
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus 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 Best Group Holding Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibilities for the contents of the Prospectus Documents, make no representations as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "14. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Distribution of this Prospectus into jurisdictions other than Hong Kong may be restricted by law. Persons who come into possession of this Prospectus (including, without limitation, agents, custodians, nominees and trustees) should acquaint themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction for which the Company will not accept any liability. In particular, subject to certain exceptions as determined by the Company, this Prospectus and the PAL should not be distributed, forwarded to or transmitted in, into or from any jurisdiction where such release or distribution might be unlawful.

Subject to certain limited exceptions, this Prospectus does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States or in any other jurisdiction in which such an offer or solicitation is unlawful. The securities mentioned herein have not been, and will not be, registered under the US Securities Act, and may not be offered or sold in the United States unless registered under the US Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. The Company has no intention to register under the US Securities Act any portion of the Rights Issue or any of the securities referred to herein or to conduct a public offering of securities in the United States.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or other registered securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.



CHINA BEST GROUP HOLDING LIMITED

國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

Financial adviser to the Company



英皇融資有限公司
Emperor Capital Limited

Placing Agent to the Rights Issue



英皇證券(香港)有限公司
Emperor Securities Limited

Capitalised terms used in this cover shall have the same meanings as defined in this Prospectus.

The Rights Issue is on a non-underwritten basis. Pursuant to the Company's constitutional documents, the Companies Act, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed "Letter from the Board – Conditions of the Rights Issue" in this Prospectus at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Tuesday, 13 July 2021). If the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

17 June 2021

* for identification purpose only

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DEFINITIONS

In this Prospectus, unless the context requires otherwise, the following expressions shall have the following meanings:

| | |
|---|---|
| “Announcement” | the announcement of the Company dated 11 May 2021 in relation to, among other things, the Rights Issue and the Placing Agreement |
| “associate(s)” | has the same meaning ascribed thereto under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon |
| “BVI” | the British Virgin Islands |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCASS Investor Participant(s)” | a person admitted to participate in CCASS as an investor participant |
| “CCASS Participant(s)” | a person admitted by HKSCC as a participant of CCASS |
| “Companies Act” | the Companies Act 1981 of Bermuda (as amended) |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) |
| “Company” | China Best Group Holding Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 370) |
| “Compensatory Arrangements” | the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this Prospectus |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Director(s)” | the director(s) of the Company |

DEFINITIONS

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|--------------------------------|---|
| “Excluded Person(s)” | any person(s) who is/are (i) not independent from any of the Places; or (ii) not independent of and is/are acting at the direction of or having any significant relationships with any connected person of the Company or (iii) (a) the counterparties to Previous Transactions; (b) the counterparties to Possible Acquisition; or (c) the respective directors, legal representative and/or ultimate beneficial owners of the counterparties to Previous Transactions and/or Possible Acquisition |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected with the Company and any of its connected persons |
| “Last Trading Day” | 11 May 2021, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement |
| “Latest Lodging Date” | 4:30 p.m. on Tuesday, 8 June 2021, being the latest time for lodging transfer of Shares in order to be qualified for the Rights Issue |
| “Latest Practicable Date” | 11 June 2021, being the latest practicable date prior to the printing of this Prospectus for ascertaining certain information for inclusion in this Prospectus |
| “Latest Time for Acceptance” | 4:00 p.m. on Friday, 2 July 2021, being the latest time for acceptance of, and payment for, the Rights Shares |
| “Latest Time for Termination” | 4:00 p.m. on Tuesday, 13 July 2021, being the latest time to terminate the Placing Agreement |
| “Listing Committee” | has the meaning ascribed thereto in the Listing Rules |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

DEFINITIONS

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|---------------------------------|---|
| “Net Gain” | the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements after deduction of all reasonable expenses incurred by the Company and the Placing Agent |
| “No Action Shareholder(s)” | Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s) or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed |
| “Non-Qualifying Shareholder(s)” | those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place |
| “NQS Unsold Rights Shares” | the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form that have not been sold by the Company |
| “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 with registered address(es) outside Hong Kong |
| “PAL(s)” | the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue |
| “Placee(s)” | any person or entity, other than the Excluded Person(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and whom the Placing Agent or its agent(s) has procured to subscribe any of the NQS Unsold Rights Shares and/or Unsubscribed Rights Shares |
| “Placing” | the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement |

DEFINITIONS

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|-------------------------|---|
| “Placing Agent” | Emperor Securities Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO |
| “Placing Agreement” | the placing agreement dated 11 May 2021 entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares |
| “Placing Period” | the period commencing from the second Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the sixth Business day after the Latest Time for Acceptance |
| “Possible Acquisition” | the possible acquisition pursuant to announcement of the Company dated 3 May 2021 |
| “PRC” | the People’s Republic of China |
| “Previous Transactions” | the acquisition or subscription (as the case may be) of entire or partial equity interests of (i) Noble Realm Limited as disclosed in the announcement of the Company dated 31 December 2018; (ii) Shanghai Xuanmei Property Agency Company Limited* (上海軒美房地產經紀有限公司) and Shanghai Tuxuan Construction Design Company Limited* (上海圖炫建築設計有限公司) as disclosed in the Annual Report 2019 of the Company; (iii) Total Fame Holdings Limited as disclosed in the announcement of the Company dated 18 December 2019; (iv) Jiangsu Meili Kongjian Construction Design Development Co., Ltd* (江蘇美麗空間建築設計產業發展有限公司) as disclosed in the announcement of the Company dated 14 January 2020; (v) Beijing Yuehai Enterprise Management Co., Ltd.* (北京岳海企業管理有限公司) as disclosed in the announcement of the Company dated 18 February 2020; (vi) Yuncheng City Wandefu Hot Power Co., Ltd.* (運城市萬得福熱力有限公司) as disclosed in the announcement of the Company dated 8 September 2020; and (vii) Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司) as disclosed in the Second Interim Report 2020 of the Company |
| “Prospectus” | this prospectus dated Thursday, 17 June 2021 to be despatched to the Shareholders containing details of the Rights Issue |
| “Prospectus Documents” | the Prospectus and the PAL |

DEFINITIONS

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|------------------------------|---|
| “Prospectus Posting Date” | Thursday, 17 June 2021 or such other date as the Company may determine, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders |
| “Qualifying Shareholder(s)” | Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date |
| “Record Date” | Wednesday, 16 June 2021 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue |
| “Registrar” | the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong |
| “Rights Issue” | the proposed issue of the Rights Shares on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Prospectus Documents |
| “Rights Share(s)” | up to 508,428,313 Shares to be allotted and issued pursuant to the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong) |
| “Share(s)” | ordinary share(s) with a par value of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of issued Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | the subscription price of HK\$0.2 per Rights Share under the Rights Issue |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Unsubscribed Rights Shares” | the Rights Shares that are not subscribed by the Qualifying Shareholders |

DEFINITIONS

| | |
|-------------------------|---|
| “United States” or “US” | the United States of America (including its territories and dependencies, any state in the US and the District of Columbia) |
| “US Securities Act” | the US Securities Act of 1933, as amended |
| “%” | per cent. |

EXPECTED TIMETABLE

All times and dates stated below refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out below and all dates and deadlines specified in this Prospectus are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

| Events | Date (2021) |
|--|------------------------------------|
| First day of dealings in nil-paid Rights Shares | Monday, 21 June |
| Latest time for splitting of PALs | 4:30 p.m. on Wednesday, 23 June |
| Last day of dealings in nil-paid Rights Shares | Monday, 28 June |
| Latest time for acceptance of and payment for the Rights Shares | 4:00 p.m. on Friday, 2 July |
| Announcement of the number of Unsubscribed Rights Share and NQS Unsold Rights Shares subject to Compensatory Arrangements | Monday, 5 July |
| Commencement of placing of Unsubscribed Rights Share and NQS Unsold Rights Shares by the Placing Agent | Tuesday, 6 July |
| Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares by the Placing Agent | 4:00 p.m. on Monday, 12 July |
| Latest time for termination of the Placing Agreement for the Rights Issue to become unconditional | 4:00 p.m. on Tuesday, 13 July |
| Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements) | Tuesday, 13 July |
| Despatch of share certificates for fully-paid Rights Shares and refund cheques | Wednesday, 14 July |
| Commencement of dealings in fully-paid Rights Shares | Thursday, 15 July |
| Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders (if any) | Thursday, 29 July |

EXPECTED TIMETABLE

Effect of bad weather and/or extreme conditions on the latest time for acceptance of and payment for the Rights Shares

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

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) 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
 - (ii) 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. An announcement will be made by the Company in such event.

