<https://www.hkexnews.hk>).

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

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

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

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

RECOMMENDATION

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

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

22 December 2023

To the Independent Shareholders

Dear Sir/Madam,

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

We refer to the circular of the Company dated 22 December 2023 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the EGM.

Vinco Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors and reasons it has taken into consideration on giving its advice, are contained in its letter set out on pages IFA-1 to IFA-23 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendices to the Circular.

** For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Hui Yat On

Mr. Chan Pak Lam, Tom

Dr. Lau Kin Shing, Charles

Independent non-executive Directors

LETTER FROM VINCO FINANCIAL

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

VINCO 
Vinco Financial Limited

22 December 2023

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

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 December 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement in relation to, among other things, the Rights Issue. The Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise gross proceeds of approximately HK\$20.8 million before expenses (assuming no further issue or repurchase of Shares on or before the Record Date), by way of the Rights Issue of 173,448,741 Right Shares to the Qualifying Shareholders. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders.

On 1 December 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Rights Shares, excluding the Rights Shares subject to the Irrevocable Undertaking, which have not been taken up (“**Untaken Shares**”) will be fully underwritten by the Underwriter.

In accordance with Rule 7.19A(1) of the Listing Rules, as the Rights Issue will increase the issued shares of the Company by more than 50%, the Rights Issue is subject to the approval of the Shareholders at the EGM by way of poll. Pursuant to Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on approval by the Shareholders in general meeting by a resolution on which any controlling

LETTER FROM VINCO FINANCIAL

shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

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

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

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

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, we were appointed as the independent financial adviser to advise the independent board committee and the independent shareholders of the Company in respect of proposed share consolidation and proposed rights issue, details of which are set out in the circular of the Company dated 24 August 2022 (the “**Appointment**”). The professional fees in connection with the Appointment have been fully settled and we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

LETTER FROM VINCO FINANCIAL

BASIC OF OUR OPINION

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

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

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the annual report of the Company for the year ended 31 December 2022 (the “**Annual Report 2022**”); (ii) the interim report of the Company for six months ended 30 June 2023 (the “**Interim Report 2023**”); (iii) the management account of the Group and the investment portfolio; (iv) the Underwriting Agreement; (v) the Circular; and (vi) market information obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

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

LETTER FROM VINCO FINANCIAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business and financial information of the Group

Information of the Group

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

Business and financial of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the two years ended 31 December 2022 (“FY2022”) and 2021 (“FY2021”) respectively which were extracted from the Annual Report 2022; and (ii) the unaudited consolidated financial information of the Group the six months ended 30 June 2023 (“HY2023”) and 30 June 2022 (“HY2022”) respectively which were extracted from the Interim Report 2023:

	For the six months ended		For the year ended	
	30 June		31 December	
	2023	2022	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	353	43	155	95
Net loss	(3,618)	(11,055)	(20,502)	(51,597)
			As at	
		30 June	31 December	
		2023	2022	2021
		HK\$'000	HK\$'000	HK\$'000
		(unaudited)	(audited)	(audited)
Bank and cash balances		18,041	22,933	21,125
Total assets		64,748	68,931	47,055
Total liabilities		229	794	533
Net assets		64,519	68,137	46,522

LETTER FROM VINCO FINANCIAL

HY2023 vs HY2022

The Group recorded revenue in the amount of approximately HK\$353,000 in HY2023, representing an increase of approximately 720.9% as compared to in the amount of approximately HK\$43,000 in HY2022. According to the Interim Report 2023, the increase was mainly due to the increase in dividend income and interest income. The Group recorded a net loss in HY2023 in the amount of approximately HK\$3.6 million as compared to that in HY2022 in the amount of approximately HK\$11.1 million. The decrease in loss was mainly because of the net loss on financial assets at fair value through profit or loss (“FVTPL”) amounted to approximately HK\$2.4 million in HY2023, representing a decrease of 74.0% of loss as compared to that in HY2022 in the amount of approximately HK\$9.1 million. The realised gains and unrealised losses on financial assets at FVTPL in HY2023 were approximately HK\$3.8 million and approximately HK\$6.2 million respectively while the realised losses and unrealised gains on financial assets at FVTPL in HY2022 were approximately HK\$10.5 million and approximately HK\$1.4 million.

The Group’s bank and cash balances amounted to approximately HK\$18.0 million as at 30 June 2023, representing a decrease of approximately HK\$4.9 million or 21.3%, as compared to that of approximately HK\$22.9 million as at 31 December 2022. The Group’s total assets as at 30 June 2023 amounted to approximately HK\$64.7 million. The Group’s net assets amounted to approximately HK\$64.5 million as at 30 June 2023, representing a decrease of approximately 5.3% as compared to that of approximately HK\$68.1 million as at 31 December 2022.

FY2022 vs FY2021

The Group recorded revenue in the amount of approximately HK\$155,000 in FY2022, representing an increase of approximately 63.2% as compared to in the amount of approximately HK\$95,000 in FY2021. According to the Annual Report 2022, the increase was mainly due to the increase in dividend income. The Group recorded a net loss in FY2022 in the amount of approximately HK\$20.5 million as compared to that in FY2021 in the amount of approximately HK\$51.6 million. The decrease in loss was mainly because of the net loss on financial assets at FVTPL amounted to approximately HK\$16.0 million in FY2022, representing a decrease of 64.8% of loss as compared to that in FY2021 in the amount of approximately HK\$45.6 million. The realised losses and unrealised losses on financial assets at FVTPL in FY2022 were approximately HK\$10.4 million and approximately HK\$5.6 million respectively while the realised losses and unrealised losses on financial assets at FVTPL in FY2021 were approximately HK\$33.3 million and approximately HK\$12.3 million.

The Group’s bank and cash balances amounted to approximately HK\$22.9 million as at 31 December 2022, representing an increase of approximately HK\$1.8 million or 8.6%, as compared to that of approximately HK\$21.1 million as at 31 December 2021. The Group’s total assets as at 31 December 2022 amounted to approximately HK\$68.9 million. The Group’s net assets amounted to approximately HK\$68.1 million as at 31 December 2022, representing an increase of approximately 46.5% as compared to that of approximately HK\$46.5 million as at 31 December 2021. Such increase was mainly due to the issue of rights shares which was completed on 27 October 2022, with net proceeds of approximately HK\$42.1 million.

LETTER FROM VINCO FINANCIAL

Prospects and outlook of the Group

As stated in the Annual Report 2022, Hong Kong stock market continue to be sluggish with lacklustre turnover figures during the first 6 months of 2023, and in fact turn out to be one of the worst performing financial markets in worldwide in the first half. Hang Seng Index (“**HSI**”) did start off the year with a substantial rally that saw the index surge nearly 3,000 points in less than a month to reach intraday high of around 22,700 level. At the beginning of the year, market had shown optimism that mainland economy may rebound at an astounding rate after the full relaxation of COVID lock down measures that had been in place on and off for the past 3 years. Nonetheless, the rally was rather short lived and since then it had been pretty much downhill for the rest of first half, with initial sell off activities triggered by sluggish Chinese New Year holiday retail sales figures and the ever evolving but strain Sino-US relationships. Looking ahead for the rest of 2023, performance of China economy will be the most important factor in dedicating local market performances as any signs of rebounding growth will be viewed by investors in possibly getting back to invest into Hong Kong and China market.

In relation to the securities market in Hong Kong as mentioned in the Board Letter, we also have researched and noticed from the Securities and Futures Commission (<https://www.sfc.hk/en/Published-resources/Statistics>) that the average daily turnover for Main Board has been decreased from approximately HK\$127,657 million in the first quarter of 2023 to approximately HK\$102,697 million in the second half of 2023 and further decreased to approximately HK\$98,318 million in the third quarter of 2023 and the market capitalisation of the securities market of Main Board in Hong Kong has decreased from approximately HK\$36,815.3 billion in the first quarter of 2023 to approximately HK\$33,804.3 billion in the second half of 2023 and further decreased to approximately HK\$32,081.3 billion in the third quarter of 2023.

