
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 a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser. Capitalised terms used herein shall have the same meanings as those defined in the section headed “Definitions” in this Prospectus, unless otherwise stated.

If you have sold or transferred all your shares in the Company, you should at once hand this Prospectus and the accompanying PAL(s) and EAF(s) to the purchaser(s) or other transferee(s) or bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

A copy of this Prospectus, together with copies of the documents specified in the paragraph headed “12. Documents delivered to the Registrar of Companies” in Appendix III to this Prospectus, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance. The Registrar of Companies in Hong Kong, the Stock Exchange and the SFC take no responsibility for the contents of any of these documents. You should read the whole of the Prospectus Documents including the discussions of certain risks and other factors as set out in the paragraph headed “Warning of the Risks of Dealing in the existing Shares and nil-paid Rights Shares” in the “Letter from the Board” in this Prospectus.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, or such other dates as determined by HKSCC and you should consult your stockbroker or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. 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.

Hong Kong Exchanges and Clearing Limited, the Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to its 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.



XINYANG MAOJIAN GROUP LIMITED

信陽毛尖集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

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

Underwriter to the Rights Issue



KOALA Securities Limited
樹熊證券有限公司

The Rights Issue is only underwritten on a best effort basis and is not on a fully underwritten basis. In the event of under-subscription, any Rights Shares not taken up by the Qualifying Shareholders whether under PAL(s) or EAF(s), or transferees of nil-paid Rights Shares and not subscribed by subscribers procured by the Underwriter will not be issued, and hence, the size of the Rights Issue will be reduced accordingly. Pursuant to the Company's bye-laws and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. The Rights Issue is subject to fulfilment of the conditions of the Rights Issue as set out in the section headed “Letter from the Board – Conditions precedent of the Rights Issue” in this Prospectus and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Monday, 3 January 2022). If the Underwriting Agreement does not become unconditional or if any of the conditions precedent of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Dealings in the Rights Shares in the nil-paid form will take place from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both days inclusive). If the conditions precedent of the Rights Issue are not fulfilled or the Underwriting Agreement is terminated by the Underwriter, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled or waived (as applicable) and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases, and/or dealings in the nil-paid Rights Shares, shall accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any Shareholders or other persons contemplating any dealing in the Shares and/or the nil-paid Rights Shares are recommended to consult their own professional advisers and exercise caution.

The latest date and time for acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares is 4:00 p.m. on Friday, 31 December 2021. The procedures for acceptance and payment and/or transfer of the Rights Shares are set out on pages 19 to 23 in the section headed “Letter from the Board – Procedures for acceptance and payment or transfer” of this Prospectus.

15 December 2021

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below. The expected timetable is indicative only and may be subject to change, and any such change will be announced in announcement by the Company as and when appropriate. The expected timetable has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled.

Event	Time and Date
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 17 December 2021
Latest time for splitting of PALs	4:30 p.m. on Wednesday, 22 December 2021
Last day of dealings in nil-paid Rights Shares	Tuesday, 28 December 2021
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares.	4:00 p.m. on Friday, 31 December 2021
Latest time for termination of the Underwriting Agreement.	4:00 p.m. on Monday, 3 January 2022
Announcement of results of the Rights Issue	on or before Thursday, 6 January 2022
Despatch of refund cheques for wholly or partially unsuccessful applications for excess Rights Shares	on or before Friday, 7 January 2022
Despatch of certificates for the fully-paid Rights Shares	on or before Friday, 7 January 2022
Commencement of dealings in the fully-paid Rights Shares.	9:00 a.m. on Monday, 10 January 2022

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

EXPECTED TIMETABLE

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

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

1. typhoon signal No. 8 (or above);
2. Extreme Conditions; 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 of and payment for the Rights Shares and for application and payment for excess Rights Shares 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 of and payment for the Rights Shares and for application and payment for excess Rights Shares 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 of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on the currently scheduled date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

DEFINITIONS

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

“acting in concert”	having the meaning as set out in the Takeovers Code
“Announcement”	the announcement of the Company dated 23 November 2021 in relation to, among others, the Rights Issue
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beneficial Owner”	any beneficial owner of Shares whose Shares are registered in the name of a Registered Owner
“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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Companies Act”	the Companies Act 1981 of Bermuda, as amended from time to time
“Company”	Xinyang Maojian Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it in the Listing Rules
“Convertible Bonds”	the convertible bonds in the aggregate principal amount of HK\$100,000,000 issued by the Company to six individual and corporate subscribers on 13 November 2020
“Director(s)”	the director(s) of the Company for the time being

DEFINITIONS

“EAF(s)”	the excess application form(s) for use by the Qualifying Shareholders who wish to apply for any excess Rights Shares
“Excluded Shareholder(s)”	Overseas Shareholder(s) whom the Directors, based on the enquiry made, consider it necessary or expedient on account of either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, to whom the Directors decide not to offer the Rights Shares
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong government department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in July 2021 in the event of serious disruption of public transport services or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Intrinsic Value”	the difference between the market price (or theoretical ex-entitlement price) of the Shares under the Share Options and the subscription prices on the exercise of the Share Options (or revised subscription prices on the exercise of the Share Options following an alteration in the capital structure of the Company)

DEFINITIONS

“Irrevocable Undertaking”	the irrevocable undertaking given by Mr. Chan in favour of the Company dated 23 November 2021, the principal terms of which are disclosed in the section headed “Letter from the Board – Irrevocable Undertaking” in this Prospectus
“Last Trading Day”	Tuesday, 23 November 2021, being the last trading day of the Shares on the Stock Exchange prior to the execution of the Underwriting Agreement and release of the Announcement
“Latest Practicable Date”	Friday, 10 December 2021, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus
“Latest Time for Acceptance”	4:00 p.m. on Friday, 31 December 2021, or such later time or date as may be agreed between the parties in writing, being the latest time for acceptance of, and payment for, the Rights Shares and application for and payment for excess Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Monday, 3 January 2022, or such later time or date as may be agreed between the parties in writing, which shall be the latest time for termination of the Underwriting Agreement
“Listing Committee”	has the meaning as defined in the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules adopted by the Company
“Mr. Chan”	Mr. Chan Yuen Tung, a substantial shareholder of the Company, who directly holds 357,000,000 Shares (representing 20.13% of the issued share capital of the Company as at the Latest Practicable Date)
“Option Holders”	holders of the outstanding Share Options

DEFINITIONS

“Overseas Shareholder(s)”	Such Shareholder(s) whose registered address(es) (as shown in the register of members of the Company at the close of business on the Record Date) is/are situated outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders in respect to their pro rata entitlement under the Rights Issue
“PRC” or “China”	the People’s Republic of China, which for the purpose of this Prospectus, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	this prospectus to be despatched to the Shareholders in connection with the Rights Issue
“Prospectus Documents”	this Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Wednesday, 15 December 2021, or such other date as may be agreed between the Company and the Underwriter in writing, being the date for the despatch of the Prospectus Documents
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholders”	the Shareholders whose names appear on the register of members of the Company at the close of business on the Record Date, other than the Excluded Shareholders
“Record Date”	Tuesday, 14 December 2021, or such other date as may be agreed between the Company and the Underwriter in writing, being the date for the determination of the entitlements under the Rights Issue
“Registered Owner”	in respect of a Beneficial Owner, means a nominee, trustee, depository or any other authorised custodian or third party which is the registered holder in the register of members of the Company of the Shares in respect of which the Beneficial Owner is beneficially interested
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong

DEFINITIONS

“Rights Issue”	the proposed issue of the Rights shares for subscription by the Qualifying Shareholders on the basis of one (1) Rights Share for every two (2) existing Shares in issue and held on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	Share(s) to be issued and allotted under the Rights Issue
“Scale-down EAF Shares”	such number of Rights Shares applied for as excess application under the EAF(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in either the incurring of an MGO Obligation on the part of the applicant or the failure to comply with the Public Float Requirement on the part of the Company
“Scaling-Down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares, whether under the PALs or EAFs, or transferees of nil-paid Rights Shares shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger any MGO Obligation or non-compliance with the Public Float Requirement
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company
“Share Option(s)”	the outstanding share options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 20 December 2012
“Shareholder(s)”	holder(s) of issued Share(s)

DEFINITIONS

“Specified Event”	an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered the warranties as specified in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Underwriter”	Koala Securities Limited, a licensed corporation carrying out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities
“Underwriter Agreement”	the underwriting agreement dated Tuesday, 23 November 2021 entered into between the Company and the Underwriter in relation to the Rights Issue, and as revised, supplemented and/or amended from time to time in accordance with its terms
“United States” or “US”	the United States of America (including its territories and dependencies, any state in the US and the District of Columbia)
“Untaken Share(s)”	such number of Rights Shares in respect of which duly completed PAL(s) or EAF(s) have not been lodged for acceptance or not fully paid by the Latest Time for Acceptance, including any Rights Shares to which the Excluded Shareholders would not have otherwise been entitled under the Rights Issue
“US person(s)”	any person(s) or entity(ies) deemed to be a US person for the purposes of Regulation S under the US Securities Act, as amended
“US Securities Act”	the US Securities Act of 1933, as amended from time to time
“%”	per cent.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (i) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (iv) other than coronavirus disease 2019 (COVID-19), any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion or unrest, fire, flood, explosion, epidemic, pandemic, terrorism, strike or lock-out which would, in the absolute opinion of the Underwriter materially and adversely affects the business or the financial or trading position or prospects of the Group as a whole; or

TERMINATION OF THE UNDERWRITING AGREEMENT

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

the Underwriter shall be entitled to terminate the Underwriting Agreement by a notice in writing served on the Company on or prior to the Latest Time for Termination and the Rights Issue shall not proceed.