LETTER FROM THE BOARD



CHINA BEST GROUP HOLDING LIMITED

國華集團控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 370)

Executive Directors:

Ms. Wang Yingqian (*Chairman*)
Mr. Qin Jie (*Chief Executive Officer*)
Mr. Liu Wei
Mr. Chen Wei
Mr. Fan Jie

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Ru Xiangnan
Mr. Liu Haiping
Mr. Liu Tonghui

*Head Office and Principal Place of
Business in Hong Kong:*

Suite 1901-2 & 14, 19/F, Tower 6
The Gateway, Harbour City
Kowloon, Hong Kong

17 June 2021

*To the Qualifying Shareholders and,
for information purposes only,
Non-Qualifying Shareholders*

Dear Sir or Madam,

RIGHTS ISSUE ON THE BASIS OF ONE(1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

Reference is made to the Announcement whereby the Board announced, among other matters, the Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.2 per Rights Share, to raise up to approximately HK\$101.7 million before expenses by issuing up to 508,428,313 Rights Shares to the Qualifying Shareholders (assuming no change in the number of Shares in issue on or before the Record Date). The Rights Issue is not underwritten and will not be extended to the Non-Qualifying Shareholders.

The purpose of this Prospectus is to provide you with, among others things, further details of the Rights Issue, including the procedures for acceptance of the Rights Shares provisionally allotted to you, together with the financial and other information of the Group.

* for identification purpose only

LETTER FROM THE BOARD

RIGHTS ISSUE

Issue statistics

| | | |
|---|---|--|
| Basis of the Rights Issue | : | one (1) Rights Share for every two (2) existing Shares held on the Record Date |
| Subscription Price | : | HK\$0.2 per Rights Share |
| Number of Shares in issue as at the Latest Practicable Date | : | 1,016,856,626 Shares |
| Number of Rights Shares to be issued pursuant to the Rights Issue | : | up to 508,428,313 Rights Shares (<i>Note</i>) |
| Aggregate nominal value of the Rights Shares to be issued | : | up to HK\$50,842,831.3 (<i>Note</i>) |
| Gross amount to be raised | : | up to approximately HK\$101.7 million before expenses (<i>Note</i>) |

Note: Assuming no change in the number of Shares in issue before completion of the Rights Issue.

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, convertible debt securities, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for Shares.

As at the Latest Practicable Date, the Board has received information from Sunbow Int'l Enterprise Limited of its intention to fully take up the Rights Shares to be provisionally allotted to them. For the avoidance of doubt, none of the substantial Shareholders has undertaken to take up its entitlement as at the Latest Practicable Date.

Assuming no change in the number of Shares in issue on or before the Record Date, the aggregate 508,428,313 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 50.0% of the total number of issued Shares as at the Latest Practicable Date and approximately 33.3% of the total number of issued Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements on a best efforts basis. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

LETTER FROM THE BOARD

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules.

The Subscription Price

The Subscription Price of HK\$0.2 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 or when a transferee of the nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 45.21% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 46.95% to the average closing price of approximately HK\$0.377 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 46.09% to the average closing price of approximately HK\$0.371 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.89% to the theoretical ex-rights price of approximately HK\$0.322 per Share based on the benchmarked price of approximately HK\$0.383 per Share;
- (v) a discount of approximately 81.48% to the net asset value of the Company of approximately HK\$1.08 per Share based on the unaudited net asset value attributable to owners of the Company of approximately HK\$1,097,964,000 as at 31 December 2020;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of approximately 15.93%, represented by the theoretical diluted price of approximately HK\$0.322 per Share to the benchmarked price of approximately HK\$0.383 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.365 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of the Placing Agreement of approximately HK\$0.383 per Share); and
- (vii) a discount of approximately 46.67% to the closing price of HK\$0.375 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

LETTER FROM THE BOARD

The Board has noted the relatively large discount mentioned in (v) above. Nevertheless, given the preemptive nature of the Rights Issue and taking into account of the fact that the Shares were traded at a discount to the net asset value per Share for the six months preceding the Last Trading Day ranging from approximately 53.8% to 68.1%, with an average of approximately 62.4%, the Board is of the view that the net asset value per Share may not be a meaningful reference to determine the Subscription Price.

To assess the fairness and reasonableness of the Subscription Price, 22 sample rights issues (the “**Comparables**”) were identified based on the following criteria: (i) rights issues conducted by companies listed on the Stock Exchange; (ii) rights issues approved by the shareholders of the relevant companies (if applicable); and (iii) rights issues that have issued prospectus for rights issue during the period of six months prior to the date of the Announcement (the “**Review Period**”). The list of Comparables are exhaustive based on the criteria and 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.

The major terms of the Comparables are summarised below:

| Prospectus Date | Company name | Stock code | Theoretical dilution effect <i>approx. %</i> | Excess application <i>(Yes/No)</i> | Placing commission |
|------------------|--|------------|---|--|-----------------------|
| 26 April 2021 | Qingdao Holdings International Limited | 499 | (9.38) | Yes | NA |
| 23 April 2021 | Enterprise Development Holdings Limited | 1808 | (16.38) | Yes | NA |
| 15 April 2021 | Kaisa Group Holdings Limited | 1638 | (3.44) | Yes | NA |
| 30 March 2021 | Beaver Group (Holdings) Company Limited | 8275 | (20.63) | No | 3.5% |
| 26 March 2021 | Esprit Holdings Limited | 330 | (8.68) | Yes | NA |
| 23 March 2021 | Roma Group Limited | 8072 | (23.63) | Yes | NA |
| 19 March 2021 | Sinolink Worldwide Holdings Limited | 1168 | (20.09) | Yes | NA |
| 17 March 2021 | Bossini International Holdings Limited | 592 | (8.47) | Yes | NA |
| 3 March 2021 | Chinlink International Holdings Limited | 997 | (12.09) | Yes | NA |
| 26 February 2021 | Pacific Century Premium Developments Limited | 432 | (0.40) <i>(note)</i> | Yes | NA |
| 9 February 2021 | Capital Finance Holdings Limited | 8239 | 3.10 <i>(note)</i> | No | 3.0% |
| 27 January 2021 | Longhui International Holdings Limited | 1007 | (14.50) | Yes | NA |
| 25 January 2021 | Top Form International Limited | 333 | (6.25) | No | 1.0% |
| 19 January 2021 | China Fortune Holdings Limited | 110 | (2.75) | Yes | NA |
| 19 January 2021 | Asia-Pac Financial Investment Company Limited | 8193 | (10.30) | No | 2.5% |
| 21 December 2020 | National Investments Fund Limited | 1227 | (23.81) | Yes | NA |
| 14 December 2020 | Wan Cheng Metal Packaging Company Limited | 8291 | (14.52) | No | 2.5% |
| 11 December 2020 | Amber Hill Financial Holdings Limited | 33 | (20.41) | No | 2.0% |
| 30 November 2020 | Royal Century Resources Holdings Limited | 8125 | (11.76) | No | 2.0% |
| 24 November 2020 | Green International Holdings Limited | 2700 | (14.03) | Yes | NA |
| 20 November 2020 | The Hong Kong Building and Loan Agency Limited | 145 | (3.47) | Yes | NA |
| 18 November 2020 | CHK Oil Limited | 632 | 6.96 | Yes | NA |
| | | Maximum | 6.96 | | 3.5% |
| | | Minimum | (23.81) | | 1.0% |
| | | Average | (10.68) | | 2.4% |
| | | Median | (11.03) | | 2.5% |

Note: The relevant prospectuses did not disclose the theoretical dilution effect. The theoretical dilution effect of these companies were calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the GEM Listing Rules for companies listed on GEM.

LETTER FROM THE BOARD

It is observed that the theoretical dilution of approximately 15.93% fall within the range of the Comparables from a discount of approximately 23.81% to a premium of approximately 6.96%, with an average discount of approximately 10.68% and a median discount of approximately 11.03%, which is in compliance with Rule 7.27(b) of the Listing Rules as such theoretical dilution effect is less than 25%.

As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Board considers that the Subscription Price, with an acceptable theoretical dilution effect, would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group.

The Subscription Price was determined with reference to, among others, (i) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic; (ii) the low liquidity of the Shares for the six months preceding the Last Trading Day with the average daily trading volume of approximately 599,270 Shares, representing approximately 0.059% of the total number of issued Shares as at the Last Trading Day, (iii) net losses as recorded by the Company for the six months ended 30 June 2020 and for the 12 months ended 31 December 2020; and (iv) the reasons and benefits of the Rights Issue as discussed in the section headed “**REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS**”, in this Prospectus.

In light of the above the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, 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, SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar at Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 8 June 2021.

LETTER FROM THE BOARD

Qualifying Shareholders who take up their pro rata entitlement in full 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).

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares held by a Qualifying Shareholder as at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered or filed under the securities law of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

As at the Latest Practicable Date, the Company has 4 Overseas Shareholders with registered addresses situated in the BVI and the US with the following shareholding structure:

| Jurisdictions | Number of Overseas Shareholder(s) | Aggregated number of Shares held by Overseas Shareholder(s) in the jurisdiction |
|----------------------|--|--|
| BVI | 3 | 86,864,000 |
| US | 1 | 800,000 |

In compliance with the necessary requirements of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to such Overseas Shareholders. On the basis of the results of such enquiries obtained as at the Latest Practicable Date, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders in the US on account of either the legal restrictions under the laws of such countries or the requirements of the relevant regulatory bodies or stock exchanges in such jurisdictions. Accordingly, if there shall be any Overseas Shareholder whose registered addresses are in the US on the Record Date, such Overseas Shareholder will become a Non-Qualifying Shareholder and therefore will not be entitled to participate in the Rights Issue, subject to limited exceptions. Moreover, the Directors note that there is no legal restriction under the laws of or the requirements of the relevant regulatory bodies or stock exchanges in the BVI with respect to the offer of the Rights Shares to the Overseas Shareholders with registered addresses in the BVI as at the Latest Practicable Date. Accordingly, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in the BVI.