As stated in the Board Letter, the Company intends to apply approximately 78.4% of the net proceeds for investment in listed securities and unlisted securities. As based on our discussion with the management, the Company requires extensive cash to grow and given that the investment objective of the Company is to achieve an enhanced earnings stream and capital appreciation from its investment, the Directors are of the view that the recent gloom of stock market in Hong Kong allow the Company to capture the investment opportunities at lower cost and to look for potential rebound of the market. In addition, should a potential investment on an unlisted and or listed investment opportunities arise, investment decisions have to be made promptly. If the Group does not have sufficient resources to finance such investment opportunities immediately, the Group may lose the chance to capture the growth of the investments. As such, the Group would like to raise addition capital to equip itself with stronger capital base to further enhance its investment portfolio. Having considered the recent sentiment of the stock market as mentioned in above, we are of the view that the Rights Issue is a reasonable decision for the interests of the Company and the Shareholders as a whole.

LETTER FROM VINCO FINANCIAL

2. Reasons for the Rights Issue and use of proceeds

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

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

The estimated net proceeds from the Rights Issue will be approximately HK\$19.4 million (equivalent to a net price of approximately HK\$0.11 per Rights Share) which will be used as follows:

- (i) approximately HK\$15.2 million, being approximately 78.4% of the net proceeds, for investment in listed securities and unlisted securities; and
- (ii) approximately HK\$4.2 million, being approximately 21.6% of the net proceeds, for general working capital of the Company, such as administrative and other expenses, including but not limited to office rent, salaries and allowances and legal and professional fees.

At as the Latest Practicable Date, the Company has not identified any particular potential investments or opportunities and currently does not have any intention, negotiation, agreement, arrangement and understanding (concluded or otherwise) in relation thereof.

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

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

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

LETTER FROM VINCO FINANCIAL

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

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

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

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

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

Having considered (i) the Group's financial position as at 30 June 2023; (ii) its net loss making performance for the two years ended 31 December 2022 and six months ended 30 June 2023; (iii) its need of strengthening capital base and enhancing financial position to achieve financial growth for the Group and to maximise the Shareholder's value; (iv) the industry and economic uncertainties as mentioned in the paragraphs headed "Prospects and outlook of the Group" above; and (v) the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and given that it offers relatively more flexibility and the opportunity to participate in the growth of the Company, we concur with the Director's view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

LETTER FROM VINCO FINANCIAL

3. Principal terms of the Rights Issue

The Company proposes to conduct the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date. A summary of the major terms of the Rights Issue is as follows:

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.11 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	173,448,741 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	173,448,741 Rights Shares (assuming no Shares are issued or repurchased on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	HK\$6,937,949.64 (assuming no Shares are issued or repurchased on or before the Record Date)
Number of Rights Shares being undertaken by Mr. Lam Shu Chung	:	46,203,360 Rights Shares
Number of issued Shares immediately upon completion of the Rights Issue	:	346,897,482 Shares (assuming no Shares (other than the Rights Shares) are allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Approximately HK\$20.8 million before expenses (assuming no Shares are issued or repurchased on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

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

LETTER FROM VINCO FINANCIAL

Assuming no Shares are issued or repurchased on or before the Record Date, the 173,448,741 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) 100% of the total number of issued share capital of the Company as at the Latest Practicable Date; and (ii) 50% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

The Irrevocable Undertakings

As at the Latest Practicable Date, Mr. Lam Shu Chung, the substantial shareholder of the Company, holds 46,203,360 Shares, representing approximately 26.64% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, Mr. Lam Shu Chung had irrevocably undertaken to the Company:

- (i) to remain as the beneficial owner of the 46,203,360 Shares up to and including the Record Date;
- (ii) to subscribe for the Rights Shares to be provisionally allotted to him under the Rights Issue, representing the full entitlement under the Rights Issue, by lodging the duly completed and signed provisional allotment letters in respect of all 46,203,360 Rights Shares with payment in full therefor in cash with the Registrar before 4:00 p.m. (Hong Kong time) on the Latest Time for Acceptance in accordance with the terms of Prospectus Documents;
- (iii) the 46,203,360 Shares will remain registered in his name until the close of business on the Record Date; and
- (iv) during the period from the date of the Irrevocable Undertaking to (and including) the Record Date, not to transfer or otherwise dispose of the 46,203,360 Shares or acquire any Shares or any interests therein (except by taking up the 46,203,360 Rights Shares or acquiring nil-paid Right Shares or submitting application for excess Rights Shares) unless with the prior written consent of the Company and the Underwriter.

Save for the above, the Company has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted or offered to them under the Rights Issue as at the Latest Practicable Date.

The Subscription Price

The Subscription Price of HK\$0.12 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, upon an application of excess Rights Shares, or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 23.1% to the closing price of HK\$0.1560 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

LETTER FROM VINCO FINANCIAL

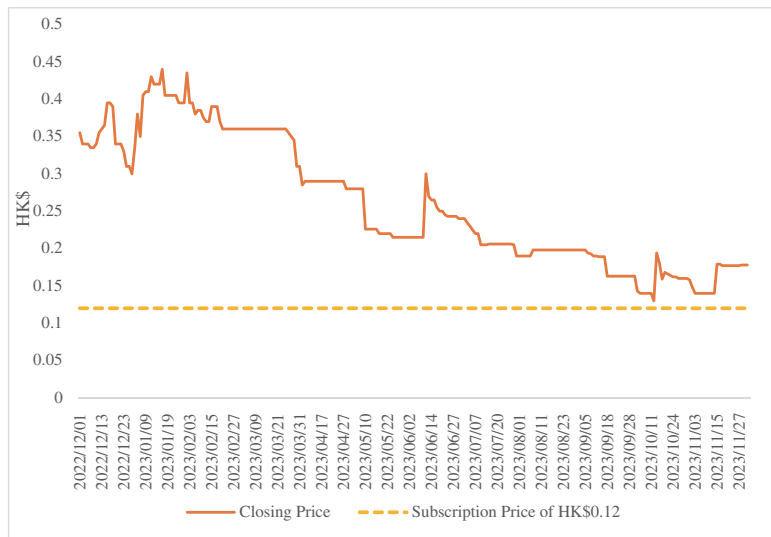
- (ii) a discount of approximately 32.6% to the closing price of HK\$0.1780 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 32.4% to the average closing price of HK\$0.1776 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 32.3% to the average closing price of approximately HK\$0.1773 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 19.5% to the theoretical ex-rights price of approximately HK\$0.1490 per Share based on the benchmarked price, being the closing price of HK\$0.1780 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a discount of approximately 65.7% to the net asset value of the Company of approximately HK\$0.3496 per Share as at 30 November 2023.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Rights Issue are approximately HK\$0.1490 per Share, HK\$0.1780 per Share and 16.3%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

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

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily theoretical closing price of the Shares as quoted on the Stock Exchange from 1 December 2022 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately one year prior to and including the Last Trading Day). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company, the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the daily closing price of the Shares during the Review Period (“**Closing Price**”) versus the Subscription Price of HK\$0.12 per Share:

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

The Closing Price of the Share during the Review Period ranged from HK\$0.13 per Share (the “**Lowest Closing Price**”) to HK\$0.44 per Share (the “**Highest Closing Price**”) and with the average Closing Price of approximately HK\$0.261 per Share (the “**Average Closing Price**”).

We noted from the above that during the Review Period, the Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.12 represents (i) a discount of approximately 7.7% to the Lowest Closing Price; (ii) a discount of approximately 72.7% to the Highest Closing Price; and (iii) a discount of approximately 54.0% to the Average Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the Lowest Closing Price, Highest Closing Price and the Average Closing Price respectively.