Upon termination pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter thereunder (save for certain exceptions) shall cease and determine and no party under the Underwriting Agreement shall have any claim against the other party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.

The Underwriter shall be entitled by notice in writing to the Company to rescind the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings as specified in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (ii) any Specified Event comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

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

LETTER FROM THE BOARD



XINYANG MAOJIAN GROUP LIMITED

信陽毛尖集團有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 362)

Executive Directors:

Ms. Chan Yuk Foebe

Mr. Gao Ran

Mr. Law Tze Ping Eric

Independent non-executive Directors:

Mr. Ma Wing Yun Bryan

Mr. Tam Ching Ho

Mr. Hau Chi Kit

Registered office:

Victoria Place, 5th Floor

31 Victoria Street

Hamilton HM10

Bermuda

Principal place of business in

Hong Kong:

Room 4007, 40/F

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

15 December 2021

*To the Qualifying Shareholders and,
for information purpose only,*

to the Excluded Shareholders, the holders of the Share Options and the Convertible Bond

Dear Sir or Madam,

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

INTRODUCTION

References are made to the Announcement whereby 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\$0.12 per Rights Share, to raise up to approximately HK\$119.71 million, before expenses, by way of the Rights Issue of up to

LETTER FROM THE BOARD

997,603,659 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date). On the date of the Announcement, the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which, the Underwriter has conditionally agreed to underwrite, on a best effort basis, up to 708,353,659 Rights Shares, being the minimum total number of Rights Shares issuable (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date), or up to 819,103,659 Rights Shares being the maximum total number of Rights Share issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date), excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. From the date of the Announcement and up to 6 December 2021, being the date the register of members of the Company closed for determining entitlement under the Rights Issue, no issue or repurchase of Shares has been conducted. As a result, the total number of issued Shares as at the Record date was 1,773,707,319 and the total number of Rights Shares to be issued will be 886,853,659 Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders.

The purpose of this Prospectus is to provide you with, among other things, further details on (i) the Rights Issue and the underwriting arrangement; (ii) the financial information of the Group; and (iii) the general information of the Group.

PROPOSED RIGHTS ISSUE

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

Rights 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\$0.12 per Rights Share
Number of Shares in issue as at Record Date:	1,773,707,319 Shares

LETTER FROM THE BOARD

Number of Rights Shares:	886,853,659 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date)
	997,603,659 Rights Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares to be issued:	approximately HK\$88,685,366 (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date)
	approximately HK\$99,760,366 (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Number of Shares in issue as enlarged by the Rights Shares upon completion of the Rights Issue (assuming no new Shares (other than the Rights Shares) are allotted and issued):	2,660,560,978 Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date)
	2,992,810,978 Shares (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no Shares (other than the Rights Shares) are allotted and issued on or before the completion of the Rights Issue)

LETTER FROM THE BOARD

Number of Rights Shares undertaken to be taken up:	Mr. Chan has undertaken to take up an aggregate of 178,500,000 Rights Shares under its assured entitlement (representing approximately 20.13% of the total Rights Shares proposed to be provisionally allotted by the Company, assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) pursuant to the Irrevocable Undertaking
Maximum funds to be raised before expenses:	gross proceeds of approximately HK\$119.71 million (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date)
Right of excess applications:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional entitlements

As at the Latest Practicable Date, the Company has (i) an outstanding 171,500,000 Share Options granted to the grantees which comprises of 55,000,000 Share Options with exercisable period up to 23 December 2021 at the exercise price of HK\$0.325 per Share and 116,500,000 Share Options with exercisable period up to 2 November 2023 at the exercise price of HK\$0.38 per Share; and (ii) outstanding Convertible Bonds in the amount of HK\$20,000,000, which 50,000,000 new Shares will be issued upon exercise of the conversion rights under the Convertible Bonds at the initial conversion price of HK\$0.4 per conversion Share. Save as disclosed above, as at the Latest Practicable Date, the Company has no other outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares.

Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date, the aggregate number of Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represents approximately 50.00% of the Company's issued share capital as at the Record Date and approximately 33.33% of the Company's issued share capital as enlarged by the Rights Issue. The Company has not conducted any rights issue, open offer and/or specific mandate placing within the 12-month period immediately preceding the date of the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any Bonus securities, warrants or other convertible securities as part of such rights issue, open offers and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own.

LETTER FROM THE BOARD

The Rights Issue is only underwritten on a best effort basis and is not on a fully underwritten basis. Pursuant to the Company's bye-laws and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfilment or satisfaction of the conditions precedent of the Rights Issue, the Rights Issue shall proceed regardless of the conditions of its level of acceptances, and up to 178,500,000 Rights Shares are committed to be subscribed subject, however, to any Scaling-down vis-a-vis the MGO Obligation or the Public Float Requirement.

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

Subscription Price

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

The Subscription Price represents:

- (a) a premium of approximately 17.65% to the closing price of HK\$0.102 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 4.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 6.98% to the theoretical ex-rights price (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) of HK\$0.129 per Share based on the average closing price of HK\$0.133 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 9.77% to the average closing price of HK\$0.133 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 11.76% to the average closing price of HK\$0.136 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;

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- (f) a discount of approximately 30.23% to the average closing price of HK\$0.172 per Share as quoted on the Stock Exchange for the thirty consecutive trading days up to and including the Last Trading Day;
- (g) a premium of approximately 140.00% to the audited consolidated net asset value per Share of approximately HK\$0.050 (based on the latest published consolidated net asset value of the Group of approximately HK\$88,709,000 as at 30 June 2021 as disclosed in the annual report of the Company for the year ended 30 June 2021 and 1,773,707,319 Shares in issue as at the Latest Practicable Date); and
- (h) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 3.30%, represented by the theoretical diluted price of approximately HK\$0.123 per Share to the benchmarked price of approximately HK\$0.133 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\$0.125 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.133 per Share.

The Subscription Price was determined after arm's length negotiation between by the Directors and the Underwriter with reference to, among others, (i) the recent market price of the Shares was on a general downward trend during the 3 months period up to and including the Last Trading Day, which ranged from HK\$0.125 to HK\$0.31, with an average of approximately HK\$0.20; (ii) the prevailing market conditions of the capital market in Hong Kong and the impact of COVID-19 pandemic. During the 3 months up to and including the Last Trading Day, the Hang Seng Index fluctuated between approximately 23,966 at closing on 6 October 2021 and approximately 26,354 at closing on 7 September 2021 and closed at approximately 24,652 on the Last Trading Day; (iii) the Group incurred net loss of approximately HK\$459.6 million for the year ended 30 June 2021 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$958.4 million. Further, the debt to equity ratio as at 30 June 2021 of the Company was approximately 2,235%. Given that the net debt to equity ratio of the Company as at 30 June 2021 already reached approximately 2,235%, fund-raising activities in the form of equity are preferred over that of debt. For further details of the financial position of the Group, please refer to Appendix I headed "Financial Information of the Group" of this Prospectus; and (iii) the funding and capital needs of the Company as disclosed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this Prospectus. The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact.

The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then existing Shares in issue. Holders of 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 issue of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders on the Record Date. The Company will despatch the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date and will despatch the Prospectus only (without the PAL or the EAF) to the Excluded Shareholders for their information.

To qualify for the Rights Issue, a Shareholder:

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

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

In order to be registered as members of the Company prior to the close of business on the Record Date so as to qualify for the Rights Issue, any transfer of Shares (together with the relevant share certificates) must have been lodged with the Registrar for registration by no later than 4:30 p.m. on Friday, 3 December 2021.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders (if any) should note that their shareholdings in the Company may be diluted.

Rights of the Overseas Shareholders

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

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According to the register of members of the Company as at the Record Date, there was no Overseas Shareholders with registered addresses situated outside Hong Kong. It is the responsibility of the Qualifying Shareholders outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself before acquiring any rights to subscribe for the Rights Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connected therewith. Any acceptance of or application for Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited will give, or be subject to, any of the above representation and warranty.

Basis of provisional allotments

The Basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) existing Shares held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Fractional entitlements

The entitlements of Qualifying Shareholders will be rounded down to the nearest whole number and fractional entitlements to Rights Shares will not be provisionally allotted to the Shareholders. The nil-paid Rights Shares representing the aggregate of all the fractions of Rights Shares (rounded down to the nearest whole number) will be provisionally allotted to a nominee or nominees appointed by the Company and, if a premium (net of expenses) can be obtained, will be sold by the nominee or nominees on the Company's behalf in the market as soon as practicable after the commencement of dealing in the nil-paid Rights Shares and the net proceeds of such sale will be retained by the Company for its own benefit. Any Rights Shares in respect of the unsold fractional entitlements will be made available for valid excess applications by the Qualifying Shareholders. No odd lot matching services will be provided.

Application for the Rights Shares

The PALs and the EAFs relating to the Rights Shares will be enclosed with this Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein and application by Qualifying Shareholders shall be made by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar of the Company by the Latest Time for Acceptance.