LETTER FROM THE BOARD

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities laws or other laws or regulations of any territory or jurisdiction.

It is the responsibility of any person (including, without limitation, a nominee, agent and trustee) receiving the Prospectus Documents outside Hong Kong and wishing to take up the Rights Shares to satisfy themselves as to the full and relevant compliance of the laws of the relevant jurisdictions including the obtaining of any governmental or other consents and observing other formalities which may be required in such jurisdictions, and to pay any taxes, duties and other amounts required to be paid in such jurisdictions in connection therewith. Any acceptance of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that such local laws, regulations and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult a professional adviser.

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

Procedures for acceptance and payment and/or transfer

Qualifying Shareholders should find enclosed with this Prospectus a PAL which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept all the Rights Shares provisionally allotted to them as specified in the PALs, they must lodge the PALs in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Friday, 2 July 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR INVESTOR SERVICES LIMITED – A/C NO. 047" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the duly completed PAL, together with the appropriate remittance, has been lodged with the Registrar by no later than 4:00 p.m. on Friday, 2 July 2021, whether by the original allottee or any person in whose favour the provisional allotment has been validly transferred, that provisional allotment and all rights and entitlement thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions.

LETTER FROM THE BOARD

If the Qualifying Shareholders wish to accept only part of the provisional allotment or transfer part of their rights to subscribe for the Rights Shares provisionally allotted to them under the PAL or transfer part/all of their rights to more than one person, the original PAL must be surrendered for cancellation by no later than 4:30 p.m. on Wednesday, 23 June 2021 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required. The new PALs will be available for collection from the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order will constitute a warranty by such person that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

No action has been taken to permit the offering of the Rights Shares or the distribution of the Prospectus Documents in any territory other than Hong Kong. Accordingly, no person receiving the Prospectus Documents in any territory outside Hong Kong may treat it as an offer or invitation to apply or subscribe for the Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Completion and return of the PAL by anyone outside Hong Kong will constitute a warranty and representation by such person to the Company that all registration, legal and regulatory requirements of such relevant jurisdictions other than Hong Kong in connection with the PAL and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above warranty and representation. The Company reserves the right to refuse to accept any application or subscription for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

LETTER FROM THE BOARD

Action to be taken by beneficial owners whose Shares are held by a registered owner (other than Shares deposited in CCASS)

If you are a beneficial owner whose Shares are registered in the name of a registered owner and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or split your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should contact the registered owner and provide the registered owner with instructions or make arrangements with the registered owner in relation to the acceptance, transfer and/or splitting of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested. Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of the registered owner in order to allow the registered owner sufficient time to ensure that your instructions are given effect. You should consult your professional adviser if in doubt.

Action to be taken by beneficial owners holding interests in Shares through CCASS

If you are a beneficial owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees Limited, and you wish to subscribe for the Rights Shares provisionally allotted to you, or sell your nil-paid Rights Shares or “split” your nil-paid Rights Shares and accept part of your provisional allotment and sell the remaining part, you should (unless you are a CCASS Investor Participant) contact your intermediary and provide your intermediary with instructions or make arrangements with your intermediary in relation to the acceptance, transfer and/or “splitting” of the rights to subscribe for Rights Shares which have been provisionally allotted in respect of the Shares in which you are beneficially interested. You should consult your professional adviser if in doubt.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the section headed “Expected Timetable” in this Prospectus and otherwise in accordance with the requirements of your intermediary in order to allow your intermediary sufficient time to ensure that your instructions are given effect.

The procedure for acceptance, transfer and/or “splitting” by CCASS Participants of the Rights Shares provisionally allotted to CCASS stock accounts in respect of the Shares registered in the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS”, the “CCASS Operational Procedures” and any other requirements of CCASS. The procedures for acceptance, transfer and/or “splitting” of Rights Shares provisionally allotted to beneficial owners who have been admitted to participate in CCASS as investor participants shall be in accordance with HKSCC’s “Operating Guide for Investor Participants” and any other requirements of CCASS. Beneficial owners who have been admitted to participate in CCASS as investor participants should contact CCASS and provide CCASS with instructions or make arrangements with CCASS in relation to the manner in which such beneficial owners’ interests in Rights Shares should be dealt with.

LETTER FROM THE BOARD

Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. Accordingly, on 11 May 2021, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best efforts basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best efforts basis, and any Net Gain will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best efforts basis, procure, by not later than 4:00 p.m. on Monday, 12 July 2021, placees for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) to the No Action Shareholders and Non-Qualifying Shareholders as set out below on pro rata basis (but rounded down to the nearest cent):

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Non-Qualifying Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) and Non-Qualifying Shareholder(s) in Hong Kong dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares

Details of the Placing Agreement are summarised as follows:

Date : 11 May 2021

Issuer : The Company

LETTER FROM THE BOARD

Placing Agent : Emperor Securities Limited was appointed as the Placing Agent to procure, on a best efforts basis, placees to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

The Placing Agent is a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period : The period commencing from the second Business Day after the Latest Time for Acceptance and ending at 4:00 p.m. on the sixth Business Day after the Latest Time for Acceptance.

Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 1.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

Placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will be depended on the demand for and the market conditions of the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the process of placement.

Placees : The Unsubscribed Rights Shares and NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).

For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.

Ranking of the placed Unsubscribed Rights Shares and NQS Unsold Rights Shares : The placed Unsubscribed Rights Shares and NQS Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

LETTER FROM THE BOARD

Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

- (i) the Company's warranties contained in the Placing Agreement remain true and accurate and not misleading in all material respects at all time prior to the date of completion of the Rights Issue; and
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares with or without conditions.

In the event that the above condition precedents have not been fulfilled on or before the Latest Time for Termination (or such later date as may be agreed between the parties thereto in writing), all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof prior to such termination).

Termination : Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company, by notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events which, in the absolute opinion of the Placing Agent, has or may have a material adverse effect on the business or financial conditions or prospects of the Company or the Group taken as a whole or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares or otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

LETTER FROM THE BOARD

- (a) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date hereof) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (b) the imposition of any moratorium, suspension (for more than 7 trading days) or restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's absolute opinion, would affect the success of the Placing; or
- (c) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's absolute opinion any such new law or change may affect the business or financial prospects of the Group and/or the success of the Placing; or
- (d) any litigation or claim being instigated against any member of the Group or its senior management, which has or may affect the business or financial position of the Group and which in the Placing Agent's absolute opinion would affect the success of the Placing; or
- (e) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date hereof and prior to the completion of the Rights Issue which if it had occurred or arisen before the date hereof would have rendered any of such representations and warranties untrue or incorrect in a material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

LETTER FROM THE BOARD

- (f) there is any material change (whether or not forming part of a series of changes) in market conditions which in the absolute opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed.

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. Referring to the major terms of the Comparables under the section headed "RIGHTS ISSUE – The Subscription Price", 7 listed companies has made arrangements to dispose of securities not subscribed by allottees under provisional letters of allotment or their renounces by offering the securities to independent placees for the benefit of the persons to whom they were offered by way of rights, it is observed that the placing commission of 1.5% falls within the range of 1.0% to 3.5% with an average of approximately 2.4% and a median of 2.5%, the Directors consider that the terms of Placing Agreement in respect of the Unsubscribed Rights Shares and NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

As explained above, the Rights Shares that are not accepted by the Qualifying Shareholders, together with the Rights Shares that the Non-Qualifying Shareholders are entitled to under the Rights Issue, will be placed by the Placing Agent to Independent Third Parties on a best efforts basis for the benefits of the No Action Shareholders and Non-Qualifying Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any Net Gain will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders. Any NQS Unsold Rights Shares and/or Unsubscribed Rights Shares that are not placed by the Placing Agent will not be issued by the Company. As at the Latest Practicable Date, the Placing Agent has not identified any Placee(s). Further announcement in relation to the names and a brief generic description of the Placees will be made by the Company in the event that the number of Placees is less than six. In any case, any Placees shall not be an Excluded Person.

Despite the Rights Issue is conducted on a non-underwritten basis, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed by the Placing Agent on the market to independent placees under the Compensatory Arrangement on a best effort basis. Considering (i) the placing obligation of the Placing Agent are more or less similar to an underwriter of the Rights Issue; and (ii) placing arrangement at a placing price of not less than the Subscription Price is attractive to independent placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (if any), the Board considers that the Compensatory Arrangement is appropriate and is optimistic that the Qualifying Shareholders and the independent placees (if any) will subscribe for the Rights Shares and raise the necessary proceeds for the Company and the Rights Issue is in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders and Non-Qualifying Shareholders.