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Liquidity of the Shares

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

	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month <i>(Note 1)</i>	Percentage of average daily trading volume to total number of Shares <i>(approximately %)</i> <i>(Note 2)</i>
2022				
December	950,555	20	47,528	0.0274
2023				
January	7,495,162	18	416,398	0.2401
February	810,045	20	40,502	0.0234
March	560,537	23	24,371	0.0144
April	239,000	17	14,059	0.0081
May	766,999	21	36,524	0.0211
June	953,012	21	45,382	0.0262
July	260,305	20	13,015	0.0075
August	10,068	23	438	0.0003
September	134,000	19	7,053	0.0041
October	7,694,062	20	384,703	0.2218
November	345,656	22	15,712	0.0091

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

Notes:

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

As illustrated in the table above, the percentage of average daily trading volume of Shares during the Review Period ranged from approximately 0.0003% to approximately 0.2401% of the total number of issued Shares for each of their respective month/period. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it appears to be reasonable for the Subscription Price to be set at a discount to the prevailing theoretical closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

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Comparison with other rights issue transactions

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 58 rights issues transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange for the 12-month period immediately prior to the Last Trading Day. Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. Nevertheless, we consider that the Comparables are a fair and representative sample of the Rights Issue given that (i) the Company is a listed company on the Stock Exchange, hence, comparables should also be listed on the Stock Exchange for conducting a reasonable comparison; and (ii) the Review Period is adequate and fair and reasonable to capture the prevailing market conditions of companies listed on the Stock Exchange conducting rights issue. It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

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Date of announcement	Company name	Stock code	Basic of entitlement	Premium/(discount) of subscription price per rights issue share over/under the last trading day	Premium/(discount) of subscription price per rights issue theoretical ex-rights price per share based on closing price per share on the last trading day	Excess application/Placing (Note 2)	Theoretical dilution effect (Note 1)	Underwriting arrangement	Underwriting commission (Note 3)	Placing commission (Note 3)
				(%)	(%)	(%)	(%)		(%)	(%)
28/11/2023	IBO Technology Company Limited	2708	3 for 1	(25.2)	(7.6)	19.3 Excess application	19.3	Underwritten on a best effort basis	2.0	N/A
24/11/2023	Lapco Holdings Limited	8472	3 for 1	(30.2)	(9.8)	22.7 Placing	22.7	Non-underwritten	N/A	2.5
21/11/2023	Gameone Holdings Limited	8282	1 for 2	6.8	4.5	N/A Excess application	N/A	Fully-underwritten	3.0	N/A
20/11/2023	Cool Link (Holdings) Limited	8491	3 for 1	(28.7)	(9.2)	21.5 Placing	21.5	Non-underwritten	N/A	1.5
17/11/2023	Huabang Technology Holdings Limited	3638	1 for 2	(24.1)	(17.4)	8.0 Placing	8.0	Non-underwritten	N/A	2.0
17/11/2023	Da Yu Financial Holdings Limited	1073	1 for 1	11.1	4.9	N/A Excess application	N/A	Non-underwritten	N/A	N/A
6/11/2023	Zhejiang Expressway Co., Ltd.	576	3.8 for 10	(32.1)	(25.3)	8.8 Excess application	8.8	Fully-underwritten	1.7	N/A
31/10/2023	Rego Interactive Co., Ltd	2422	1 for 2	(49.4)	(16.5)	16.5 Placing	16.5	Non-underwritten	N/A	0.5
17/10/2023	GoFintech Innovation Limited	290	3 for 1	(9.1)	(2.4)	10.0 Placing	10.0	Non-underwritten	N/A	1.0
3/10/2023	Universe Printshop Holdings Limited	8448	3 for 2	(14.8)	(8.0)	11.1 Excess application	11.1	Fully-underwritten	N/A	N/A
15/9/2023	Royal Century Resources Holdings Limited	8125	5 for 1	(19.3)	(3.8)	16.1 Placing	16.1	Non-underwritten	N/A	1.0
11/9/2023	Asian Citrus Holdings Limited	73	1 for 2	(34.0)	(25.5)	11.3 Excess application	11.3	Underwritten on a best effort basis	2.5	N/A
6/9/2023	Orient Securities International Holdings Limited	8001	1 for 2	(50.8)	(40.4)	17.5 Placing	17.5	Non-underwritten	N/A	0.5
3/9/2023	Rare Earth Magnesium Technology Group Holdings Limited	601	1 for 2	(39.9)	(23.8)	13.5 Excess application	13.5	Fully-underwritten	7.1	N/A
15/8/2023	Wisdomcome Group Holdings Limited	8079	3 for 1	(22.4)	(6.3)	16.8 Excess application	16.8	Fully-underwritten	7.1	N/A
11/8/2023	Almana Limited	8186	3 for 1	(26.7)	(8.3)	22.6 Placing	22.6	Non-underwritten	N/A	1.0
28/7/2023	Argo Holdings Limited	3313	2 for 1	(29.4)	(11.2)	19.6 Placing	19.6	Non-underwritten	N/A	1.0
26/7/2023	China Best Group Holding Limited	370	2 for 5	(37.3)	(31.0)	11.1 Placing	11.1	Non-underwritten	N/A	N/A
										A fixed fee of HK\$300,000 and 1.0%
24/7/2023	Plat Nera International Limited	1949	1 for 2	(58.0)	(47.9)	19.3 Placing	19.3	Non-underwritten	N/A	3.0
14/7/2023	Tasty Concepts Holding Limited	8096	5 for 2	4.7	1.5	2.6 Placing	2.6	Non-underwritten	N/A	N/A
										A fixed fee of HK\$100,000 or 2.5%, whichever is higher

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Date of announcement	Company name	Stock code	Basic of entitlement	Premium/(discount) of subscription price per rights issue share over/under the last trading day	Premium/(discount) of subscription price per rights issue theoretical ex-rights price per share based on closing price per share on the last trading day	Theoretical dilution effect (%)	Excess application Placing (%)	Underwriting arrangement	Underwriting commission (%)	Placing commission (%)
6/7/2023	Classified Group (Holdings) Limited	8232	3 for 2	(15.0)	(6.6)	8.8	Placing	Fully-underwritten	Nil	Fixed commission fee of HK\$38,000
19/6/2023	E-House (China) Enterprise Holdings Limited	2048	12 for 10	(20.7)	(10.6)	11.0	Placing	Fully-underwritten	Nil	0.6
16/6/2023	Future World Holdings Limited	572	1 for 1	(27.7)	(16.1)	13.9	Excess application	Fully-underwritten	2.5	N/A
11/6/2023	China Zhesang Bank Co., Ltd.	2016	3 for 10	(15.2)	(12.1)	3.5	Excess application	Fully-underwritten	1.0	N/A
8/6/2023	Hi-Level Technology Holdings Limited	8113	1 for 1	(35.5)	(21.6)	17.7	Placing	Non-underwritten	N/A	1.0
7/6/2023	GBA Holdings Limited	261	4 for 5	(25.0)	(16.7)	11.1	Placing	Underwritten on a best effort basis	4.0	3.5
7/6/2023	Tesson Holdings Limited	1201	3 for 4	(11.5)	(9.1)	2.7	Excess application	Non-underwritten	N/A	N/A
5/6/2023	Solomon Worldwide Holdings Limited	8133	1 for 2	(20.8)	(15.8)	7.3	Excess application	Underwritten on a best effort basis	1.5	N/A
30/5/2023	Min Fu International Holding Limited	8511	1 for 2	(8.3)	(5.7)	3.3	Placing	Non-underwritten	N/A	4.0
29/5/2023	Hao Bai International (Cayman) Limited	8431	1 for 2	(5.7)	(3.9)	3.8	Placing	Non-underwritten	N/A	1.6
25/5/2023	China Investment Development Limited	204	1 for 1	(41.2)	(26.1)	20.4	Placing	Non-underwritten	N/A	1.0
25/5/2023	Jimtu Group Limited	8187	2 for 1	15.6	4.7	Nil	Excess application	Fully-underwritten	Fixed commission fee of HK\$100,000	N/A
17/5/2023	CROSSTEC Group Holdings Limited	3893	1 for 2	(9.1)	(6.3)	3.0	Excess application	Non-underwritten	N/A	N/A
12/5/2023	China Ruifeng Renewable Energy Holdings Limited	527	5 for 2	(28.0)	(10.0)	20.0	Placing	Non-underwritten	N/A	A fixed fee of HK\$70,000 and 1.5%
5/5/2023	Tongta Hong Tai Holdings Limited	2263	2 for 1	(16.7)	(6.6)	11.1	Placing	Non-underwritten	N/A	2.5
5/5/2023	China Medical & HealthCare Group Limited	383	1 for 2	(15.4)	(11.1)	5.7	Excess application	Fully-underwritten	2.5	N/A
28/4/2023	PT International Development Corporation Limited	372	1 for 2	(69.2)	(60.0)	23.1	Placing	Fully-underwritten	0.5	0.3%
14/4/2023	Xinyi Energy Holdings Limited	3868	1 for 10	(9.9)	(9.1)	0.8	Excess application	Non-underwritten	N/A	N/A
13/4/2023	Finet Group Limited	8317	1 for 2	(52.4)	(42.2)	18.0	Placing	Fully-underwritten	Nil	Fixed commission fee of HK\$20,000
13/4/2023	Pinstone Capital Limited	804	1 for 2	(40.8)	(31.5)	13.6	Placing	Non-underwritten	N/A	1.5
11/4/2023	China Wantian Holdings Limited	1854	1 for 5	(41.9)	(37.6)	7.0	Excess application	Fully-underwritten	7.1	N/A
6/4/2023	Kingland Group Holdings Limited	1751	1 for 2	(70.4)	(61.3)	23.5	Placing	Non-underwritten	N/A	3.5
6/4/2023	Luk Hing Entertainment Group Holdings Limited	8052	1 for 1	(5.9)	(3.0)	2.9	Placing	Fully-underwritten	3.0	3.0