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Procedures for acceptance and payment or transfer

General

Any Qualifying Shareholder (including, without limitation, any agent, custodian, nominee and trustee) wishing to take up the Rights Shares (in nil-paid or fully-paid form) under the Rights Issue must satisfy himself/herself/itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Each subscriber of the Rights Shares will be deemed (by accepting delivery of this Prospectus) to have given each of the following representations and warranties to the Company and to any person acting on their behalf, unless the Company waives such requirement in its sole discretion in relation to the relevant representation(s) and/or warranty(ies) given to each of them:

- he/she/it was a Shareholder as at the Record Date, or he/she/it lawfully acquired or may lawfully acquire rights, directly or indirectly, from such a person;
- he/she/it may lawfully be offered, take up, exercise, obtain, subscribe for and receive the rights and/or the Rights Shares in the jurisdiction in which he/she/it resides or is currently located;
- subject to certain exceptions, he/she/it is not resident or located in, or a citizen of, the United States, and is not a US person;
- subject to certain exceptions, he/she/it is not accepting an offer to acquire, take up or exercise rights or Rights Shares on a non-discretionary basis for a person who is resident or located in, or a citizen of the United States or is a US person at the time the instruction to accept was given;
- he/she/it is not doing so for the account of any person who is located in the United States or is a US person, unless:
 - a. the instruction to purchase or take up the rights or to subscribe for or accept Rights Shares was received from a person outside the United States who is not a US person; and
 - b. the person giving such instruction has confirmed that he/she/it (i) has the authority to give such instruction; and (ii) either (A) has investment discretion over such account; or (B) is an investment manager or investment company that is acquiring the Rights Shares in an “offshore transaction” within the meaning of Regulation S under the US Securities Act;

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- he/she/it is acquiring the rights and/or the Rights Shares in an “offshore transaction” as defined in Regulation S under the US Securities Act;
- he/she/it has not been offered the Rights Shares by means of any “directed selling efforts” as defined in Regulation S under the US Securities Act;
- he/she/it is not acquiring rights or Rights Shares with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such rights or Rights Shares into the United States; and
- he/she/it understands that neither the rights nor the Rights Shares have been or will be registered under the US Securities Act or with any securities regulatory authority of any state, territory, or possession of the United States and the rights or Rights Shares are being distributed and offered outside the United States to persons who are not US persons in reliance on Regulation S under the US Securities Act. Consequently, he/she/it understands the rights or Rights Shares may not be offered, sold, pledged or otherwise transferred in or into the United States or to US persons, except in reliance on an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act.

For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to any of the above representations and warranties.

Action to be taken by Qualifying Shareholders

Subscription for all Rights Shares provisionally allotted

For each Qualifying Shareholder, a PAL(s) is enclosed with this Prospectus which entitles such Qualifying Shareholder to subscribe for the number of the Rights Shares shown thereon. If Qualifying Shareholder(s) wish(es) to exercise his/her/their rights to subscribe for all the Rights Shares provisionally allotted to him/her/them as specified in the PAL(s), he/she/it must lodge the PAL(s) in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar by not later than 4:00 p.m. on Friday, 31 December 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by banker’s cashier orders must be issued by, a licensed bank in Hong Kong and made payable to “**Tricor Investor Services Limited – A/C No. 025**” and crossed “**ACCOUNT PAYEE ONLY**”. Such payment will constitute acceptance of the terms of the PAL(s) and this Prospectus and subject to the bye-laws of the Company. No receipt will be issued for sums received on application. Share certificate(s) for all fully-paid Rights Share in respect of which the application is accepted will be sent to the Qualifying Shareholders, and in the case of joint Qualifying Shareholders, to the first named Qualifying Shareholder, by ordinary post at their own risk at the address stated overleaf on or before Friday, 7 January 2022.

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It should be noted that unless the PAL(s), together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Friday, 31 December 2021, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its discretion, treat a PAL(s) as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

All cheques or banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such monies will be retained for the benefit of the Company. **Completion and return of the PAL(s) will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the PAL(s) and any acceptance of it have been, or will be, duly complied with.** For the avoidance of doubt, neither HKSCC nor HKSCC Nominees is subject to such warranty and representation. Any PAL(s) in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. If any of the conditions mentioned in the section headed "Conditions precedent of the Rights Issue" below is not fulfilled, the monies received in respect of the relevant provisional allotments will be returned to the relevant persons without interest by means of cheques despatched by ordinary post at the risks of such persons on or before Friday, 7 January 2022.

The Company reserves the right to refuse to accept any application for Rights Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction.

Transfers and "splitting" of nil-paid Rights Shares

The nil-paid Rights Shares can be traded on the Stock Exchange. A Qualifying Shareholder can accept all of his/her/its provisional allotment of Rights Shares, or sell all of his/her/its provisional allotment on the Stock Exchange or accept only part of his/her/its provisional allotment and/or sell the remaining part on the Stock Exchange.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL(s) to more than one person, the original PAL(s) must be surrendered and lodged for cancellation together with a covering letter stating clearly the number of split PAL(s) required and the number of nil-paid Rights Shares to be comprised in each split PAL(s) (which, in aggregate, should be equal to the number of Rights Shares provisionally allotted to such holder as stated in Box B of the original PAL(s)), by no later than 4:30 p.m. on Wednesday, 22 December 2021 to the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, who will then cancel the original PAL(s) and issue new PAL(s) in the denominations required, which will be available for collection at the Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, after

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9:00 a.m. on the second Business Day after the surrender of the original PAL(s). This process is commonly known as “splitting” the nil-paid Rights Shares.

Having “split” the nil-paid Rights Shares, a Qualifying Shareholder who wishes to accept the provisional allotment of Rights Shares represented by a new PAL(s) should do so in accordance with the instructions given above in relation to the subscription for all the Rights Shares provisionally allotted.

If a Qualifying Shareholder wishes to transfer all of his/her/its nil-paid Rights Shares under a PAL(s) (or a split PAL(s), as the case may be) to another person, he/she/it should complete and sign the “Form of transfer and nomination” (Form B) in the PAL(s) and hand the PAL(s) to the person to or through whom he/she/it is transferring his/her/its nil-paid Rights Shares. The transferee must then complete, sign and stamp “Registration application form” (Form C) in the PAL(s) and lodge the PAL(s) intact together with a remittance for the full amount payable on acceptance with the Registrar to effect the transfer by no later than 4:00 p.m. on Friday, 31 December 2021. It should be noted that Hong Kong stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares and the transferee(s) of such rights.

The Company reserves the right to refuse to register any transfer in favour of any person in respect of which the Company believes such transfer may violate applicable legal or regulatory requirements.

Action to be taken by Beneficial Owners whose Shares are held by a Registered Owner (other than Shares deposited in CCASS)

Subscription for Rights Shares provisionally allotted and transfers and “splitting” of nil-paid Rights Shares

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 “Expected Timetable for the Rights Issue” 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.

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Action to be taken by Beneficial Owners holding interests in Shares through CCASS

Subscription for Rights Shares provisionally allotted and transfers and “splitting” of nil-paid Rights Shares

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered in the name of HKSCC Nominees, 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.

Such instructions and/or arrangements should be given or made in advance of the relevant dates stated in the “Expected Timetable for the Rights Issue” 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 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 CCASS Investor Participants shall be in accordance with “Operating Guide for Investor Participants” and any other requirements of CCASS. Beneficial Owners who have been admitted to participate in CCASS as CCASS 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.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the conditions precedent of the Rights Issue as set out in the paragraph headed “Conditions precedent of the Rights Issue” below is not fulfilled or waived (as applicable) at or before 4:00 p.m. on Monday, 3 January 2022 (or such later time or date as may be agreed between the Company and the Underwriter in writing), the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 7 January 2022.

No receipt will be issued in respect of any PAL and/or remittances received.

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Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for:

- (a) any nil-paid Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (b) subject to the Company making the necessary enquiries regarding the legal restrictions, if any, under the laws of the relevant place and the requirements of the relevant regulatory body or stock exchange in the place where the Overseas Shareholders reside, any entitlements of the Excluded Shareholders provisionally allotted to a nominee of the Company which are left unsold;
- (c) any of the Rights Shares created from the aggregation of fractions of the Rights Shares; and
- (d) the Scale-down PAL Shares (if any) and the Scale-down EAF Shares (if any).

Applications for excess Rights Shares can be made only by Qualifying Shareholders and only by completing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis on the following principles:

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

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Shareholders with their Shares held by a nominee company (or which are held in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name(s) of the beneficial owner(s) by 4:30 p.m. on Friday, 3 December 2021.

Shareholders whose Shares are held by their nominee(s) (including HKSCC Nominees Limited) and who would like to have their names registered on the register of members of the Company must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Friday, 3 December 2021. Shareholders and investors of the Company should consult their professional advisers if they are in doubt as to their status.

Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the amount payable for the excess Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, by not later than 4:00 p.m. on Friday, 31 December 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on a bank account with, or by banker's cashier orders which must be issued by, a licensed bank in Hong Kong and made payable to "**Tricor Investor Services Limited – A/C No. 041**" and crossed "**ACCOUNT PAYEE ONLY**". No receipt will be issued in respect of any remittances received.