In particular, excess application is considered as a passive arrangement to facilitate additional participation of the Qualifying Shareholders. Taking into account the low liquidity of the Shares before the Last Trading Day, the Directors consider it would be more desirable for the Company to adopt a more active measure by way of the Compensatory Arrangements to mitigate the uncertainty of the fund raising exercise.

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 the fully-paid Rights Shares are expected to be sent on or before Wednesday, 14 July 2021 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the conditions of the Rights Issue are not fulfilled, refund cheques in respect of the acceptances of the Rights Shares are expected to be posted on or before Wednesday, 14 July 2021, by ordinary post to the applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Taxation

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

Application for listing of the Rights Shares

The Company has applied 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 issued and allotted pursuant to the Rights Issue. No part of the equity or debt 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. Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 6,000 Rights Shares.

LETTER FROM THE BOARD

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.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (i) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents, each duly certified by the Directors (or by their agents duly authorised in writing) on or before Prospectus Posting Date in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (and all other documents required to be attached thereto) and otherwise complying with the requirements of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules;
- (ii) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Non-Qualifying Shareholders, for information purpose only; and
- (iii) the Listing Committee of the Stock Exchange agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so), and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed. Shareholders and public investors are advised to exercise caution in dealing in the securities of the Company. As at the Latest Practicable Date, none of the above conditions has been fulfilled or waived.

LETTER FROM THE BOARD

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

The principal activity of the Company is investment holding. The Group is principally engaged in (i) trading of goods, (ii) the finance leasing business, (iii) the money lending business, (iv) the securities and futures brokerage business, (v) international air and sea freight forwarding and the provision of logistics services, (vi) trading of securities, (vii) property investment, (viii) the property brokerage business, (ix) the building architecture and interior design business, (x) the property development and project management business, (xi) the geothermal energy business, (xii) the building construction contracting business, and (xiii) centralised heating business.

The Board had considered fund raising by debt financing, however it would come along with, where materialise, additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations which is less beneficial to the Group. In view of this, the Board has averted debt financing as a source for raising funds in this occasion.

As for equity fund raising, such as placing of new Shares, it would be relatively small scale as compared to rights issue and it would not allow the Qualifying Shareholders to participate in the fund raising exercise, in return, their respective shareholdings in the Company would be diluted without equal opportunity to maintain their proportionate interests in the Company.

Contrarily, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). The Board considers that the Rights Issue effected on a pro rata basis gives all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company, whereas open offer does not provide Shareholders with the flexibility to increase their shareholding interests in the Company by acquiring additional rights entitlements in the open market or reduce their shareholding interests in the Company by disposing their rights entitlements in the open market. As such, the Board did not pursue an open offer which is considered to be less favourable to the Shareholders.

The Board considers it is prudent to obtain the resources to facilitate the long-term growth of the Group preferably in the form of equity fund raising which will not increase the Group's financing costs. In addition, the Board believes that the Rights Issue will enable the Group to strengthen its capital base and enhance its financial position for future strategic investments as and when such opportunities arise.

The estimated net proceeds of the Rights Issue will be up to approximately HK\$96.1 million (assuming no further issue of new Shares or repurchase of Shares on or before the Record Date). The Company intends to utilise the entire net proceeds from the Rights Issue, which is expected to be fully utilised within one year after the completion of the Rights Issue, in the following aspects:

LETTER FROM THE BOARD

- (i) approximately 80% or more of the net proceeds for operation of existing businesses, mainly in property related business and centralized heating business, for the improvement on financial and operational performance, out of which (a) approximately HK\$32 million, or approximately 45% will be applied to centralized heating business; (b) approximately HK\$11 million, or approximately 15%, will be used for the settlement of unpaid investment sum to Tiandi Youdamei (Beijing) Cultural Tourism Company Limited* (天地有大美(北京)文旅有限公司)(“Tiandi Youdamei”) (Please refer to the disclosure in the Second Interim Report 2020 of the Company in relation to the acquisition of Tiandi Youdamei for details); and (c) the remaining portion is intended to be applied to the Possible Acquisition, if materialised, and/or property related business of the Group; and
- (ii) approximately 20% or less of the net proceeds for general working capital of the Group, which mainly for the operation expenses including employee remuneration and payment of construction material.

As at 30 April 2021, the cash balance of the Group is approximately HK\$39.5 million, which is planned for the existing business operation of the Group. If the Rights Issue is under-subscribed and the Unsubscribed Rights Shares and NQS Unsold Rights Shares are not fully-placed, the Company will give priority to settle the unpaid investment sum of Tiandi Youdamei, and then, subject to the business development of the Group from time to time, adjust its budget for improvement of its existing business operation and Possible Acquisition accordingly. The Company would consider to utilise its internal resources or seek for debt financing to satisfy its funding needs if fund raised from the Rights Issue was insufficient.

The Board would like to provide the background information of the Possible Acquisition and the investment in Tiandi Youdamei.

On 30 October 2020, Guohua Jiaye (Beijing) Enterprise Management Co., Ltd.* (國華佳業(北京)企業管理有限公司)(“Guohua Jiaye”), a wholly owned subsidiary of the Company, completed an acquisition and a subscription of a total of 25% equity interest in Tiandi Youdamei, which, through its subsidiaries and associates, is principally engaged in provision of boutique hotel management services in the PRC. Upon completion, Tiandi Youdamei with its subsidiaries and associates have become the associates of the Company.

On 3 May 2021, the Company has entered into a memorandum of understanding (the “MOU”) with Giant Win Holdings Limited (“Giant Win”), pursuant to which the Company agreed to enter into further negotiation with Giant Win regarding a possible conditional acquisition of entire or part of equity interest held by Giant Win in Treasure Cart Holdings Limited (the “Target Company”) from the date of the MOU to 30 September 2021. The Target Company, through its subsidiaries, is principally engaged in provision of financial information, solutions and data analytical services to customers in finance and property related field in the PRC. As at the Latest Practicable Date, the Company has yet to enter into any formal contract in relation to the Possible Acquisition. For details in relation to the Possible Acquisition, please refer to the announcement of the Company dated 3 May 2021.

LETTER FROM THE BOARD

The Directors consider that it is appropriate to propose the Rights Issue as a means of fund raising for the Group's future expansion. The Directors also consider that the terms of the Rights Issue, including the Subscription Price and the rate of the placing commission, are fair and reasonable based on current market conditions. Accordingly, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming that there is no change in the number of Shares in issue on or before the Record Date, 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 the Qualifying Shareholders; and (iii) immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent) is as follows:

| | As at the Latest Practicable Date | | Assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full | | Assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent | |
|--|--------------------------------------|-----------------------|---|-----------------------|--|-----------------------|
| | No. of Shares | Approx. % (Note 1) | No. of Shares | Approx. % (Note 1) | No. of Shares | Approx. % (Note 1) |
| Substantial Shareholder | | | | | | |
| Sunbow Int'l Enterprise Limited ("Sunbow") (Note 2) | 162,864,000 | 16.02% | 244,296,000 | 16.02% | 162,864,000 | 10.68% |
| Director | | | | | | |
| Mr. Qin Jie | 2,000,000 | 0.20% | 3,000,000 | 0.20% | 2,000,000 | 0.13% |
| Public Shareholders | | | | | | |
| Independent placees | – | – | – | – | 508,428,313 | 33.33% |
| Other public Shareholders | <u>851,992,626</u> | <u>83.78%</u> | <u>1,277,988,939</u> | <u>83.78%</u> | <u>851,992,626</u> | <u>55.86%</u> |
| Total | <u>1,016,856,626</u> | <u>100%</u> | <u>1,525,284,939</u> | <u>100%</u> | <u>1,525,284,939</u> | <u>100%</u> |

Notes:

- The percentage is calculated on the basis of 1,016,856,626 Shares in issue as at the Latest Practicable Date.
- 162,864,000 Shares are held by Sunbow. As Mr. Wang Baoning has 100% shareholding in Sunbow, by virtue of the SFO, he is deemed to be interested in all the Shares beneficially held by Sunbow.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY FOR THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the 12 months immediately preceding the Latest Practicable Date.

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

The Rights Issue is subject to the fulfilment of conditions 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. Please refer to the paragraph headed “Conditions of the Rights Issue” in this Prospectus.

Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed. The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. Any dealings in the Shares from the Latest Practicable Date up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in nil-paid form are recommended to consult their professional advisers.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or Rights Shares in nil-paid form.