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Date of announcement	Company name	Stock code	Basic of entitlement	Premium/(discount) of subscription price per rights issue share over/under the last trading day	Premium/(discount) of subscription price per rights issue theoretical ex-rights price per share based on closing price per share on the last trading day	Theoretical dilution effect (Note 1) (%)	Excess application/Placing (Note 2)	Underwriting arrangement	Underwriting commission (Note 3) (%)	Placing commission (Note 3) (%)
28/2/2023	Haitong International Securities Group Limited	665	3 for 10	-	-	0.1	Excess application	Non-underwritten	N/A	N/A
27/3/2023	Sandmartin International Holdings Limited	428	3 for 2	(16.7)	(7.4)	10.0	Placing	Fully-underwritten	1.0	2.0
6/3/2023	CBK Holdings Limited	8428	5 for 1	(15.9)	(2.9)	13.2	Placing	Non-underwritten	N/A	3.5
3/3/2023	Diwang Industrial Holdings Limited	1950	3 for 2	1.5	0.6	6.8	Placing	Non-underwritten	N/A	0.5
24/2/2023	Bossini International Holdings Limited	592	1 for 2	(21.3)	(3.2)	8.5	Excess application	Underwritten on a best effort basis	A fixed fee of HK\$1,000,000 or 1.5%, whichever is higher	N/A
17/2/2023	State Innovation Holdings Limited	8275	3 for 2	(26.5)	(12.5)	16.0	Placing	Non-underwritten	N/A	2.5
10/2/2023	WINDMILL Group Limited	1850	2 for 1	(1.5)	Nil	2.8	Placing	Non-underwritten	N/A	1.0
10/2/2023	Link Real Estate Investment Trust	823	1 for 5	(29.6)	(26.0)	5.0	Excess application	Fully-underwritten	1.5	N/A
11/1/2023	Add New Energy Investment Holdings Group Limited	2623	1 for 3	(13.6)	(10.9)	3.4	Placing	Fully-underwritten	Nil	1.0
10/1/2023	Kinetix Systems Holdings Limited	8606	1 for 2	(29.4)	(21.7)	9.8	Placing	Non-underwritten	N/A	1.3
6/1/2023	SDM Education Group Holdings Limited	8363	1 for 2	Nil	Nil	Nil	Excess application	Fully-underwritten	4.0	N/A
28/12/2022	New Amante Group Limited	8412	1 for 2	(10.6)	(7.3)	5.6	Excess application	Underwritten on a best effort basis	1.5	N/A
28/12/2022	Jiading International Group Holdings Limited	8153	1 for 2	(50.0)	(40.1)	17.3	Placing	Non-underwritten	N/A	3.5
9/12/2022	Hope Life International Holdings Limited	1683	2 for 1	(16.7)	(6.0)	11.1	Placing	Non-underwritten	N/A	0.5
2/12/2022	Tibet Water Resources Ltd.	1115	1 for 3	(12.5)	(9.7)	3.1	Placing	Non-underwritten	N/A	1.0
1 December 2023	The Company	2312	1 for 1	(32.6)	(19.5)	16.3	Excess application	Fully-underwritten	1.0	N/A
			Maximum	15.6	4.9	23.5			7.1	4.0
			Minimum	(70.4)	(61.3)	Nil			Nil	0.3
			Average	(22.8)	(14.6)	10.6			2.3	1.7
			Median	(21.0)	(9.7)	10.5			1.7	1.3

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

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Notes:

1. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rule**”), or extracted from announcement, circular or prospectus in respect of the relevant rights issue.
2. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.
3. In order to calculate the average, median, minimum and maximum percentage of the underwriting/placing commission of the Comparables, we have excluded the minimum underwriting/placing commissions and absolute underwriting/placing commissions.

According to our research, we observed that 50 of the 58 Comparables had set the subscription price of their rights issue at a discount to (i) the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the “**LTD Price**”); and (ii) the theoretical ex-rights prices (the “**Ex-rights Price**”) based on the LTD Price. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price and the Ex-rights Price, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 15.6% to a discount of approximately 70.4% with average and median discounts of approximately 22.8% and 21.0% respectively. The discount of approximately 32.6% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables.

The subscription prices to the Ex-rights Price of the Comparables ranged from a premium of approximately 4.9% to a discount of approximately 61.3% with average and median discounts of approximately 14.6% and 9.7% respectively. The discount of approximately 19.5% of the Subscription Price to the Ex-rights Price of the Company falls within the range of those of the Comparables.

Furthermore, the theoretical dilution effect of the rights issue conducted by the Comparables ranged from nil to 23.5% with average and median of approximately 10.6% and 10.5% respectively. The theoretical dilution effect of the Rights Issue of approximately 16.3% falls within the range of the Comparables.

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

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Among the Comparables, we noted that 22 out of 58 Comparables did have excess application arrangements in their rights issues. As such, we consider that it is reasonable for rights issue to have excess application arrangements.

UNDERWRITING AGREEMENT

On 1 December 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Rights Shares, excluding the Rights Shares subject to the Irrevocable Undertaking, which have not been taken up (“**Untaken Shares**”) will be fully underwritten by the Underwriter and/or subscribers procured by it subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions contained therein. The principal terms of the Underwriting Agreement are as follows:

Date	:	1 December 2023 (after trading hours)
Underwriter	:	Lego Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO and its ordinary course of business includes underwriting of securities. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. The Underwriter confirmed that it has complied with 7.19(1)(a) of the Listing Rules
Number of the Underwritten Shares	:	The total number of the Underwritten Shares shall be in maximum up to 127,245,381 Rights Shares, being such number of the Rights Shares to be issued pursuant to the Rights Issue less the 46,203,360 Rights Shares to be subscribed by Mr. Lam Shu Chung pursuant to the Irrevocable Undertaking.
Underwriting commission	:	An amount equal to 1.0% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.15 million in maximum.