An announcement of results of acceptance of and excess applications for the Rights Issue will be published on the websites of the Stock Exchange and the Company on or before Thursday, 6 January 2022. If no excess Rights Shares are allotted to a Qualifying Shareholder who has applied for excess Rights Shares, the amount tendered on application is expected to be returned by refund cheque to that Qualifying Shareholder in full without interest by ordinary post by the Registrar at his/her/its own risk on or before Friday, 7 January 2022. If the number of excess Rights Shares allotted to a Qualifying Shareholder is fewer than that applied for, the surplus application monies without interest are also expected to be returned by refund cheque to that Qualifying Shareholder by ordinary post by the Registrar at his/her/its own risk on or before Friday, 7 January 2022.

All cheques or banker's cashier orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the EAF will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection with the EAF 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 representations and warranties. The Company reserves the right to refuse to accept any application for excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

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Completion and return of the EAF together with a cheque or a banker's cashier order in payment for the excess Rights Shares applied for will constitute a warranty by the applicant that the cheque or the banker's cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereto, the Company reserves the right to reject any EAF in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation, and in that event, all rights thereunder will be deemed to have been declined and will be cancelled.

The EAF is for use only by the Qualifying Shareholders to whom it is addressed and is not transferable. All documents, including cheques or banker's cashier orders for amounts due, will be sent by ordinary post at the risk of the persons entitled thereto to their registered addresses by the Registrar. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions. The Company may require such incomplete EAF to be completed by the relevant applicants at a later stage.

If the Underwriter exercises the right to terminate or rescind the Underwriting Agreement or if the conditions precedent of the Rights Issue as set out in the paragraph headed "Conditions precedent of the Rights Issue" below is not fulfilled or waived (as applicable) at or before 4:00 p.m. on Monday, 3 January 2022 (or such later time or date as may be agreed between the Company and the Underwriter in writing), the monies received in respect of application for excess Rights Shares will be returned to the Qualifying Shareholders or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Friday, 7 January 2022.

It should be noted that no receipt will be issued in respect of any EAF and/or remittances received.

Share certificates and refund cheques for the Rights Shares

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at Shareholders' own risk on or before Friday, 7 January 2022. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be posted by ordinary post at Shareholders' own risk on or before Friday, 7 January 2022.

Each Shareholder (except HKSCC Nominees Limited) will receive one share certificate for all allotted Rights Shares.

LETTER FROM THE BOARD

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

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

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

TAXATION

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

Application for listing and dealing arrangements

The Company has applied to the Listing Committee of the Stock Exchange 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 securities of the Company is listed or dealt in or for which listing or permission to deal is being or is proposed to be sought on any other stock exchange (other than the Stock Exchange). The nil-paid Rights Shares shall have the same board lot size as the Shares (i.e. 10,000 Shares in one board lot). No new class of securities is to be issued.

LETTER FROM THE BOARD

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

Rights Shares will be eligible for admission into CCASS

Subject to the granting of listing of, and 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 date of dealings in the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

THE UNDERWRITING AGREEMENT

On Tuesday, 23 November 2021 (after the trading hours of the Stock Exchange), the Company and the Underwriter entered into the Underwriting Agreement in respect of the underwriting arrangement for the Rights Issue. The principal terms of the Underwriting Agreement are as follows:

Date : 23 November 2021

Underwriter : Koala Securities Limited

The Underwriter is a licensed corporation to carry out business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and its ordinary course of business includes underwriting of securities.

As at the Latest Practicable Date, the Underwriter did not hold any Shares. The Underwriter and its ultimate beneficial owners are, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, third parties independent of and not connected with the Company and its connected persons.

LETTER FROM THE BOARD

Total number of Rights Shares underwritten by the Underwriter : Up to 708,353,659 Rights Shares, being the minimum total number of Rights Shares issuable (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date), excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, underwritten by the Underwriter on a best-effort basis pursuant to the terms and conditions of the Underwriting Agreement; or

Up to 819,103,659 Rights Shares being the maximum total number of Rights Share issuable (assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company on or before the Record Date), excluding the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking, underwritten by the Underwriter on a best-effort basis pursuant to the terms and conditions of the Underwriting Agreement.

Commission : The Underwriter shall receive 3.5% of the total Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement.

The terms of the Underwriting Agreement (including the commission rate) were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market commission rate. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable so far as the Company and the Shareholders are concerned.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for or procure the subscription, on a best effort basis, on the terms of the Prospectus Documents (insofar as the same are applicable) for such Untaken Shares.

LETTER FROM THE BOARD

Conditions precedent of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. The Underwriting Agreement is conditional upon the following being fulfilled:

- (i) each of the Company and the Underwriter having obtained all necessary consent and/or approval (including passing of all necessary resolutions) for entering into the Underwriting Agreement and the transactions contemplated therein;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their attorneys or agents duly authorised in writing) in accordance with section 342C of the Companies (WUMP) Ordinance as having been approved by resolutions of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only, if any, no later than the Prospectus Posting Date;
- (iv) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and the permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of dealings in the nil-paid Rights Shares (or such other date as may be agreed between the Company and the Underwriter in writing), and such listing and permission not being withdrawn or revoked prior to the Latest Time for Termination;
- (v) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination;
- (vi) the compliance with and performance by the Company and the Underwriter of all the undertakings and obligations under the terms of the Underwriting Agreement at the Latest Time for Termination;
- (vii) the entering into of binding agreements by the Underwriter with certain subscriber(s) procured by the Underwriter, which shall be Independent Third Parties, for placing the Rights Shares, such that neither the Underwriter nor any of the subscriber(s) procured by the Underwriter and/or party or parties acting in concert (having the meaning as set out in the Takeovers Code) with the respective subscribers or any of the connected persons or associates of the respective subscribers shall be interested in 30% or more of the issued share capital of the Company as enlarged by the Rights Issue;

LETTER FROM THE BOARD

- (viii) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (ix) there being no Specified Event occurring on or before the Latest Time for Termination; and
- (x) the Underwriter having received from the Company all the conditions precedent documents as set out in the Underwriting Agreement in such form and substance satisfactory to the Underwriter in accordance with the times specified therein.

Apart from the conditions precedent as set out in paragraph (vi) and (x) above which can be waived in whole or in part by the Underwriter and the Company jointly (but not severally) by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived by the Underwriter and the Company.

In the event of the said conditions not being fulfilled or waived on or before the respective dates aforesaid, being no later than Monday, 3 January 2022, or such later date or dates as may be agreed between the Company and the Underwriter in writing, the Underwriting Agreement may be terminated, in which case the termination provisions of the Underwriting Agreement shall apply. No Party shall have any claim against the other Party under the Underwriting Agreement for costs, damages, compensation or otherwise save for any antecedent breaches.

As at the Latest Practicable Date, the condition precedent (i) has been satisfied, and none of the other conditions precedent has been satisfied or fulfilled, and condition precedent (vi) has not been waived by the Underwriter and the Company. As at the Latest Practicable Date, the delivery of two conditions precedent documents as set out in the Underwriting Agreement under condition precedent (x) has been waived by the Underwriter and the Company. Save as disclosed, the conditions precedent (vi) and (x) above are not intended to be waived in whole or in part by the Underwriter and the Company as at the Latest Practicable Date.

IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Mr. Chan, being a substantial shareholder of the Company, directly holds 357,000,000 Shares (representing 20.13% of the issued share capital of the Company as at the Latest Practicable Date). Pursuant to the Irrevocable Undertaking, Mr. Chan has irrevocably undertaken to the Company, among other things, to:

- (i) subscribe for 178,500,000 Rights Shares which will be provisionally allotted to him nil-paid in respect of the 357,000,000 Shares legally and beneficially owned by him, pursuant to the terms of the Prospectus Documents; and
- (ii) ensure that the 357,000,000 Shares currently legally and beneficially owned by him will remain legally and beneficially owned by him on the Record Date.

LETTER FROM THE BOARD

The Company has not received, as at the Latest Practicable Date, any information or irrevocable undertaking from any other substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Scenario 1: Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and/or pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company from the date of the Latest Practicable Date up to the Record Date

Shareholders	As at the Latest Practicable Date		Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders		Immediately after completion of the Rights Issue			
					Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertakings); and (b) none the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter		Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertakings); and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter	
	<i>No. of Approximate Shares</i>	<i>Approximate % (Note 1)</i>	<i>No. of Approximate Shares</i>	<i>Approximate % (Note 1)</i>	<i>No. of Approximate Shares</i>	<i>Approximate % (Note 1)</i>	<i>No. of Approximate Shares</i>	<i>Approximate % (Note 1)</i>
Substantial shareholder								
Chan Yuen Tung	357,000,000	20.13	535,500,000	20.13	535,500,000	27.43	535,500,000	20.13
Directors								
Chan Yuk Foebe	2,860,000	0.16	4,290,000	0.16	2,860,000	0.15	2,860,000	0.11
Law Tze Ping, Eric	400,000	0.02	600,000	0.02	400,000	0.02	400,000	0.02
Sub-total	360,260,000	20.31	540,390,000	20.31	538,760,000	27.60	538,760,000	20.25
Public Shareholders								
Underwriter and/or subscriber(s) procure by it (Note 2)	-	-	-	-	-	-	708,353,659	26.62
Other public Shareholders	1,413,447,319	79.69	2,120,170,978	79.69	1,413,447,319	72.40	1,413,447,319	53.13
TOTAL	1,773,707,319	100.00	2,660,560,978	100.00	1,952,207,319	100.00	2,660,560,978	100.00

LETTER FROM THE BOARD

Scenario 2: Assuming new Shares are allotted and issued on or before the Record Date pursuant to the full exercise of all Share Options and the full conversion of the Convertible Bonds but otherwise no other change in the share capital of the Company from the date of the Latest Practicable Date up to the Record Date