ADDITIONAL INFORMATION

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

By Order of the Board
China Best Group Holding Limited
Mr. Qin Jie
Executive Director and Chief Executive Officer

A. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 and for the six months ended 30 June 2020 and the twelve months ended 31 December 2020 are disclosed on pages 59 to 203 of the annual report of the Company for the year ended 31 December 2017 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn20180426969.pdf>), pages 49 to 237 of the annual report of the Company for the year ended 31 December 2018 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261742.pdf>) and pages 57 to 151 of the annual report of the Company for the year ended 31 December 2019 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700569.pdf>) and pages 6 to 48 of the interim report of the Company for the six months ended 30 June 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0928/2020092800759.pdf>) and pages 5 to 58 of the second interim report of the Company for the twelve months ended 31 December 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0326/2021032600573.pdf>), respectively, all of which are published on the website of the Stock Exchange at <http://www.hkexnews.hk>, and the website of the Company at <http://www.cbgroup.com.hk>.

B. INDEBTEDNESS

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of ascertaining this indebtedness statement of the Group prior to the printing of this Prospectus, the Group had the following liabilities:

| | <i>HK\$'000</i> |
|--------------------------------|-----------------------|
| Secured: | |
| Borrowings | |
| – Trust loans | 240,123 |
| – Bank loan | 12,006 |
| Unsecured: | |
| Borrowings | |
| – Short term loans | 20,410 |
| Consideration payables | 154,734 |
| Advance from subcontractors | 103,222 |
| Trust loan interest payable | 6,460 |
| Bank loan interest payable | 75 |
| Lease liabilities | 11,058 |
| Amounts due to an associate | 14,428 |
| Amounts due to a joint venture | 120 |
| | <hr/> |
| Total borrowings and payables | <u><u>562,636</u></u> |

Pursuant to the trust loan agreements, the trust loans are secured by pledging of (i) 100% shareholding of Jiangsu Meili Kongjian Construction Design Development Co., Ltd (“Jiangsu Meili Kongjian”) and 70% shareholding of Baoshihua Geothermal Energy Development Co., Ltd. and (ii) the land use right held by Jiangsu Meili Kongjian and any constructions thereon; and are guaranteed by Jiangsu Meili Kongjian.

The secured bank loan is secured by the corporate guarantee provided by Xi’an Chan Ba Finance Guarantee Company Limited* (西安滄霸融資擔保有限公司) and personal guarantee of an officer of a subsidiary of the Company.

The above secured trust loans and bank loan are denominated in Renminbi.

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary courses of the Group’s business, as at the close of business on 30 April 2021, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptances credits, debentures, mortgages, charges, hire purchase commitments, other recognised lease liabilities or lease commitments, guarantees or other material contingent liabilities.

C. WORKING CAPITAL

The Directors, after due and careful considerations, are of the opinion that, after taking into account the present internal financial resources of the Group and the estimated net proceeds from the Right Issue, the Group has sufficient working capital for the Group’s requirements for at least twelve months from the date of this Prospectus.

D. MATERIAL ADVERSE CHANGE

The Directors were not aware of any circumstances or events that may give rise to a material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Group were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in (i) trading of goods, (ii) international air and sea freight forwarding and the provision of logistics services, (iii) the finance leasing business, (iv) the money lending business, (v) the securities and futures brokerage business, (vi) trading of securities, (vii) property investment, (viii) the property brokerage business, (ix) the building architecture and interior design business, (x) the property development and project management business, (xi) the geothermal energy business, (xii) the building construction contracting business, and (xiii) centralised heating business.

According to the Group's second interim report for the twelve months ended 31 December 2020, the Group's unaudited turnover was approximately HK\$1,054.2 million, representing an increase of approximately 190.9% as compared with approximately HK\$362.3 million in last corresponding period. The unaudited net loss for the period attributable to owners of the Company was approximately HK\$42.9 million as compared with approximately HK\$106.1 million in last corresponding period. Set out below are the latest operation overview for each business segment of the Group.

Trading Business

With the established distribution channels and upstream suppliers network in niche market of electronics, the trading of goods business mainly focuses on trading of semi-finished electronic components produced in mainland China and Taiwan which are equippable to mobile electronic appliances and laptops computers. For the 12 months ended 31 December 2020, the unaudited revenue generated from trading of goods was approximately HK\$522.6 million, representing an increase of approximately 69.2% as compared with approximately HK\$308.9 million in last corresponding period.

Freight Forwarding Business

The freight forwarding business of the Group provides international air and sea freight forwarding and logistic services to local customers in Singapore and the US which consist of small and medium trading companies and forwarders. For the 12 months ended 31 December 2020, the unaudited revenue generated from the freight forwarding business was approximately HK\$1.7 million, representing a decrease of approximately 52.0% as compared with approximately HK\$3.5 million in last corresponding period.

Finance Leasing Business

The principal focus of financial leasing business of the Company is to provide an alternative way of financing to corporate clients in the PRC via a sale and lease-back arrangement in finance leasing of plant and machinery as well as providing consultancy services with respect of finance leasing. For the 12 months ended 31 December 2020, the unaudited revenue generated from financial leasing business was approximately HK\$2.4 million, representing a decrease of approximately 76.2% as compared with approximately HK\$10.0 million in last corresponding period.

Money Lending Business

The money lending activities of the Group are carried on under money lenders license granted by the licensing court in Hong Kong pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). The money lending business of the Group was established to develop its business in financial service sector and to diversify its income stream. For the 12 months ended 31 December 2020, the unaudited revenue generated was decreased to approximately HK\$22.1 million from approximately HK\$29.7 million for the corresponding period in 2019 representing a decrease of 25.8%.

Securities and Futures Brokerage Business

The Group is eligible to carry on business in Type 1, Type 2, Type 4, Type 5 and Type 9 regulated activities under the SFO. The Group has recorded an unaudited revenue of approximately HK\$1,000 for the 12 months ended 31 December 2020, representing a significant decrease from approximately HK\$0.4 million in 2019.

Securities Investment Business

It represents the trading of listed equity securities in the Hong Kong stock market and dividend income (if any) from such listed equity securities. For the 12 months ended 31 December 2020, the unaudited turnover of the Group's securities investment business amounted to approximately HK\$2.5 million, and a realised gain of approximately HK\$1.6 million and an unrealised fair value gain of the listed securities of approximately HK\$0.4 million was recorded respectively. The Directors will continue to take a prudent approach and would realize its investment when appropriate opportunities arise.

Property Investments Business

The Group has acquired the properties at a prime location in Beijing. The investment properties are currently undergoing interior fitting and not ready for leasing as at 31 December 2020. Hence, no revenue has been recorded for the 12 months ended 31 December 2020. The Group is seeking leasing opportunities in the market and exploring different ways to utilise the properties.

Property Brokerage Business

The property brokerage business of the Group is focusing on provision of property agency service in the PRC. Brokerage fee will be received for each successful sale. Currently, the major place of business activities is in Xi'an, Shaanxi Province and Xiangshan City, Zhejiang Province of the PRC. The Group has recorded a unaudited revenue of approximately HK\$ 23.8 million for the 12 months ended 31 December 2020 (2019: HK\$9.8 million), representing an increase of 142.6%.

Building Architecture and Interior Design Business

The building architecture and interior design business of the Group is engaged in provision of building architecture and interior design services in the PRC. For the 12 months ended 31 December 2020, the unaudited revenue generated was approximately HK\$2.7 million (2019: nil).

Property Development and Project Management

The Group acquired a company on 2 March 2020 which is principally engaged in property development in the PRC and holds land use rights of a land parcel at Haiyong Road, Haiyong Country, Haimen City, Jiangsu Province, with a total site area of 47,519 square meters and for commercial use. The Group is planning to develop properties for sale on such land parcel. For the 12 months ended 31 December 2020, the properties were still under the development process and hence no turnover of the Group's property development business was generated.

The Group has commenced its property project management business since July 2020. The business mainly engages in provision of entrusted construction and projects management services in the PRC. For the 12 months ended 31 December 2020, the unaudited revenue generated from property project management business was approximately HK\$19.1 million (2019: nil). The Group is currently engaged in 8 projects, with 1 newly signed in 2021.

Geothermal Energy Business

The Group provides heating and cooling supply to various buildings in the PRC by utilising geothermal energy. The major places of business activities are currently in Henan province of the PRC. The unaudited revenue generated from the geothermal energy business was approximately HK\$12.3 million for the 12 months ended 31 December 2020. The Group is currently extending the related business to Xi'an in 2021.

Building Construction Contracting Business

The building construction contracting business of the Group engages in provision of building construction contracting service on project basis in the PRC. For the 12 months ended 31 December 2020, the Group has recorded approximately HK\$432.8 million, which accounted for approximately 41.1% of the total unaudited revenue of the Group. The Group is currently engaged in 8 projects with 2 newly entered in 2021.

Centralised Heating Business

The Company acted as a reorganization investor and acquired a company which is principally engaged in business of using coal-fired boilers to provide centralized heating to exclusively licensed areas in Yuncheng, Shanxi province of the PRC on 8 September 2020. The Group was further granted an exclusive license for the provision of centralised heating service in Yuncheng City for 30 years from 1 January 2021. For 12 months ended 31 December 2020, the unaudited revenue generated from centralised heating business was approximately HK\$12.2 million (2019: nil). The area under the exclusive license has recently increased. Several state-owned corporations across a variety of industries, whose factories are under construction in the newly increased area, are potential customers of the Group's centralised heating business.