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

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

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

To assess the fairness and reasonableness of the terms of the Underwriting Agreement, we have reviewed the underwriting commissions of the Comparables, if any, and noted that their underwriting commissions ranged from nil to 7.1%, with an average and median of approximately 2.3% and 1.7% respectively. Pursuant to the Underwriting Agreement entered into between the Company and the Underwriter, the Underwriter will receive an amount equal to 1% of the Subscription Price multiplied by the number of the Underwritten Shares, being up to approximately HK\$0.15 million in maximum. As illustrated from the Comparables, the underwriting commissions of the Underwriting Agreement falls within the range of the underwriting commissions among the Comparables and lower than the average and median of the underwriting commissions among Comparables. Having considered that (i) the underwriting commission of the Underwriting Agreement is based on the number of the Underwritten Shares, with no minimum payment, and is the best available option to the Company; (ii) the underwriting commission of the Underwriting Agreement will encourage the Underwriter to underwrite the Underwritten Shares which in return increase the amount of fund-raised for the Company; and (iii) the underwriting commission of the Underwriting Agreement falls within the range of the Comparables and lower than the average and median of the underwriting commissions among Comparables, we are of the view that the underwriting commission of the Underwriting Agreement is fair and reasonable.

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

As the Company is an investment company listed under Chapter 21 of the Listing Rules, the Underwriter will ensure that each of the subscribers of the Untaken Shares procured by it is a professional person.

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Potential dilution effect on the Rights Issue

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

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

Assuming there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and all 173,448,741 Rights Shares have taken up: (i) all Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) none of the Qualifying Shareholders has taken up any entitled Rights Shares, their shareholding interests in the Company will be diluted by up to a maximum of 50%, which fall within the range of the Comparables.

Assuming (i) there are no other changes in the shareholding structure of the Company before the completion of the Rights Issue; (ii) all the 46,203,360 Rights Shares have been subscribed by Mr. Lam Shu Chung under the Irrevocable Undertaking; (iii) none of the Qualifying Shareholders (excluding Mr. Lam Shu Chung) have taken up any entitled Rights Shares; and (iv) all the unsubscribed Rights Share under the PALs and EAFs were subscribed for through the Underwriter, the shareholding interests of other public shareholders in the Company will be diluted from approximately 73.4% to approximately 36.7%.

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

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Financial effects of the Rights Issue

Net tangible assets

According to the “UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP” set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK\$64.5 million as at 30 June 2023, while the unaudited consolidated net tangible assets per Share before completion of the Rights Issue was approximately HK\$0.37; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$84.0 million, while the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights issue was approximately HK\$0.24.

Such a decrease in net tangible asset per Share is primarily due to the increase in the number of shares outstanding upon completion of the Rights Issue. Given that the Rights Share are issued at Subscription Price, which are at a discount as compared to the unaudited consolidated net tangible assets per Share before completion of the Rights Issue, upon the completion of the Rights Issue, the share base of the Company shall increase and dilute the net tangible asset value per Share. It is noted that although the net tangible assets per Share immediately after completion of the Rights Issue shall decrease, the overall net tangible assets of the Group attributable to the owners of the Company shall increase and indicate an expansion in total equity of the Company.

As such, we are of the view that despite the decrease in net tangible assets per Share as a result of the Rights Issue, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Gearing ratio and liquidity

The gearing ratio of the Group (being a ratio of total interest-bearing debts, including borrowings and convertible bonds of HK\$ nil to the net assets of approximately HK\$64.5 million) was nil as at 30 June 2023. Since the net proceeds are intended to be utilised for (i) investment in listed securities and unlisted securities; (ii) the general working capital of the Company, the Group’s liquidity position would be improved upon completion of the Rights Issue.

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

Recommendation

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

LETTER FROM VINCO FINANCIAL

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

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

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

1. FINANCIAL SUMMARY OF THE GROUP

The financial information of the Group for the years ended 31 December 2020, 2021 and 2022, and the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.cflg.com.hk>) respectively:

- (i) the audited consolidated financial information of the Group for the year ended 31 December 2020 is disclosed in the annual report of the Company for the year ended 31 December 2020 published on 22 April 2021, from pages 64 to 154
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042201343.pdf>)
- (ii) the audited consolidated financial information of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 22 April 2022, from pages 72 to 158
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0422/2022042201388.pdf>)
- (iii) the audited consolidated financial information of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 10 March 2023, from pages 72 to 154
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0310/2023031000017.pdf>)
- (iv) the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 is disclosed in the interim report of the Company for the six months ended 30 June 2023 published on 31 August 2023, from pages 1 to 24
(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0831/2023083100809.pdf>)

2. INDEBTEDNESS STATEMENT

As at 31 October 2023, being the latest date for the purpose of liquidity disclosure in this circular, the Group had outstanding indebtedness of HK\$139,049, consisting of lease liabilities of HK\$139,049.

Save for the aforesaid outstanding indebtedness of HK\$ 139,049, as at 31 October 2023, being the latest practicable date for the Group to ascertain such information prior to printing of this circular, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, pledges, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

The Directors confirm that (i) there has not been any material change in the Group's indebtedness since 31 October 2023 and up to 17 December 2023, being the latest practicable date for us to ascertain such information prior to printing of this circular; and (ii) there was no material default in payment of the Group's trade and non-trade payables, lease liabilities, nor did the Group breach any relevant finance covenants, up to 17 December 2023.

3. WORKING CAPITAL

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm there had been no material adverse change in the financial or trading position of the Group since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECT

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

For the six months ended 30 June 2023, the Group was mainly engaged in short to medium term capital appreciation by investing in a diversified portfolio of investments in listed and unlisted securities. Looking ahead, the Group considers that the performance of the PRC economy will be the most important factor in dedicating local market performances as any signs of rebounding growth will drive investors to invest in Hong Kong and the PRC market. In particular, (i) the measures implemented by the Chinese government to revive mainland property industry; and (ii) the possible end of the interest rate uptrend cycle will be the positive signals.

The Group's healthy financial position enables the Group to take advantage of the current market weakness and seize potential investment opportunities. The management of the Group will maintain appropriate investment strategies and constantly monitor the market changes. The Group will continue to identify suitable listed and unlisted investment opportunities to optimise its investment portfolio and implement its risk management policy in order to achieve satisfactory returns to the Shareholders.

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

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

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

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Paragraph 13 of Appendix 1B and Paragraph 29 of Chapter 4 of the Listing Rules is set out below to illustrate the effects of the proposed rights issue on the basis of one rights share at a subscription price of HK\$0.12 each for every one issued share of the Company (the “**Rights Issue**”) on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2023.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 June 2023, adjusted as described below:

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 30 June 2023 <i>HK\$'000</i>
<u>64,519</u>	<u>19,460</u>	<u>83,979</u>
Unaudited consolidated net tangible assets per Share before completion of the Rights Issue <i>(Note 3)</i>		<u>HK\$0.37</u>
Unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue <i>(Note 4)</i>		<u>HK\$0.24</u>

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 were extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 included in the Group's published interim report for the six months ended 30 June 2023.
2. The estimated net proceeds from the Rights Issue are based on 173,448,741 Rights Shares at the subscription price of HK\$0.12 per Rights Share, after deduction of the related expenses of approximately HK\$1.4 million, which is directly attributable to the Rights Issue.
3. The number of Shares used for the calculation of unaudited consolidated net tangible assets per Share prior to the completion of Rights Issue is based on 173,448,741 Shares in issue as at 30 June 2023.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 of HK\$83,979,313 and 346,897,482 Shares in issue assuming the Rights Issue had been completed on 30 June 2023, which comprises (i) 173,448,741 Shares in issue as at 30 June 2023 before the Rights Issue and (ii) 173,448,741 Shares to be issued under the Rights Issue.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, RSM Hong Kong, Certified Public Accountants, Hong Kong.