Shareholders	As at the Latest Practicable Date		Immediately after full exercise of all Shares Options and the full conversion of the Convertible Bonds but otherwise no other change in the issued share capital of the Company from the date of the Latest Practicable Date up to the Record Date				Immediately after completion of the Rights Issue			
					Assuming full acceptance by all Qualifying Shareholders and there is no Excluded Shareholders		Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter		Assuming (a) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (b) all the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter	
	No. of Approximate Shares	Approximate %	No. of Approximate Shares	Approximate %	No. of Approximate Shares	Approximate %	No. of Approximate Shares	Approximate %	No. of Approximate Shares	Approximate %
	(Note 1)				(Note 1)				(Note 1)	
Substantial shareholder										
Chan Yuen Tung	357,000,000	20.13	357,000,000	17.89	535,500,000	17.89	535,500,000	24.64	535,500,000	17.89
Directors										
Chan Yuk Foebe	2,860,000	0.16	15,860,000	0.79	23,790,000	0.79	15,860,000	0.73	15,860,000	0.53
Law Tze Ping, Eric	400,000	0.02	13,400,000	0.67	20,100,000	0.67	13,400,000	0.62	13,400,000	0.45
Ma Wing Yun Bryan	-	-	8,500,000	0.43	12,750,000	0.43	8,500,000	0.39	8,500,000	0.28
Tam Ching Ho	-	-	8,500,000	0.43	12,750,000	0.43	8,500,000	0.39	8,500,000	0.28
Hau Chi Kit	-	-	8,500,000	0.43	12,750,000	0.43	8,500,000	0.39	8,500,000	0.28
Sub-total	360,260,000	20.31	411,760,000	20.64	617,640,000	20.64	590,260,000	27.15	590,260,000	19.72
Other Option Holders										
Option Holders except for Directors	-	-	120,000,000	6.01	180,000,000	6.01	120,000,000	5.52	120,000,000	4.01
Bond Holders	-	-	50,000,000	2.51	75,000,000	2.51	50,000,000	2.30	50,000,000	1.67
Sub-total	-	-	170,000,000	8.52	255,000,000	8.52	170,000,000	7.82	170,000,000	5.68
Public Shareholders										
Underwriter and/or subscriber(s) procure by it (Note 2)	-	-	-	-	-	-	-	-	819,103,659	27.37
Other public Shareholders	1,413,447,319	79.69	1,413,447,319	70.84	2,120,170,978	70.84	1,413,447,319	65.02	1,413,447,319	47.23
TOTAL	1,773,707,319	100.00	1,995,207,319	100.00	2,992,810,978	100.00	2,173,707,319	100.00	2,992,810,978	100.00

LETTER FROM THE BOARD

Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. Koala Securities confirmed to the Company that it (i) will be a third party independent of, not acting in concert with and will not be connected with the Directors, chief executive or substantial Shareholders of the Company or their respective associates; and (ii) will not, together with party(ies) acting in concert with each of them or their respective associates, hold in aggregate 30% or more of the voting rights of the Company immediately upon completion of the Rights Issue.

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

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sales of coal-related chemical products, the generation and supply of electricity and thermal energy and construction services.

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

Assuming (i) no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds on or before the Record Date; (ii) full acceptance by the Qualifying Shareholders under the Rights Issue; and (iii) no other change in the share capital of the Company on or before the Record Date, the gross proceeds and net proceeds (after deducting professional fees and all other relevant expenses) from the Rights Issue will be approximately HK\$106.42 million and HK\$101.13 million respectively. The net proceeds of the Rights Issue are intended to be applied for the following purposes:

- 80.22% of the net proceeds (up to approximately HK\$81.13 million) will be used for the repayment of the Group's indebtedness and interest expenses; and
- 19.78% of the net proceeds (up to approximately HK\$20.00 million) will be used as general working capital of the Group.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

LETTER FROM THE BOARD

The Company will continue to use its best endeavours to look for other fund raising opportunities, including but not limited to, debt financing and equity financing in the coming 12 months. Save for the proposed Rights Issue, the Company does not have any concrete plan in relation to any form of fund raising exercise as at the Latest Practicable Date.

If the Rights Issue is undersubscribed and the net proceeds from which is insufficient to repay the Group's outstanding debt as at 30 June 2021, the Company will (i) negotiate with the creditors to extend the maturity dates of the bonds; (ii) negotiate with the bondholders to defer or discount the relevant bonds; (iii) re-negotiate with banks and creditors the terms to lower the interest rate; (iv) refinance existing loans entered by the Company; (v) utilise the cash generated from businesses and other internal generated resources; and (vi) apply cost cutting measures to reduce administrative expenses and cash outflows of the Group for the next twelve months.

Assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date, the net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares are expected to be approximately HK\$0.114.

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. As at 30 November 2021, the Group's cash and bank balance amounted to approximately HK\$12.0 million, and the unaudited bank borrowings amounted to approximately HK\$58.4 million, of which approximately HK\$17.6 million are dominated in Hong Kong dollar and approximately HK\$40.8 million are denominated in Renminbi. The weighted average interest rate of the Hong Kong dollar bank borrowings amounted to 2.1% per annum whereas the weighted average interest rate of the Renminbi bank borrowings amounted to 6.0% per annum. In view of the aforesaid weighted average interest rates, the Company expects that the interest rates of any new borrowings will be at a similar rate. As at 30 November 2021, the Group's gearing ratio was approximately 71.4%, which is calculated by dividing the total debts of the Group by the total assets of the Group. On the basis of the above, additional bank borrowings would further increase the Company's gearing ratio without strengthening its equity base and there is no assurance that such borrowings of this size can be obtained. Had the Company raised HK\$106.42 million (assuming (i) no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds on or before the Record Date; (ii) full acceptance by the Qualifying Shareholders under the Rights Issue; and (iii) no other change in the share capital of the Company on or before the Record Date) in the form of bank borrowings rather than rights issue, assuming the bank borrowings carried an interest of 4.83% per year (being the weighted average of the interest rate payable by the Company on its bank borrowings as of 30 November 2021), the Company would have to pay approximately HK\$5.1 million per year in interest. The equity raised through the Rights Issue would not be interest bearing and hence the Company would have a notional savings in interest payable of approximately HK\$5.1 million per year compared with incurring debt of the same amount. Further, placings will dilute the interests of Shareholders without

LETTER FROM THE BOARD

giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company, and thus, in the interests of the Company and the Shareholders as a whole.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted.**

The Group has considered various rights issue ratios and the ratio of 1 Rights Share for every 2 Shares held on the Record Date has been arrived at after taking into account: (i) the maximum number of Rights Shares that could be issued by the Company to the Qualifying Shareholders without triggering the requirement of obtaining minority shareholders' approval under Rule 7.19A(1) of the Listing Rules; (ii) the Subscription Price and the basis of arriving at the Subscription Price as detailed in the paragraph headed "Subscription Price" in this Prospectus; and (iii) the reasons for the Rights Issue and the use of proceeds as detailed in the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this Prospectus. The Company's current proposed 1-to-2 ratio, coupled with the Subscription Price, will allow the Company to strengthen its capital base and liquidity without incurring interest costs. It will also allow the Company to reduce its gearing ratio from approximately 71.4% as at 30 November 2021, which is calculated by dividing the total debts of the Group by the total assets of the Group, to approximately 67.5% immediately upon the completion of the Rights Issue (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date), thereby improving the financial health of the Group. Accordingly, the Directors consider the offering basis adopted for the Rights Issue is in the best interests to the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

Date of announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
24 August 2021	Placing of 170,000,000 Shares at the placing price of HK\$0.25 and top-up subscription of new shares under general mandate	HK\$40,900,000	Intends to use for repayment of debts and general working capital	Fully utilised as intended
1 June 2021	Placing of 100,000,000 Shares at the placing price of HK\$0.3 and top-up subscription of new shares under general mandate	HK\$29,200,000	Intends to use for resumption of production of the Company	Fully utilised as intended

POSSIBLE ADJUSTMENT TO THE OUTSTANDING SHARE OPTIONS UNDER THE SHARE OPTION SCHEMES AND THE CONVERTIBLE BONDS

Pursuant to the terms of the Share Option Scheme and the terms and conditions of the Convertible Bonds, (i) the subscription prices on the exercise of the Share Options and/or number of Shares related to the Share Options under the Share Option Scheme; and/or (ii) the conversion prices of the Convertible Bonds may be adjusted in accordance with the Share Option Scheme and the terms and conditions of the Convertible Bonds, respectively, upon the Rights Issue becoming unconditional.

Adjustment Mechanism

Pursuant to the terms of the Share Option Scheme, the Company shall instruct an auditor or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made, provided that (a) any adjustments shall give a grantee the same proportion of the issued share capital of the Company to which he was entitled prior to such adjustment; (b) the issue of Shares or other securities of the Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; (c) no such adjustment shall be made to the advantage of the grantees or prospective grantees (including but not limited to, adjustments which would increase the Intrinsic Value of the Share Options); and (d) no adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must

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confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

Pursuant to the terms and conditions of the Convertible Bonds, the conversion prices of the Convertible Bonds may be adjusted by multiplying the conversion price in force immediately before the date of the Announcement by the amount equal to (i) the sum of: (a) the number of Shares in issue immediately before the date of the Announcement; and (b) the aggregate number of Rights Shares multiplied by the Subscription Price, and divided by the greater of either the closing price per Share quoted on the Stock Exchange on the Last Trading Day or the conversion price in force immediately before the date of the Announcement; divided by, (ii) the sum of (a) the number of Shares in issue immediately before the date of the Announcement; and (b) the aggregate number of Rights Shares.