Prospect

In 2020, the outbreak of the novel coronavirus (COVID-19) pandemic together with subsequent lockdown measures had a profound impact on the global economy. As a result of anti-epidemic and epidemic prevention actions, the COVID-19 pandemic has been comparatively under control in the mainland China and Hong Kong, both of which are principal business places of the Group. With strong rebound of the economy of the mainland China and improved market sentiment in Hong Kong, the negative impact on the Group's business has been mitigated. In order to increase the profitability of the Group and enhance its sustainability, the Group has continuously improved its real estate-related business layout while developing its existing main businesses. The Group is reviewing and considering its existing resources, including the experience, expertise and social network of the Directors and management of the Company, with the aim of further expanding the current principal businesses and exploring possible inter-segment development and collaboration. Leveraging the synergy effect and solid client base, the Group has commenced property project management business in the second half of 2020 and demonstrated the ability to provide one-stop solution for property development project as well as to suit with various customer needs.

For the finance leasing business, money lending business, securities and futures brokerage business and securities investment business (collectively, the “**Financial Businesses**”), the Group has adopted a more conservative approach regarding the business expansion under the highly competitive business environment in Financial Businesses and volatile financial market. The management of the Group decided not to inject significant funds in Financial Businesses in order to limit the risk exposure at current stage. However, on the other hand, the Group is seeking for inter-segment collaboration between its Financial Business and other property-related business. The Group is currently exploring in fund raising and management service for property developers in the PRC. No agreement is materialised as at the Latest Practicable Date. The Company will inform the Shareholders and make announcement in accordance with the Listing Rules as and when appropriate.

Save for (i) the securities investment business in relation to which the Group does not hold any trading securities as at the Latest Practicable Date, (ii) the possible cessation of freight forwarding business in the US which generated relatively insignificant revenue of approximately HK\$0.6 million for the 12 months ended 31 December 2020, and (iii) the Possible Acquisition, the Company has not entered, or proposed to enter, into any agreement, arrangement, understanding or undertaking (formal or informal) and does not have any negotiation and intention to (i) acquire new business; and/or (ii) dispose of/downsize its existing business as at the Latest Practicable Date.

As at the Latest Practicable Date, the Group has entered into several framework agreements and memorandums of understanding in real estate-related business. Looking forward, the Group will endeavour to strengthen its client base and diversify its products and services mix among different business segments. The Group firmly believes that challenges and opportunities coexist in the current situation. The Group will adopt prudent measures to control operating risks and continue to expand its businesses by exploring new opportunities.

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 Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had taken place on 31 December 2020.

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 of the Company, 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 31 December 2020, adjusted as described below:

| Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 <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 31 December 2020 <i>HK\$'000</i> |
|--|---|---|
| <u>924,583</u> | <u>96,100</u> | <u>1,020,683</u> |

Unaudited consolidated net tangible assets per share attributable to the owners of the Company immediately before completion of the Rights Issue
(Note 3)

HK\$0.909

Unaudited pro forma adjusted consolidated net tangible assets per share attributable to the owners of the Company immediately after completion of the Rights Issue
(Note 4)

HK\$0.669

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2020 are based on the consolidated net assets attributable to the owners of the Company in the unaudited consolidated statement of financial position of the Group as at 31 December 2020 of approximately HK\$1,097,964,000 after deducting goodwill and intangible assets of approximately HK\$172,570,000 and HK\$811,000, respectively.
2. The estimated net proceeds from the Rights Issue are based on 508,428,313 Rights Shares at the Subscription Price of HK\$0.20 per Rights Share, after deduction of the share issue related expenses payable by the Company of approximately HK\$5,586,000.
3. Based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2020 of approximately HK\$924,583,000 and 1,016,856,626 existing shares in issue as at 31 December 2020 before implementation of the Rights Issue.
4. Based on the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 31 December 2020 of approximately HK\$1,020,683,000 and 1,525,284,939 shares in issue as at 31 December 2020, on which 1,016,856,626 existing shares and 508,428,313 Rights Shares were in issue as at 31 December 2020, assuming that Rights Issue had been completed on 31 December 2020.
5. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

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 prospectus, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.



17 June 2021

The Board of Directors
China Best Group Holding Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Best Group Holding Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 31 December 2020 as set out on pages II-1 to II-2 of the prospectus issued by the Company. The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on pages II-1 and 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 31 December 2020 as if the transaction had been taken place at 31 December 2020. 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 second interim report for the twelve months ended 31 December 2020, on which no audit or review 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 (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” 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 requirement 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 plan and perform 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 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" 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 at 31 December 2020 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 Benefit of the Rights Issue and the Use of Proceeds" set out on page 25 of the prospectus.

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,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This Prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Prospectus 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 Prospectus misleading.

2. SHARE CAPITAL

(i) Share capital as at the Latest Practicable Date

Authorised: *HK\$*

| | |
|--|----------------------|
| <u>25,000,000,000</u> Shares of HK\$0.1 each | <u>2,500,000,000</u> |
|--|----------------------|

Issued and fully paid:

| | |
|---|----------------------|
| <u>1,016,856,626</u> Shares of HK\$0.1 each | <u>101,685,662.6</u> |
|---|----------------------|

(ii) Share capital upon the completion of the Rights Issue (assuming no change in the number of Shares in issue before completion of the Rights Issue) assuming all Qualifying Shareholders take up their respective allotment of Rights Shares in full

Authorised: *HK\$*

| | |
|--|----------------------|
| <u>25,000,000,000</u> Shares of HK\$0.1 each | <u>2,500,000,000</u> |
|--|----------------------|

Issued and fully paid:

| | |
|--|----------------------|
| 1,016,856,626 Shares of HK\$0.1 each | 101,685,662.6 |
| <u>508,428,313</u> Rights Shares of HK\$0.1 each | <u>50,842,831.3</u> |
| <u>1,525,284,939</u> | <u>152,528,493.9</u> |

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

The Company has applied to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for Shares.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief Executive

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in the Listing Rules were as follows:

| Name of Director | Capacity/ Nature of Interests | Number of Shares hold (Long Position) | % of the issued share capital of the Company |
|------------------|----------------------------------|--|---|
| Mr. Qin Jie | Beneficial owner | 2,000,000 | 0.20 |

Save as disclosed above, as at the Latest Practical Date, none of the other Directors and chief executive of the Company, or their respective associate, had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO), or, as recorded in the register required to be kept by the Company under section 352 of the SFO or required to be notified to the Company or the Stock Exchange under the Model Code.

(b) Interests of substantial Shareholders

As at the Latest Practicable Date, so far as is known to any Director or chief executives of the Company, the following persons or corporations (other than a Director or a chief executive of the Company) who had, or were deemed or taken to have an interest and short positions in the Shares or underlying Shares 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, who were, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any option in respect of such securities:

| Name | Capacity/ Nature of Interests | Interest in Shares (Long Position) | % of the issued share capital of the Company |
|------------------------------|--|---|---|
| Wang Baoning (<i>Note</i>) | Interest in a controlled corporation | 162,864,000 | 16.02 |
| Sunbow (<i>Note</i>) | Beneficial owner | 162,864,000 | 16.02 |

Note: 162,864,000 Shares are held by Sunbow. As Mr. Wang Baoning has 100% shareholding in Sunbow, by virtue of the SFO, he is deemed to be interested in all the Shares beneficially held by Sunbow.

Save as disclosed above and as at the Latest Practicable Date, the Company had not been notified by any person, other than a Director or chief executive of the Company, who had interests or short positions in the Shares or underlying Shares of the Company 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 as recorded in the register required to be kept under section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which is not determinable within one year without payment of compensation other than statutory compensation.

5. COMPETING INTERESTS

As at the Latest Practicable Date, as far as the Directors were aware, none of the Directors or their respective close associates had interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder.

6. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors 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 were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance known to the Directors pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

During the two years immediately preceding the date of this Prospectus up to and including the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group and are or may be material:

- (a) The Placing Agreement;
- (b) the agreement dated 19 November 2020 entered into between Huaihua Qinneng Technology Development Co., Ltd.* (懷化勤能科技開發有限公司) (“Huaihua Qinneng”), a wholly-owned subsidiary of the Company, and Haixia Energy Industrial Fund Management (Xiamen) Co., Ltd.* (海峽能源產業基金管理(廈門)有限公司) (“Haixia Fund”), a non-controlling shareholder of Baoshihua Geothermal Energy Development Co., Ltd.* (寶石花地熱能開發有限公司) (“Baoshihua Geothermal Energy”), to dispose 20% equity interest in Tangshan Jidong Geothermal Energy Development Co., Ltd.* (唐山冀東地熱能開發有限公司) held by Baoshihua Geothermal Energy at a consideration of RMB70 million;
- (c) the equity transfer and capital injection cooperation agreement dated 29 September 2020 entered into between Guohua Jiaye and an Independent Third Party pursuant to which Guohua Jiaye agreed to acquire 10% equity interest of Tiandi Youdamei from the Independent Third Party at a consideration of RMB7 million. Guohua Jiaye also agreed to inject RMB14 million to subscribe 15% equity interest of Tiandi Youdamei at the same time;

- (d) the reorganisation agreement dated 8 September 2020 entered into between Huaihua Qinneng as investor (the “Investor”) and Yuncheng City Wandefu Hot Power Co., Ltd.* (運城市萬得福熱力有限公司)(the “Target Company”), pursuant to which, the Investor (or the designated entity of the Investor) would acquire the entire equity interest in the Target Company upon completion of the transfer registration procedures for an investment sum RMB110 million;
- (e) the equity transfer agreement dated 5 June 2020 entered into between Baoshihua Geothermal Energy, a non wholly-owned subsidiary of the Company, and an Independent Third Party to dispose 60% equity interest in Baoshihua Huabei Geothermal Energy Development Co., Ltd.* (寶石花華北地熱能開發有限公司) at a consideration of approximately RMB16 million;
- (f) the third supplemental deed dated 20 March 2020 entered into between Kang Yong International Limited (“Kang Yong”), a wholly-owned subsidiary of the Company, and Honghu Group Limited in relation to a promissory note of principal amount of HK\$90 million held by Kang Yong (the “Promissory Note”) whereby (i) the parties agreed to further extend the maturity date of the Promissory Note by one (1) year, from 20 March 2020 to 20 March 2021; and (ii) Honghu Group Limited agreed to settle the outstanding interest payable under the Promissory Note, in the amount of approximately HK\$5,415,000, on or before 20 March 2020;
- (g) the equity transfer agreement dated 18 February 2020 entered into among Guohua Jiaye, and Qingdao Maojie Enterprise Management Partnership (LLP)* (青島茂捷企業管理合夥企業(有限合夥)) and Ms. Li Jing* (李靜) to acquire the entire equity interest in Beijing Yuehai Enterprise Management Co., Ltd.* (北京岳海企業管理有限公司) at a consideration of RMB110 million;
- (h) the equity transfer agreement dated 14 January 2020 entered into by and among Shenzhen Guohua Construction Industrial Co., Ltd.* (深圳國華建業實業有限公司), a wholly-owned subsidiary of the Company, Ningbo Sixing Information Technology Co., Ltd.* (寧波思行信息科技有限有限公司), and Jiangsu Meili Kongjian in relation to the transfer of 100% equity interest in Jiangsu Meili Kongjian at an aggregate consideration of RMB41 million;
- (i) the share transfer agreement dated 18 December 2019 and the supplemental agreements dated 2 March 2020 and 15 April 2020, entered into by and among, Smart Role Holdings Limited as vendor and Esteem Sun Limited, a wholly-owned subsidiary of the Company, as purchaser entered into for the sell and purchase of 100% equity interest in Total Fame Holdings Limited for a consideration of HK\$70 million; and
- (j) the share transfer agreement and the shareholders’ agreement dated 21 June 2019 entered into between, among others, China Best Financial Holdings Limited, a wholly-owned subsidiary of the Company and an Independent Third Party in relation to acquiring 25% of the issued share capital of Treasure Cart Holdings Limited at a consideration of HK\$45 million.

9. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions or advice which are contained in this Prospectus:

| Name | Qualification |
|---------------------------|------------------------------|
| ZHONGHUI ANDA CPA Limited | Certified Public Accountants |

As at the Latest Practicable Date, the above expert:

- (a) had given and had not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letters, reports and references to its name and logo, in the form and context in which they respectively appear;
- (b) had no shareholding in the Company or any other member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group; and
- (c) had no direct or indirect interests in any assets which had been, or proposed to be, acquired or disposed of by or leased to any member of the Group since 31 December 2019 (the date to which the latest published audited consolidated financial statements of the Group were made up).

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekdays (except public holidays) at the principal place of business of the Company in Hong Kong for a period of 14 days from the date of this Prospectus:

- (a) the Placing Agreement;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the years ended 31 December 2017, 31 December 2018, 31 December 2019 and the interim reports of the Company for the six months ended 30 June 2020 and for the twelve months ended 31 December 2020;
- (d) the letter from the Board, the text of which is set out on pages 9 to 28 of this Prospectus;
- (e) the report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this Prospectus;

- (f) the written consents referred to in the paragraph headed “Expert and Consent” in this Appendix;
- (g) the material contracts referred under the section headed “Material Contracts” in this Appendix;
- (h) the circular dated 30 March 2020 in relation to the acquisition of entire equity interest in Total Fame Holdings Limited; and
- (i) the Prospectus Documents.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

| | |
|---|---|
| Registered Office | Clarendon House 2 Church Street Hamilton HM 11 Bermuda |
| Head Office and Principal Place of Business in Hong Kong | Suite 1901-2 & 14, 19/F, Tower 6 The Gateway, Harbour City Kowloon, Hong Kong |
| Authorised Representatives | Mr. Chen Wei Suite 1901-2 & 14, 19/F, Tower 6 The Gateway, Harbour City Kowloon, Hong Kong Mr. Ho Yu Suite 1901-2 & 14, 19/F, Tower 6 The Gateway, Harbour City Kowloon, Hong Kong |
| Company Secretary | Mr. Ho Yu |
| Auditor/Reporting Accountants | ZHONGHUI ANDA CPA Limited <i>Certified Public Accountants</i> <i>Unit 701, 7/F., Citicorp Centre 18 Whitfield Road,</i> <i>Causeway Bay Hong Kong</i> |
| Principal Bankers | Bank of Communications Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road, Kowloon Guangdong Huaxing Bank 2nd Floor, Block B, Rongchao Business Center, 6003 Yitian Road, Futian Central District, Shenzhen |

| | |
|--|--|
| | Shanghai Pudong Development Bank No. 159, 3 Fuhua Road, Futian District, Shenzhen |
| | Industrial Bank Co., Ltd. China 1st Floor, Industrial Bank Building, 4013 Shennan Avenue, Futian District, Shenzhen |
| | Minsheng Bank China No. 102, 1st Floor, Hesun Building, 2009 Caitian Road, Futian District, Shenzhen |
| | Citic Bank 1st Floor, North Tower, Phase 2, Excellence Times Square, No. 8 Zhongxin Road Third, Futian District, Shenzhen |
| | Industrial and Commercial Bank of China Xi'an Chanba Business Center Sub-branch, Industrial and Commercial Bank of China, 1 Chanba Avenue, Chanba Ecological District, Baqiao District, Xi'an, Shaanxi Province |
| Principal Share Registrar and Transfer Office | MUFG Fund Services (Bermuda) Limited 4th Floor North Cedar House 41 Cedar Avenue Hamilton HM 12 Bermuda |
| Hong Kong Branch Share Registrar and Transfer Office | Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong |
| Legal Advisers to the Company in relation to the Rights Issue | As to laws of Hong Kong SIDLEY AUSTIN 39/F, Two Int'l Finance Centre Central, Hong Kong |
| | As to laws of Bermuda CONYERS DILL & PEARMAN 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong |

| | |
|----------------------------------|---|
| Financial adviser to the Company | Emperor Capital Limited 23/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong |
| Placing agent to the Company | Emperor Securities Limited 23-24/F, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong |

12. PARTICULARS OF DIRECTORS

Executive Directors

Ms. Wang Yingqian (Chairman), aged 57, has been appointed as non-executive Director of the Company since June 2018 and redesignated as executive Director since October 2019. She holds a bachelor degree of Economics from Renmin University of China (中國人民大學) and a qualification of intermediate economist issued by Ministry of Personnel of the People's Republic of China (中華人民共和國人事部). Ms. Wang worked in Industrial and Commercial Bank of China Beijing Municipal Branch (中國工商銀行北京市分行) from 1985 to 2006 and was the deputy general manager of its corporate banking department from 2005 to 2006. She worked in Bank of Communications Beijing Municipal Branch (交通銀行北京市分行) from 2006 to 2016 and served as its vice president from 2010 to 2013 and was a director of Bank of Communications Financial Leasing Co., Ltd. (交銀金融租賃有限責任公司) from 2010 to 2012. For the period from April 2017 to March 2019, Ms. Wang was an executive director of Noble Century Investment Holdings Limited (currently known as Hong Kong Chaoshang Group Limited), a company listed on the main board of the Stock Exchange (Stock Code: 2322). For the period from March 2016 to January 2020, she was the supervisor of Fortunes United International Leasing Co., Ltd. (萬瑞聯合國際融資租賃有限公司), a company established in the People's Republic of China. She has also been appointed as (i) an independent director of ABC Life Insurance Co., Ltd, a subsidiary of Agricultural Bank of China Limited (Stock Code: 1288) since March 2018, and (ii) an independent director of Bloomage Biotechnology Corporation Limited since March 2019, the shares of which has been listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange (Stock Code: 688363) since November 2019. Ms. Wang has over 30 years of experience in the commercial banking industry and have extensive experience in project management and financing.