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Date: 22 December 2023

The Board of Directors
China Financial Leasing Group Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Financial Leasing Group Limited (the “**Company**”) and its subsidiary (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma adjusted consolidated net tangible assets as at 30 June 2023 as set out on pages II-1 to II-2 of the Circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in page II-1 to page II-2.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s net tangible assets as at 30 June 2023 as if the transaction had been taken place on 30 June 2023. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s consolidated financial statements as included in the interim report for the six months ended 30 June 2023, on which an interim report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 13 of Appendix 1B and paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 June 2023 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the Rights Issue, the application of those net proceeds, or whether such use will actually take place as described under "Reasons for and benefits of the Rights Issue and use of proceeds" set out on page 23 of the Circular.

Opinion

In our opinion:

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

Yours faithfully,

RSM Hong Kong

Certified Public Accountants

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

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

i. As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

<i>Authorised:</i>		<i>HK\$</i>
7,500,000,000	Shares of HK\$0.04 each	300,000,000.00
<i>Issued and paid-up share capital:</i>		
173,448,741	Shares of HK\$0.04 each	6,937,949.64

ii. The following table illustrates the share capital structure of the Company immediately after the completion of the Rights Issue (assuming no further issue or repurchase of the Shares from the Latest Practicable Date up to completion of the Rights Issue):

<i>Authorised:</i>		<i>HK\$</i>
7,500,000,000	Shares of HK\$0.04 each	300,000,000.00
<i>Issued and paid-up share capital:</i>		
173,448,741	Shares of HK\$0.04 each	6,937,949.64
173,448,741	Rights Shares to be allotted and issued upon completion of the Rights Issue	6,937,949.64
<u>346,897,482</u>	Shares in issue immediately upon completion of the Rights Issue	<u>13,875,899.28</u>

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

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

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

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

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, none of the Directors and chief executives of the Company and their associates had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests and short positions of substantial shareholders

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

Long positions in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Approximate percentage or attributable percentage of shareholding
Mr. Lam Shu Chung	Beneficial owner	46,203,360	26.64% (L)
Ms. Choi Hing Lin Lori ^(Note)	Interest of spouse	46,203,360	26.64% (L)

(L): denotes long position

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

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

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

As at the Latest Practicable Date, (i) none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group; and (ii) none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING INTERESTS

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

6. DIRECTORS' SERVICE CONTRACTS

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

7. LITIGATION

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

8. EXPERTS AND CONSENTS

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

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

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

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

As at the Latest Practicable Date, none of the experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

9. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) which have been entered into by any member of the Group within the two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date.

- (a) the Underwriting Agreement;
- (b) the Irrevocable Undertaking; and
- (c) the underwriting agreement dated 28 July 2022 entered into between the Company and the Underwriter in respect of the rights issue.

10. CORPORATE INFORMATION AND PARTIES TO THE RIGHTS ISSUE

Board of Directors	<i>Executive Director</i> Mr. Lui Cheuk Hang Henri Mr. Chiu Tak Wai <i>Independent non-executive Directors</i> Mr. Hui Yat On Mr. Chan Pak Lam, Tom Dr. Lau Kin Shing, Charles
Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	11/F., Wui Tat Centre 55 Connaught Road West Hong Kong
Authorised representatives	Mr. Lui Cheuk Hang Henri 11/F., Wui Tat Centre 55 Connaught Road West Hong Kong Mr. Paul Yau 11/F., Wui Tat Centre 55 Connaught Road West Hong Kong
Company secretary	Mr. Paul Yau
Auditors and reporting accountants	RSM Hong Kong <i>Certified Public Accountants and Registered Public Interest Entity Auditor</i> 29th Floor, Lee Garden Two, 28 Yun Ping Road, Causeway Bay, Hong Kong

Principal bankers	DBS Bank (Hong Kong) Limited 11/F., The Center, 99 Queen's Road Central, Hong Kong
	Bank of China (Hong Kong) Limited Bank of China Tower, 1, Garden Road, Central, Hong Kong
Hong Kong share registrar and transfer office	Tricor Tengis Limited 17 th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong
Investment manager	Avia Asset Management Limited Unit A, Level 9, Fortis Tower 77-79 Gloucester Road, Wanchai Hong Kong
Custodians	Supreme China Securities Limited <i>(a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO)</i> Room No. 2506 Tai Tung Building, No.8 Fleming Road, Wan Chai, Hong Kong
	Interactive Brokers Hong Kong Limited <i>(a licensed corporation to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 3 (leveraged foreign exchange trading) regulated activities under the SFO)</i> 1512 Two Pacific Place, 88 Queensway, Hong Kong
	Bright Smart Securities International (H.K.) Limited <i>(a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 7 (providing automated trading services) regulated activities under the SFO)</i> 10/F Wing On House, 71 Des Voeux Road Central, Hong Kong

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

11. EXPENSES

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

12. PARTICULARS OF DIRECTORS OF THE COMPANY

Executive Directors

Mr. Lui Cheuk Hang Henri (“**Mr. Lui**”), age 50, was appointed as executive Director on 9 April 2021. Mr. Lui obtained his Bachelor of Commerce degree from University of Toronto in 1995. Mr. Lui is also a charter holder of Chartered Financial Analyst since 2001. Mr. Lui has over 27 years of experiences in the securities and financial industry, serving various roles as financial analyst, responsible officer in brokerage house and asset management firms.

Mr. Chiu Tak Wai (“**Mr. Chiu**”), age 53, was appointed as executive Director on 11 September 2023. He is currently the Chief Financial Officer of the Company. He obtained his Bachelor of Social Sciences from University of Hong Kong in 1993. Mr. Chiu is also a charter holder of Chartered Financial Analyst since 2001. Mr. Chiu has over 29 years of experiences in the securities and financial industry, serving various roles as dealer, responsible officer in brokerage house and asset management firms.

Independent non-executive Directors

Mr. Hui Yat On (“**Mr. Hui**”), aged 64, was appointed as independent non-executive Director on 10 June 2021. Mr. Hui graduated from the Chinese University of Hong Kong with a bachelor’s degree in business administration in December 1982. In November 2004, Mr. Hui obtained a master’s degree in professional accounting from Hong Kong Polytechnic University. Mr. Hui has become a member of the Hong Kong Institute of Certified Public Accountants since December 1986. Mr. Hui is a member of the Hong Kong Chiu Chow Chamber of Commerce. Mr. Hui is currently the independent non-executive director of ArtGo Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3313) since 8 June 2016 and was the independent non-executive director of Enterprise Development Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1808) from 11 January 2021 to 20 September 2021, respectively. Mr. Hui is currently a senior executive of a company listed on the GEM of the Stock Exchange. He has previously served as the executive director and senior executive of several Hong Kong listed companies. Mr. Hui has three decades of experiences in the field of corporate finance and financial services.

Mr. Chan Pak Lam, Tom (“**Mr. Chan**”), aged 60, was appointed as independent non-executive Director on 30 June 2022. He graduated from The University of Keele in England with major in Economics and Laws, being admitted as a solicitor in Hong Kong. With over 20 years of experience at the top management level of various institutions and listed companies, Mr. Chan has rich experience in the brokerage and trading of different financial products including project financing, corporate mergers and acquisitions, initial public offering, trading of securities, foreign exchange, precious metals etc. Mr. Chan is currently the Deputy Chairman of Success Universe Group. He also devotes himself to the society, being a member of the 10th-12th Political Consultative Conference of Jilin Province in China, Economic advisor to Jilin Provincial Government, Chairman of The Institute of Securities Dealers in Hong Kong between 2019 and 2022 and one of the founders of China Bay Area Think Tank Co., Ltd.