The Company will notify the holders of the Share Options and the Convertible Bonds and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Schemes and the Convertible Bonds and such adjustment will be certified by an approved merchant bank, independent financial adviser, or auditors of the Company (as the case may be).

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

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

Shareholders should note that the Shares are expected to be dealt in on an ex-right basis from Thursday, 2 December 2021. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both dates inclusive).

Any Shareholder or other person contemplating selling or purchasing the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue may not become unconditional and may not proceed. Shareholders and the public are reminded to exercise caution when dealings in the Shares and any dealings in the Rights Shares in their nil-paid form from Friday, 17 December 2021 to Tuesday, 28 December 2021 (both dates inclusive) will accordingly bear the risk that the Right Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or nil-paid Rights Shares are recommended to consult their own professional advisers.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board of
Xinyang Maojian Group Limited
Chan Yuk Foebe
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group, together with the notes thereto, for the three years ended 30 June 2019, 2020 and 2021 were set out in the relevant annual reports of the Company. The said annual reports of the Company are available on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (www.xinyangmaojian.com.hk):

- (i) pages 66 to 180 of the annual report for the year ended 30 June 2021 of the Company published on 16 November 2021:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1116/2021111600412.pdf>

- (ii) pages 70 to 184 of the annual report for the year ended 30 June 2020 of the Company published on 1 November 2020:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1101/2020110100115.pdf>

- (iii) pages 66 to 168 of the annual report for the year ended 30 June 2019 of the Company published on 30 October 2019:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1030/ltn20191030057.pdf>

2. BUSINESS TREND AND TRADING AND FINANCIAL PROSPECT

The Group is principally engaged in the manufacturing and sales of coal-related chemical products, the generation and supply of electricity and thermal energy and construction services.

Although the COVID-19 pandemic still has impact on the PRC economies and market price of coal is at its peak, the Board overcome several barriers to resume the production of calcium carbide in Heihe Longjiang Chemical Co., Ltd. (“**Longjiang Chemical**”), a subsidiary of the Company. The Board believes that Longjiang Chemical would be the growth driver of the Group in the forthcoming years.

Coal-related chemical production division

During the year, Longjiang Chemical has officially commenced the production of calcium carbide in late June 2021. Longjiang Chemical has two calcium carbide production line with a designed annual production capacity of 100,000 tonnes and could achieve 130,000 tonnes under smooth operation.

Research, development, renovation and investment in Longjiang Chemical over the past few years have made its current production more efficient with lower energy consumption, which together with the relatively cheap, yet stable and environmentally-friendly hydropower imported from Russia that accords with the carbon neutrality related policies the state vigorously promotes, will give the Company a competitive advantage.

Despite the increase in market selling price of raw coal and other material cost, the increase in market selling price of calcium carbide has been outweighed by the increase in its production cost. The current market selling price of calcium carbide is approximately RMB8,000 per tonne and the management believes that the current situation is sustainable and is likely to be improved in the future. Thus, the management expects the profit margin will reach a record high figure.

The management will closely monitor the situation and will consider to resume the lower stream operation as well as the polyvinyl-chloride and vinyl acetate production lines.

Heat and power division

During the Year, the Group's residential heat supplying area was maintained at around 4,000,000 square meters. Due to the increasing trend of the raw coal price recently, the profitability of the heat and power division has been seriously affected. The management will closely monitor the situation.

Construction services division

Due to the impact of the outbreak of COVID-19, Mudanjiang Jinyang Municipal Engineering Company Limited (“**Jinyang Engineering**”) had suspended all its construction services since last year. As agreed between Jinyang Engineering and its subcontractors, the construction period for the heat exchange stations and facilities and pipelines networks will be extended, and without additional costs incurred by the Group. The management will closely monitor the situation and will not rule out the possibility to dispose the construction services division.

3. MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position of the Group since 30 June 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. WORKING CAPITAL STATEMENT

As noted from the Company's annual report for the year ended 30 June 2021, the audit opinion was disclaimed by the Company's independent auditor because of, *inter alia*, the limitation of scope in relation to the adoption of the going concern basis in preparing the consolidated financial statements for the year ended 30 June 2021.

As set out in the Company's annual report for the year ended 30 June 2021, the Group incurred net loss of approximately HK\$459.6 million and the Group's current liabilities exceeded its current assets by approximately HK\$958.4 million. As at 30 November 2021, the Group had bank loans and bonds payable amounted to approximately HK\$58.4 million and HK\$1,058.7 million respectively, out of which approximately HK\$40.6 million and HK\$11.0 million respectively had been overdue and had not been settled by the Group.

As of 31 October 2021, the Group's principal value of bonds which are payable within one year was approximately HK\$207 million. The Group is in the process of negotiating for a settlement of bond payables to several bondholders in the amount of approximately HK\$207 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payables in the amount of HK\$207 million to be deferred or discounted.

As at the Latest Practicable Date,

- (i) no waiver was granted by the respective lenders;
- (ii) no agreement has been reached with bondholders for the bonds in the amount of HK\$100 million;
- (iii) the sales of land use rights of certain lands in the PRC had not been completed; and
- (iv) no agreement has been reached with the counterparty in a litigation case in the amount of HK\$71 million.

In preparing the working capital forecast for the Group for the 12 months, the Group has carried out the following measures for the purpose of ensuring there are sufficient working capital for at least the next 12 months from the date of this Prospectus:

- (i) the Group is in the process of negotiating for a settlement of bond payables to several bondholders in the amount of approximately HK\$207 million. In the event that a settlement is reached between the Company and bondholders, the Company expects the relevant bond payables in the amount of HK\$207 million to be deferred or discounted;

- (ii) other loans of the Company of HK\$35 million out of HK\$69 million for the year ended 30 June 2021 was refinanced in August 2021;
- (iii) included in other payables and accruals, the deposits of HK\$30 million which was non-refundable and represented the deposit received from the disposal of 40% equity interest in Mudanjiang Better-Day Power Limited;
- (iv) Heihe Longjiang Chemical Limited (“**Heihe Longjiang**”), a company indirectly owned as to 90% by the Company, would receive the gross proceeds of approximately HK\$187 million in connection with the sale of land use rights of certain lands in the PRC held by Heihe Longjiang to Heihe Longhe Investment Management Limited (黑河龍合投資管理有限責任公司), an independent third party;
- (v) the Company was in the process of negotiating for a settlement with the counterparty in a litigation case and in the event that a settlement can be reached between the Company and the counterparty, there will be an excess in litigation provision of the Company in the amount of HK\$71 million; and
- (vi) the Group would apply cost cutting measures to reduce administrative expenses and cash outflows for the next twelve months.

Taking into considerations of items (i) to (vi) above, and the estimated net proceeds from the Rights Issue, the Directors after due and careful enquiry are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this Prospectus in the absence of any unforeseen circumstances.

5. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2021, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Prospectus, the details of the Group’s indebtedness are as follows:

Lease liabilities

As at 31 October 2021, the Group, as a lessee, had lease liabilities with outstanding principal amount of approximately HK\$3.3 million.

Convertible bonds

The Group had an outstanding principal of convertible bonds, being unsecured and unguaranteed, of approximately HK\$20.0 million, which is non-interest bearing and repayable by 12 November 2023.

Interest-bearing bank borrowings

The Group had interest-bearing and unguaranteed bank borrowings of approximately HK\$62.4 million, which is (i) secured by the Group's property, plant and equipment and right-of-use assets of approximately HK\$1.9 million and HK\$114.6 million respectively; and (ii) approximately HK\$33.3 million is guaranteed by Independent Third Parties. The bank borrowings of approximately HK\$46.1 million are repayable on demand or repayable within one year, approximately HK\$3.1 million repayable in the second year, approximately HK\$9.3 million repayable in the third to fifth years and approximately HK\$3.9 million repayable after five years.

Other borrowings

The Group had interest-bearing other borrowings of approximately HK\$75.1 million which are repayable within one year, unguaranteed and secured by the Group's property, plant and equipment and right-of-use assets of approximately HK\$53.1 million and HK\$130.7 million respectively.

Bonds

The Group had outstanding bonds, being unsecured and unguaranteed, with principal amount of approximately HK\$1,403.3 million, which is unsecured and approximately HK\$207.0 million repayable within one year, approximately HK\$74.0 million repayable in the second year, approximately HK\$1,118.3 million repayable in the third to fifth years inclusive and approximately HK\$4.0 million repayable after five years.

Contingent Liabilities

On 19 November 2012, China Electricity Construction Consultant Group Dongbei Electricity Design College (translated from the Chinese name of 中國電力工程顧問集團東北電力設計院) (the "**Plaintiff**") filed a writ (the "**Writ**") at the high court of Heilongjiang Province in the PRC (the "**Heilongjiang High Court**") against Mudanjiang Better-Day Power Limited ("**Mudanjiang BD Power**"), an indirect wholly-owned subsidiary of the Company.