Mr. Qin Jie (Chief Executive Officer), aged 53, has been appointed as executive Director with effect from 22 January 2020. He graduated from Beijing University of Civil Engineering and Architecture* (北京建築大學)(formerly known as Beijing Institute of Architecture and Civil Engineering* (北京建築工程學院) with a bachelor's degree in engineering in 1990 and obtained the qualification of senior engineer in December 2000. Mr. Qin has nearly 30 years of experience in the real estate construction management industry. He served as the chief engineer of COSCO Real Estate Development Co., Ltd.* (中遠房地產開發有限公司)(stock code: 3377) (currently known as Sino-Ocean Group Holding Limited (遠洋集團控股有限公司), which has been listed on the Stock Exchange since 2007, from 2002 to 2004. He was the project general manager, general manager of the intercity company and regional deputy general manager of the eastern China in NeoChina Group (Holdings) Limited (stock code: 563) (currently known as Shanghai Industrial Urban Development Group Limited (上海實業城市開發集團有限公司), which has been listed on the Stock Exchange since 1993, from 2004 to 2009. He was also the general manager of the Beijing company and the Shijiazhuang company in Dalian Wanda Group Co., Ltd.* (大連萬達集團股份有限公司) from 2009 to 2011, and the president of Newbeacon Group Limited* (紐賓凱集團有限公司) from 2014 to 2017. Mr. Qin is also the general manager and/or director of several subsidiaries of the Company established in the PRC.

Mr. Liu Wei, aged 49, has been appointed as executive Director of the Company since February 2016. He graduated from Renmin University of China (中國人民大學) in 1996 with a degree in economics and further completed postgraduate course in international economics from Renmin University of China (中國人民大學) in 2000. From 1996 to 2014, Mr. Liu worked in various roles at Bank of Communications, Beijing Branch (交通銀行北京市分行) including as a manager at the international trade department and the credit department, the head of the investment banking division of Beijing Branch, and the manager of a sub-branch. During Mr. Liu's tenure at Bank of Communications, Mr. Liu was mainly involved in international trade settlement, local and foreign currencies loans, personal, corporate and inter-bank financing and investment banking businesses, and was a committee member of Beijing branch's credit committee and innovation business committee. Since June 2014, Mr. Liu has been with Zhongrong International Trust Co., Ltd* (中融國際信託有限公司) (“**Zhongrong Trust**”) as executive president in charge of its trust investment department, with responsibilities involving alternative asset management, merger and restructuring in capital markets, sector-specific funds, asset securitizations, structuring financing and other businesses. Mr. Liu is also the director of several subsidiaries of the Company.

Mr. Chen Wei, aged 40, has been appointed as executive Director of the Company since February 2016. He graduated from Yunnan University (雲南大學) with a degree in law in 2002 and further obtained a master degree in law from Peking University (北京大學) in 2012. Mr. Chen obtained his PRC law qualification in 2001 and further obtained his PRC Certified Public Accountants qualification in 2012. From 2002 to 2004, Mr. Chen worked as a legal counsel at a state-owned enterprise located in Hangzhou. From 2004 to 2012, Mr. Chen worked as a lawyer at a law firm located in Beijing and was mainly involved in corporate legal affairs and litigation matters. Since 2012, Mr. Chen has been with Zhongrong Trust as the vice general manager and then promoted as the general manager of the trust investment department and is mainly responsible for project investment and management. Since May 2021, Mr. Chen has been appointed as the chairman, legal representative, director of Hubei Wuchangyu Co., Ltd.* (湖北武昌魚股份有限公司) which is listed on the Shanghai Stock Exchange (Stock Code: 600275). Mr. Chen is the sole director of Sungi Global Investment Co., Ltd, which holds 20,000,000 shares of the Company, representing approximately 1.97% of the total issued share capital of the Company as at the Latest Practicable Date. Mr. Chen is also the director of several subsidiaries of the Company and is designated to oversee the Company's risk control and compliance matters.

Mr. Fan Jie, aged 46, has been appointed as executive Director of the Company since January 2017. He holds a Master's Degree in Business Administration in Tsinghua University School of Economics and Management and a Bachelor's Degree in International Economic in Renmin University of China. Mr. Fan has over 20 years of experience in strategic marketing and project management. He has been with Zhongrong Trust as the Managing Director of the Trust and Investment Department since 2014. Mr. Fan was a corporate partner and the vice president of the Strategic Marketing Division of Adfaith Management Consulting Inc* (北京正略鈞策企業管理諮詢有限公司) from 2009 to 2014 and an assistant to the general manager for medical business in an enterprise located in Jiangxi Province, the People's Republic of China, from 2003 to 2005. In 2000 to 2002, he was appointed as the sales and distribution officer of the Department of Medical System of an international conglomerate. Prior to 2000, he worked as a marketing leader in the Nanchang Office of a renowned food and beverage company for about three years. Currently, Mr. Fan is the Managing Director of the Strategic Development Department of the Group and the director of several subsidiaries of the Company.

Independent Non-executive Directors

Mr. Ru Xiangan, aged 52, has been appointed as independent non-executive Director of the Company since October 2016. He holds an Executive Master's degree of Business Administration in Tsinghua University and a Bachelor's Degree in Accounting in North China University of Technology. He is a certified public accountant in the People's Republic of China and have over 20 years of experience in accounting and finance and over 10 years of experience in insurance. Since January 2021, Mr. Ru has been appointed as the vice president and person in charge of finance of Guangdong TusCity Development Investment Group Limited* (廣東啟迪科技發展投資集團有限公司) and as the independent director of Hubei Wuchangyu Co., Ltd.* (湖北武昌魚股份有限公司) which is listed on the Shanghai Stock Exchange (Stock Code: 600275). From 2016 to 2020, he was the chairman and general manager of Chang An Insurance Brokerage Limited* (長安保險銷售有限公司). He was serving as the head of the audit department in Chang An Property and Liability Insurance Limited* (長安責任保險有限公司) ("Chang An") from 2014 to 2017, prior to which he was appointed as the general manager of the Zhejiang branch from 2013 to 2014 and the general manager of the accounting department and the financial chief from 2007 to 2013. Before joining Chang An, he served as the general manager assistant in Beijing Zhongjing Surety Company* (北京中京保證擔保公司), the chief financial officer in Heng Tong Group* (恆通集團), the deputy chief financial officer in Beijing Beichen Innovation and Technology City Limited* (北京北辰創新高科技城公司), the financial manager in San Jiu Auto Group* (三九汽車實業有限公司), and the deputy financial chief in Beijing Building Materials Factory* (北京市建材製品總廠).

Mr. Liu Haiping, aged 47, has been appointed as independent non-executive Director of the Company since April 2016. He graduated from Fudan University with a bachelor's degree in international economics law in 1997 and obtained a master degree in international trade law from Bond University, Australia in 2005. He has over 20 years of experience in the legal sector. During the period from July 1997 to March 2009, he had served as an associate and later a partner in Beijing Jiancheng Law Firm (北京市建誠律師事務所). He joined Beijing Dacheng Law Offices (北京大成律師事務所) in April 2009 and is currently a senior partner of the firm. He is also the deputy executive of the Banking Law Professional Committee (銀行法律專業委員會) under the Beijing Lawyers Association (北京市律師協會).

Mr. Liu Tonghui, aged 58, has been appointed as independent non-executive Director of the Company since April 2016. He obtained a bachelor's degree in international politics and a master degree in international relations from Tokyo International University in 1995 and 1997 respectively. He has over 20 years of extensive experience in investment activities and business management. During the period between 1997 to 1998, he served as the representative of Nippon Howaito Cooperation* (日本朝日白衣株式會社) in China. He had been working as the deputy general manager in each of Shouchuang Longji Company Limited* (首創龍基股份有限公司) from 1998 to 2004 and Huajian Dongfang Software Company Limited* (華建東方軟件有限責任公司) from 2005 to 2008, respectively. He was the general manager of Tangshan Haigang Xingerui Company Limited* (唐山海港新格瑞有限責任公司) from 2009 to January 2019 and the assistant president of Unisplendour Corporation Limited* (紫光股份有限公司) from 2012 to June 2019, which is listed on the Shenzhen Stock Exchange (Stock Code: 000938). Since June 2019, he has been appointed as the executive director of Qingkong Technology Services (Shenzhen) Company Limited* (清控科技服務(深圳)有限公司).

Business address of the Directors

The principal address of the Directors is the same as the Company's head office and principal place of business in Hong Kong located at Suite 1901-2&14, 19/F, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.

13. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (if any), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$5.6 million, which are payable by the Company.

14. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

A copy of each of the Prospectus Documents and the written consent as referred to under the paragraph headed "Expert and Consent" in this Appendix, have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

15. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

16. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Ho Yu, who is an associate member of The Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street Hamilton HM 11, Bermuda.
- (c) The head office and principal place of business of the Company in Hong Kong and the business address of all Directors is Suite 1901-2 & 14, 19/F, Tower 6, The Gateway, Harbour City, Kowloon, Hong Kong.