Dr. Lau Kin Shing, Charles (“**Dr. Lau**”), aged 68, was appointed as independent non-executive Director on 11 September 2023. He is a professional accountant by training, holds a Doctorate degree in Business Administration from the Newcastle University of Australia, Master degree in Information System Management from the National University of Ireland, and a Bachelor degree in Accounting from the Curtin University of Technology, Australia. Dr. Lau is a Chartered Accountant (New Zealand), and also a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia.

Dr. Lau possesses about 30-year executive experiences in corporate control, financial management, risk management and internal control gained from international listed companies. He had held key corporate executive position in various conglomerates, including vice president of China Resources Beer (Holdings) Company Limited (formerly known as China Resources Enterprise Limited), deputy head of internal audit for Hutchison Whampoa Limited, and chief financial officer and company secretary of Miramar Hotel and Investment Company Limited. Dr. Lau was also the chief financial officer of the Group, company secretary and authorised representative of Sitoy Group Holdings Ltd.

Dr. Lau has been the independent non-executive director of KOS International Holdings Limited (stock code: 8042) since 1 February 2021, a company whose shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), Zibuyu Group Ltd (stock code: 2420) since 13 October 2022, a company whose shares are listed on main board of Stock Exchange. He is also an independent director of Lingyi Itech (Guangdong) Company Limited (stock code: 002600.SZ), since June 2021, a company whose shares are listed on the Shenzhen Stock Exchange, as well as a non-executive director of Sitoy Group Holdings Ltd (stock code: 1023) since 1 August 2021, a company whose shares are listed on main board of Stock Exchange.

Business address of the Directors

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

13. INVESTMENT OBJECTIVE, POLICIES AND RESTRICTIONS

Investment objective and policies

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

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

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

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

The Company may from time to time engage in transactions in options, futures and other derivative products which are traded on recognised securities exchanges, futures exchanges for trading and hedging purposes.

Given that there are no requirements under the Listing Rules that any alterations to the investment objectives and policies of an investment company under Chapter 21 of the Listing Rules require shareholders' approval after a period of three years from the date of the prospectus, the investment objectives and policies of the Company as stated above may be altered without Shareholders' approval and the Company has to comply with the articles of association of the Company and Chapter 21 of the Listing Rules at all times while it remains listed as an investment company under Chapter 21 of the Listing Rules.

Investment Restrictions

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

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

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

14. INVESTMENT PORTFOLIO

Set out below are the details of all the investments of the Group as at 31 December 2022 and 30 June 2023, which include all listed equity investments with a value of more than 5% of the Group's gross assets as at 31 December 2022 and 30 June 2023. Save for the investments disclosed herein, there are no other listed investments or other investments with a value of more than 5% of the Company's gross assets as at 31 December 2022 and 30 June 2023:

(a) As at 30 June 2023, details of the Group's major listed equity securities are as follows:

Note	Name of Investee Company	Proportion of investee's capital owned	Cost up to 30 June 2023 (HK\$'000)	Market value as at 30 June 2023 (HK\$'000)	Dividend income received during the period (HK\$'000)	Dividend cover	Net assets attributable to the investment as at 30 June 2023	Accumulated fair value losses on investment recognised in the financial statements during the period (HK\$'000)
1	China Carbon Neutral Development Group Limited (1372)	1.05%	14,972	8,413	—	N/A	13.04%	(6,559)
2	CN Logistics International Holdings Limited (2130)	Less than 1%	8,084	7,971	—	1.4	12.36%	(113)
3	Smart City Development Holdings Limited (8268)	4.15%	8,001	4,478	—	N/A	6.94%	(3,523)
4	Bradaverse Education (Int'l) Investments Group Limited (1082)	Less than 1%	3,991	4,176	—	N/A	6.47%	185
5	Volcano Spring International Holdings Limited (1715)	1.79%	4,967	3,498	—	N/A	5.42%	(1,469)
6	Hing Ming Holdings Limited (8425)	4.34%	18,099	3,266	—	N/A	5.06%	(14,833)
7	Silver Tide Holdings Limited (1943)	Less than 1%	5,410	3,200	—	N/A	4.96%	(2,210)
8	Tracker Fund of Hong Kong (2800)	Less than 1%	2,279	1,925	10	N/A	2.98%	(354)
9	HK Electric Investments and HK Electric Investments Limited (2638)	Less than 1%	1,745	1,642	—	1.04	2.54%	(103)
10	AIA Group Limited (1299)	Less than 1%	1,539	1,503	22	0.10	2.33%	(36)
11	Other listed investments	N/A	7,387	6,540	64	N/A	10.14%	(847)
	Total	N/A	76,474	46,612	96	N/A	72.24%	(29,862)

Notes:

- China Carbon Neutral Development Group Limited is principally engaged in global carbon neutral business, civil engineering and construction business as well as carbon asset management business.

2. CN Logistics International Holdings Limited is principally engaged in the provision of comprehensive logistics services, comprising air freight forwarding services, distribution and logistics services as well as ocean freight forwarding services, with a primary focus on high end fashion (including luxury and affordable luxury) and fine wine products.
3. Smart City Development Holdings Limited is principally engaged in the activities of construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau, and other construction related businesses. Their other business include investment in securities, property investment as well as money lending.
4. Bradaverse Education (Int'l) Investments Group Limited is principally engaged in the provision of private educational services, which include primary tutoring services, skill course and test preparation courses, secondary tutoring services and English language training and test preparation courses.
5. Volcano Spring International Holdings is principally engaged in developing, manufacturing and selling premium kitchen appliances in the PRC.
6. Hing Ming Holdings Limited is principally engaged in providing rental services of temporary suspended working platforms and other equipment such as tower cranes and generators and trading of equipment and spare parts.
7. Silver Tide holdings Limited is principally engaged in providing construction services, including traditional formwork using timber and plywood, system formwork using aluminium and steel, ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong and business of securities dealing and broking.
8. Tracker Fund of Hong Kong is an exchange-traded fund designed to provide investment results that closely correspond to the performance of Hang Seng Index (“**HSI**”).
9. HK Electric Investments and HK Electric Investments Limited is a fixed single investment trust in Hong Kong focusing purely on the energy sector.
10. AIA Group Limited is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across Asia.

(b) As at 31 December 2022, details of the Group's major listed equity securities are as follows:

Note	Name of Investee Company	Proportion of investee's capital owned	Cost up to 31 December 2022 (HK\$'000)	Market value as at 31 December 2022 (HK\$'000)	Dividend income received during the financial year (HK\$'000)	Dividend cover	Net assets attributable to the investment as at 31 December 2022	Accumulated fair value losses on investment recognised in the financial statements during the financial year (HK\$'000)
1	China Carbon Neutral Development Group Limited (1372)	1.47%	14,972	11,656	—	N/A	17.11%	(3,316)
2	Smart City Development Holdings Limited (8268)	4.15%	8,001	7,663	—	N/A	11.25%	(338)
3	Silver Tide Holdings Limited (1943)	Less than 1%	5,410	4,700	—	N/A	6.90%	(710)
4	Bradaverse Education (Int') Investments Limited (1082)	Less than 1%	3,991	4,272	—	N/A	6.27%	281
5	Hing Ming Holdings Limited (8425)	4.34%	18,099	4,000	—	N/A	5.87%	(14,099)
6	Volcano Spring International Holdings Limited (1715)	2.25%	5,619	3,382	—	N/A	4.96%	(2,237)
7	Link-Asia International MedTech Group Limited (1143)	4.55%	5,565	3,025	—	N/A	4.44%	(2,540)
8	Tracker Fund of Hong Kong (2800)	Less than 1%	2,279	1,992	65	167.02	2.92%	(287)
9	AIA Group Limited (1299)	Less than 1%	1,512	1,649	34	1.75	2.42%	137
10	Tencent Holdings Limited (700)	Less than 1%	1,672	1,336	7	17.78	1.96%	(336)
11	Other listed investments	N/A	2,473	2,238	44	N/A	3.28%	(235)
	Total	N/A	69,593	45,913	150	N/A	67.38%	(23,680)

Notes:

1. China Carbon Neutral Development Group Limited is principally engaged in global carbon neutral business, civil engineering and construction business as well as carbon asset management business.
2. Smart City Development Holdings Limited is principally engaged in the activities of construction business, as a main contractor and fitting out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau, and other construction related businesses. Their other business include investment in securities, property investment as well as money lending.
3. Silver Tide Holdings Limited is principally engaged in providing construction services, including traditional formwork using timber and plywood, system formwork using aluminium and steel, ancillary works such as concrete works and reinforcement works for the public and private sectors in Hong Kong and business of securities dealing and broking.
4. Bradaverse Education (Int') Investments Limited is principally engaged in the provision of private educational services, which include primary tutoring services, skill course and test preparation courses, secondary tutoring services and English language training and test preparation courses.
5. Hing Ming Holdings Limited is principally engaged in providing rental services of temporary suspended working platforms and other equipment such as tower cranes and generators and trading of equipment and spare parts.
6. Volcano Spring International Holdings Limited is principally engaged in developing, manufacturing and selling premium kitchen appliances in the PRC.
7. Link-Asia International MedTech Group Limited is a value-added service provider and electronics manufacturer focused on the "Belt and Road" cross-border supply chain, particularly integrates upstream and downstream resources around the value-added services of the targeted industry supply chain, and selects key countries and cities along the Belt and Road route with high economic growth and high market development for strategic planning.
8. Tracker Fund of Hong Kong is an exchange-traded fund designed to provide investment results that closely correspond to the performance of HSI.
9. AIA Group Limited is the largest independent publicly listed pan-Asian life insurance group with a presence in 18 markets across Asia.
10. Tencent Holdings Limited is a world-leading internet and technology company that develops innovative products and services to improve the quality of life of people around the world.

15. DISTRIBUTION POLICY

The Company has adopted a dividend policy, pursuant to which allowing Shareholders to participate in the Company's profits whilst to retain adequate reserves for future growth. The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of the Cayman Islands, the articles of association of the Company and any applicable laws, rules and regulations.

The Board may from time to time determine and pay to the Shareholders such interim dividends as it considers appropriate. The Board may recommend the payment of final dividends which are required to be approved by Shareholders in general meetings.

In determining/recommending the frequency, amount and form of any dividend in any financial year/period, the Board shall consider the following factors: (i) the actual and expected financial results of the Group; (ii) economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; (iii) the Group's business strategies, including future cash commitments and investment needs to sustain the growth aspect of the business; (iv) the current and future operations, liquidity position and capital requirements of the Group; and (v) any other factors that the Board deems appropriate.

16. FOREIGN EXCHANGE POLICY

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

17. TAXATION

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

18. BORROWING POWERS

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

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

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

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

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

19. INFORMATION OF THE INVESTMENT MANAGER

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

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

Mr. Chiu Wai Lap (“Mr. Chiu”)

Mr. Chiu, aged 39, is a holder of Bachelor of Business Administration in Finance from The Hong Kong University of Science and Technology in 2006. Mr. Chiu has over 16 years of relevant experience in the financial industry, including business development and management, fund operations, asset allocation, portfolio management and investment advisory, etc. Mr. Chiu is a responsible officer of Avia Asset Management Limited.

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

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

20. CUSTODIANS

Supreme China Securities Limited, Interactive Brokers Hong Kong Limited and Bright Smart Securities International (H.K.) Limited were appointed as the custodians to provide custody services in relation to the investments which the Company may from time to time deposit with the custodians.

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

The Company appointed Bright Smart Securities International (H.K.) Limited as its custodian on 9 December 2022, and the Company is not required to pay custodian fee.

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

21. RISKS RELATING TO THE COMPANY

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

22. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Paul Yau, aged 49, obtained the Postgraduate Certificate in Laws and Bachelor of Laws from The City University of Hong Kong. He has over 22 years of experience in legal field. He is a qualified solicitor of the High Court of the Hong Kong Special Administrative Region and a member of the Law Society of Hong Kong and currently a consultant of Tam, Pun & Yipp, Solicitors.
- (b) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (c) The Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis.

- (d) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in case of inconsistency.

23. DOCUMENTS ON DISPLAY

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

- (i) the letter from Independent Board Committee, the text of which is set out on pages 30 to 31 of this circular;
- (ii) the letter from Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-23 of this circular;
- (iii) the accountants' report on the unaudited pro forma financial information of the Group set out in Appendix II to this circular;
- (iv) the material contracts referred to in the paragraph headed "9. Material Contracts" in this appendix; and
- (v) the written consents of the experts referred to in the paragraph headed "8. Experts and consents" in this appendix.

NOTICE OF EGM



CHINA FINANCIAL LEASING GROUP LIMITED

中國金融租賃集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2312)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Financial Leasing Group Limited (the “**Company**”) will be held at Soho 1, 6/F., IBIS Hong Kong Central and Sheung Wan Hotel, No. 28 Des Voeux Road West, Sheung Wan, Hong Kong at 11:00 a.m. on 11 January 2024 for the purpose of considering and, if though fit, passing the following resolution as ordinary resolution of the Company. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 22 December 2023 (the “**Circular**”):

ORDINARY RESOLUTION

“**THAT** subject to the conditions set out in the letter from the board under the heading “Conditions of the Rights Issue and the Underwriting Agreement” in the Circular:

- (a) subject to and conditional upon fulfillment of the conditions of the Underwriting Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (b) the underwriting agreement in respect of the Rights Issue (as defined below) dated 1 December 2023 and made between the Company and Lego Securities Limited (the “**Underwriting Agreement**”) (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) subject to the fulfillment of the conditions set out in the Underwriting Agreement, the allotment and issue of 173,448,741 rights shares (the “**Rights Shares**”) in the share capital of the Company pursuant to an offer by way of rights issue (the “**Rights Issue**”) to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.12 per Rights Share on the basis of one (1) Rights Share for every one (1) Share held by the Shareholders whose names appeared on the register of members of the Company on Tuesday, 23 January 2024 (the “**Record Date**”) as described in further details in the Circular and on and subject to such terms and conditions as may be determined by the Directors, be and is hereby approved, confirmed and ratified;

* For identification purpose only

NOTICE OF EGM

- (d) the Directors be and are hereby authorised severally to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) as they deem necessary or expedient having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (e) the Directors be and hereby authorised severally to do all acts and things in connection with the allotment and issue of the Rights Shares, the implementation of the Rights Issue and the Underwriting Agreement, the exercise or enforcement of any of the Company's rights under the Underwriting Agreement.”

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

Hong Kong, 22 December 2023

Registered Office:

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

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

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

As at the date of this notice, the Board comprises Mr. Lui Cheuk Hang Henri and Mr. Chiu Tak Wai as executive Directors, Mr. Hui Yat On, Mr. Chan Pak Lam, Tom and Dr. Lau Kin Shing, Charles as independent non-executive Directors.

Notes:

- 1. A member entitled to attend and vote at the EGM convened by the above notice is entitled to appoint a proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A member holding two or more shares entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.*

NOTICE OF EGM

2. *A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a certified copy of that power or authority, at the office of the Company's branch share registrar (the "**Share Registrar**"), Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed for the holding of the EGM (i.e. at 11:00 a.m. on Tuesday, 9 January 2024) or any adjournment thereof.*
3. *The register of members of the Company will be closed from Friday, 5 January 2024 to Thursday, 11 January 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Share Registrar, Tricor Tengis Limited, at 17th Floor, Far East Finance Centre, No. 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 4 January 2024.*
4. *In the case of joint holders of a Share, any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.*
5. *If Typhoon Signal No. 8 or above, or extreme conditions caused by super typhoons or a "black" rainstorm warning is in effect in Hong Kong any time after 6:30 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://www.cflg.com.hk>) to notify Shareholders of the date, time and place of the rescheduled meeting.*
6. *Any voting at the EGM shall be taken by poll.*