Mudanjiang BD Power had contracted the Plaintiff to construct certain coal-powered electricity generating facilities at the business address of Mudanjiang BD Power (the "**Contract**"). Owing to the alleged delay in the progress of the construction, the Plaintiff claimed (i) the payment of the contract sum in the amount of approximately RMB42,700,000 and the interest thereon; (ii) the grant of the first priority right to receive payment from Mudanjiang BD Power in respect of the subject construction project under the Contract; (iii) damages in the sum of approximately RMB13,300,000 for alleged termination of the Contract; and (iv) the legal fees arising from this legal case. The Company has been seeking legal advice in respect of the Writ on the dispute in the payment for the Contract since December 2012. According to the management of Mudanjiang BD

Power, the construction work had been slowed down because the financial resources available for the project development were tied up by unfavourable business operations since 2009.

During the year ended 30 June 2019, the Heilongjiang High Court had adjudged that Mudanjiang BD Power was liable to compensate the Plaintiff of approximately RMB61,400,000. Upon the end of the year ended 30 June 2021, Mudanjiang BD Power was negotiating with the Plaintiff to continue the construction of the coal-powered electricity generating facilities. Once performance of the Contract was resumed under the mutual agreement between Mudanjiang BD Power and the Plaintiff, part of the damages granted may be absorbed in the cost of construction.

The management has made sufficient provision for this legal claim and believes that a favorable settlement could be reached with the Plaintiff.

Save as disclosed above, the Group did not have any other material contingent liabilities as at 31 October 2021.

Disclaimers

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 31 October 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this prospectus, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 31 October 2021; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

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

Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as at 30 June 2021 attributable to the owners of the Company as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 or at any future date.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2021 is prepared by the Directors based on the audited consolidated statement of financial position of the Group as at 30 June 2021, extracted from the published results announcement of the Group for the year ended 30 June 2021, with adjustments described below.

Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 <i>HK\$'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 June 2021 immediately after the completion of the Rights Issue <i>HK\$'000</i>	Audited consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2021 immediately before the completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2021 immediately after the completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on				
886,853,659				
Rights Shares to be issued at				
Subscription				
Price of HK\$0.12				
per Rights Share	29,564	101,130	0.017	0.049

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 of approximately HK\$29,564,000 is extracted from the audited consolidated statement of financial position of the Group as at 30 June 2021, which has been extracted from the published annual results announcement of the Group for the year ended 30 June 2021.
2. The estimated net proceeds of approximately HK\$101,130,000 from the Rights Issue are based on 886,853,659 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) at the Subscription Price of HK\$0.12 per Rights Share, after deduction of estimate related expenses (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) payable by the Company.
3. The calculation of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 per Share immediately before completion of the Rights Issue is based on the audited consolidated net tangible assets of the Group as at 30 June 2021 of approximately HK\$29,564,000, divided by 1,773,707,319 Shares in issue as at 30 June 2021.
4. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2021 per Share immediately after the completion of the Rights Issue is based on unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 immediately after the completion of the Rights Issue of approximately HK\$130,694,000, being the aggregate of audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2021 of approximately HK\$29,564,000 and the estimated net proceeds from the Rights Issue of approximately HK\$101,130,000 divided by 2,660,560,978 Shares which represents the sum of 1,773,707,319 Shares in issue and 886,853,659 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) were issued immediately after the completion of the Rights Issue, as if the Rights Issue had been completed on 30 June 2021.
5. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2021.

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

The following is the text of a report received from McMillan Woods (Hong Kong) CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountant of the Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.



24/F., Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

15 December 2021

The Board of Directors of
Xinyang Maojian Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Xinyang Maojian Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2021 and related notes as set out on pages 46 to 47 of the prospectus issued by the Company dated 15 December 2021 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of one rights share for every two existing shares at the subscription price of HK\$0.12 per rights share (the “**Rights Issue**”) on the Group’s consolidated financial position as at 30 June 2021 as if the Rights Issue had taken place on 30 June 2021. As part of this process, information about the Group’s net tangible assets as at 30 June 2021 has been extracted by the directors from the Group’s audited consolidated statement of financial position as at 30 June 2021, which were published in the results announcement of the Group for the year ended 30 June 2021.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality 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.

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

Reporting Accountant’s Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a prospectus 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 Rights Issue at 30 June 2021 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the director of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

McMillan Woods (Hong Kong) 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**(A) Share Capital**

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming (a) no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date and (b) full acceptance by all Qualifying Shareholder and there is no Excluded Shareholders); and (iii) immediately after completion of the Rights Issue (assuming (a) no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date and (b) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (c) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter) are set out as follow:

(i) As at the Latest Practicable Date

	Number of Shares	Nominal value of Shares HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	5,000,000,000	500,000,000
<i>Issued and fully paid up:</i>		
Ordinary shares of HK\$0.10 each	1,773,707,319	177,370,731.90

- (ii) *Immediately after completion of the Rights Issue (assuming (a) no new Shares are allotted and issued pursuant to any exercise of the Share Options and/or pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date; and (b) full acceptance by all Qualifying Shareholder and there is no Excluded Shareholders)*

	Number of Shares	Nominal value of Shares HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	5,000,000,000	500,000,000
<i>Issued and fully paid up:</i>		
Ordinary shares of HK\$0.10 each	2,660,560,978	266,056,097.8

- (iii) *Immediately after completion of the Rights Issue (assuming (a) no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date; (b) no acceptance by the Qualifying Shareholders (other than the Rights Shares which Mr. Chan will take up in accordance with the Irrevocable Undertaking); and (c) none of the Untaken Shares are taken up by the Underwriter and its subscribers procured by the Underwriter)*

	Number of Shares	Nominal value of Shares HK\$
<i>Authorised:</i>		
Ordinary shares of HK\$0.10 each	5,000,000,000	500,000,000
<i>Issued and fully paid up:</i>		
Ordinary shares of HK\$0.10 each	1,952,207,319	195,220,731.9

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

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 the 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, save for the outstanding Share Options and Convertible Bonds disclosed in this Prospectus, the Company had no outstanding convertible securities, options, or warrants in issue which conferred any right to subscribe for, convert or exchange into Shares.

As at the Latest Practicable Date, save for the outstanding Share Options and Convertible Bonds disclosed in this Prospectus, none of the capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

(B) The Share Option Scheme

As at the Latest Practicable Date, the Company has an outstanding 171,500,00 Share Options granted to the grantees, detail of which are set out below:

Date of grant	Vesting Period	Exercise period	Exercise price at date of grant	Number of outstanding Share Options
24 December 2018	24 December 2018	24 December 2018 to 23 December 2021	HK\$0.325	55,000,000
3 November 2020	3 November 2020	3 November 2020 to 2 November 2023	HK\$0.380	116,500,000

(C) The Convertible Bonds

As at the Latest Practicable Date, the Company has outstanding Convertible Bonds in the amount of HK\$20,000,000, which 50,000,000 new Shares will be issued upon exercise of the conversion rights under the Convertible Bonds at the initial conversion price of HK\$0.4 per conversion Share.

The conversion period is the period commencing from (and including) the issue date of the Convertible Bonds, being 13 November 2020, and ending on (but excluding) the fifth day prior to the maturity date of the Convertible Bonds, being the date of the third anniversary of the issue date of the Convertible Bonds.

(3) DISCLOSURE OF INTERESTS**(A) Interests of Directors**

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in underlying Shares

Name	Capacity	Number of Shares held (Note)	% of issued capital of the Company	Share options held	% of issued capital of the Company
Ms. Chan Yuk Foebé	Beneficial owner	2,860,000 (L)	0.16	13,000,000	0.73
Mr. Law Tze Ping Eric	Beneficial owner	400,000 (L)	0.02	13,000,000	0.73
Mr. Ma Wing Yun Bryan	Beneficial owner	N/A	N/A	8,500,000	0.48
Mr. Tam Ching Ho	Beneficial owner	N/A	N/A	8,500,000	0.48
Mr. Hau Chi Kit	Beneficial owner	N/A	N/A	8,500,000	0.48

Notes: The letter “L” denotes the person’s long position in such securities. The number of Shares are the number of Shares held as at the Latest Practicable Date and the percentage of the issued share capital of the Company is calculated on the basis of 1,773,707,319 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

So far as is known to the Directors and chief executive of the Company, as of the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or a short position in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(B) Substantial shareholders

So far as is known to the Directors and chief executive of the Company, as at the Latest Practicable Date, the following persons (other than Directors or chief executives of the Company) were interested in 5% or more of the issued share capital of the Company which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and the Listing Rules of the Stock Exchange:

Name	Capacity	Number of Ordinary shares held <i>(Note)</i>	Approximate percentage interest
Mr. Chan Yuen Tung	Beneficial owner	357,000,000	20.13%

Note: The letter “L” denotes the person’s long position in such securities. The number of Shares are the number of Shares held as at the Latest Practicable Date and the percentage of the issued share capital of the Company is calculated on the basis of 1,773,707,319 Shares in issue as at the Latest Practicable Date.

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

(4) DIRECTORS' INTERESTS IN TRANSACTIONS, ASSETS, ARRANGEMENTS OR CONTRACTS**(A) Interests in transactions, arrangements or contracts**

As at the Latest Practicable Date, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contract of significance to the business of the Group to which the Company was a party.

(B) Interests in competing business

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(C) Interests in assets

As at the Latest Practicable Date, none of the Directors had any material direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which were proposed to be acquired or disposed of by, or leased to any member of the Group since 30 June 2021 (the date to which the latest published audited consolidated financial statements of the Group was made up).

(D) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation.

(5) PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT**Executive Directors**

Ms. Chan Yuk Foebe (陳昱), aged 52, is the chairman (the “**Chairman**”) and chief executive officer of the Group and joined the Group as an executive Director in January 2004. Ms. Chan is responsible for the overall management and business development of the Group. Ms. Chan holds a bachelor’s degree in Accountancy from the Queensland University of Technology in Australia. Ms. Chan has more than 10 years of experience in the areas of corporate finance and management. Save as disclosed herein, Ms. Chan did not hold any other directorships in listed public companies in the last three years. Ms. Chan was appointed as the Chairman and a member of nomination committee of the Company (the “**Nomination Committee**”) with effect from 2 February 2012.

Mr. Gao Ran (高冉), aged 30, is an executive Director and vice-chairman. He is currently the chairman of Shenzhen Global Fund Management Co., Ltd. (深圳市全球基金管理有限公司) and the independent non-executive director of Lapco Holdings Limited (Stock Code: 8472), a company listed on GEM of the Stock Exchange. He has extensive experience in fund investment and asset management, corporate strategy, corporate finance and business development and management. Mr. Gao was appointed as an executive Director with effect from 23 July 2020. From June 2013 to September 2015, he was the chairman of Changchun Houde Real Estate Brokerage Co., Ltd. (長春市厚德房地產經紀有限公司). He also served as the chairman of Changchun Haizhong Real Estate Brokerage Co., Ltd. (長春市海眾房地產經紀有限公司) from October 2011 to May 2012. Mr. Gao was recognized as “Top Ten Leaders in China’s Financial Industry” (中國金融行業十佳領軍人物), “Outstanding Leader of Jilin Province” (吉林省傑出領軍人物) and “Top Ten Outstanding Youth in Jilin Province” (吉林省十大傑出青年) and “First Person in Venture Capital after 90s” (90後風險投資第一人) by Beijing General Evaluation and Certification Center (北京鑒優品質量認證中心) and Beijing Evaluation and Assessment Center for Enterprise Creditability (北京審信核信企業信用評估中心), in 2017, 2018 and 2019 respectively. Mr. Gao is currently pursuing an executive master of business administration degree with The PBC School of Finance of Tsinghua University (清華大學五道口金融學院).

Mr. Law Tze Ping Eric (羅子平), aged 41, is an executive Director. Mr. Law studied in Hong Kong University of Science and Technology with major in Business Administration. Prior to joining the Group, Mr. Law worked as a business consultant and provided consultancy services for listed and non-listed companies in Hong Kong. Save as disclosed herein, Mr. Law did not hold any other directorships in listed public companies in the last three years. Mr. Law was appointed as an executive Director with effect from 3 March 2015.

Independent non-executive Directors

Mr. Ma Wing Yun Bryan (馬榮欣), aged 56, is an independent non-executive Director and is also the chairman of the audit committee of the Company (the “**Audit Committee**”) and a member of each of the remuneration committee of the Company (the “**Remuneration Committee**”) and the Nomination Committee. Mr. Ma is the finance director of Union Sun International Group Limited, a non-listed company with affiliates dealing in property development in the PRC. He was an independent director of Celestial Nutrifoods Limited (the shares of which are listed on the main board of Singapore Exchange Securities Trade Limited (the “**Singapore Exchange**”)) until 18 July 2011. He has approximately 20 years of experience in the areas of audit, financial management and operational management. Mr. Ma is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Ma was appointed as an independent non-executive Director in February 2001.

Mr. Tam Ching Ho (譚政豪), aged 50, appointed on 30 June 2007, is an independent non-executive Director and is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Tam is a certified public

accountant (practising) registered with the Hong Kong Institute of Certified Public Accountants (“HKICPA”). He has worked in a reputable international accounting firm for about eight years and specialised in providing assurance services for pre-listing, listed and multinational companies. He has also held senior positions in several companies, including as a financial controller of a company listed on the main board of the Stock Exchange and another company listed on the main board of the Singapore Exchange for a total of about seven years. Mr. Tam has accumulated extensive experiences in corporate finance and administration, listing compliance, investor relations, accounting and auditing. Mr. Tam graduated from City University of Hong Kong with a bachelor’s degree of arts with honours in accountancy. He is an associate member of the HKICPA and a fellow member of The Association of Chartered Certified Accountants. Mr. Tam is also currently an independent non-executive director of Chaoda Modern Agriculture (Holdings) Limited (Stock Code: 682), the shares of which are listed on the main board of the Stock Exchange. Save as disclosed herein, Mr. Tam did not hold any other directorships in listed companies in the last three years.

Mr. Hau Chi Kit (侯志傑), aged 50, appointed on 18 December 2013, is an independent non-executive Director and also a member of each of the Audit committee, the Remuneration Committee and the Nomination Committee. He was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, he worked at the Securities and Futures Commission. Mr. Hau is currently a solicitor and is an independent non-executive director of Zhongzheng International Company Limited (formerly known as “e-Force Holdings Limited”) (Stock Code: 943), a company listed on the Main Board of the Stock Exchange and hmvod Limited (formerly known as “Trillion Grand Corporate Company Limited”) (Stock Code: 8103), a company listed on GEM of the Stock Exchange, respectively. Mr. Hau was an independent non-executive director of Code Agriculture (Holdings) Limited (currently known as “Farnova Group Holdings Limited”), a company listed on GEM of the Stock Exchange (Stock Code: 8153) until 18 July 2019. Save as disclosed herein, Mr. Hau did not hold any other directorships in listed companies in the last three years.

Senior management

Mr. Ma Kin Ling (馬健凌), aged 39, is the chief financial officer and the company secretary of the Group. Mr. Ma is responsible for the financial reporting and company’s secretarial functions of the Group. Mr. Ma graduated from City University of Hong Kong with a bachelor’s degree in Accountancy and Law. Mr. Ma joined the Group in May 2016. Prior to joining the Group, he worked in a reputable international accounting firm and has over 10 years of professional experience in accounting, auditing and financial management. Mr. Ma is a member of the HKICPA. Mr. Ma is also an independent non-executive director of SunCorp Technologies Limited (Stock Code: 1063) and Wisdom Wealth Resources Investment Holding Group Limited (Stock Code: 7), the shares of which are listed on the Main Board of the Stock Exchange, respectively. Save as disclosed herein, Mr. Ma did not hold any other directorships in listed companies in the last three years.

(6) MATERIAL CONTRACTS

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

- (1) the memorandum of understanding dated 23 January 2020 between the Company and two vendors, pursuant to which the Company would acquire from the vendors the entire equity interest of My Cloud Technology (Shenzhen) Co. Ltd.;
- (2) the termination agreement dated 12 February 2020 entered into between Prosper Path Limited (“**Prosper Path**”), an indirect wholly-owned subsidiary of the Company, and Dragon Wise Group Limited (“**Dragon Wise**”), pursuant to which the parties have agreed, *inter alia*, (i) to terminate the share transfer agreement dated 5 January 2018; (ii) to rescind the 2nd supplemental agreement dated 9 October 2019; and (iii) to waive certain terms contained in the 1st supplemental agreement dated 11 June 2018;
- (3) the non-binding strategic investment framework agreement (save for the terms in relation to, among others, confidentiality) dated 13 February 2020 entered into between the Company and SB Green Investment Fund Limited (“**SB Green**”) whereby SB Green agreed to cooperate with and commit to make strategic investments in the Company to support the Company’s development of new economic businesses that meet the requirements of green sustainable development;
- (4) the non-legally binding memorandum of understanding (save for terms relating to confidentiality, termination, dispute resolution, binding effect and governing law) dated 3 August 2020 entered into between the Company and Huashang Financial Group Co. Limited (“**Huashang Financial**”) regarding Huashang Financial’s intention to subscribe for convertible bonds to be issued by the Company subject to further negotiation by the parties thereto at an initial conversion price per share of the convertible bonds of HK\$0.52 and the number of conversion shares of not exceeding 260,000,000;
- (5) the equity transfer agreement dated 4 September 2020 entered into between Mudanjiang Longtuo New Energy Co., Ltd. (牡丹江龍拓新能源有限公司) (“**Mudanjiang Longtuo**”), an indirect wholly-owned subsidiary of the Company, and Mr. Lv Wangsheng (“**Mr. Lv**”), pursuant to which Mudanjiang Longtuo agreed to dispose of 40% of the equity interest in Mudanjiang Better-Day Power Limited (牡丹江佳日熱電有限公司) to Mr. Lv at a consideration of RMB70 million;

- (6) the six subscription agreements, one of which is dated 16 October 2020 and the remaining dated 28 October 2020, entered into between the Company and each of the 6 individual and corporate subscribers regarding the issuance of Convertible Bonds due 2023, under general mandate, in an aggregate principal amount of HK\$100,000,000;
- (7) the disposal agreement dated 18 December 2020 entered into between Heihe Longjiang Chemical Co., Ltd. (黑河龍江化工有限公司) (“**Heihe Longjiang**”) and Heihe Longhe Investment Management Limited (黑河龍合投資管理有限責任公司) (“**Heihe Longhe**”), pursuant to which Heihe Longjiang agreed to transfer the land use rights of certain lands located in the PRC with a transfer price in an aggregate amount of RMB139,440,000 and land compensation of RMB17,000,000;
- (8) the acquisition agreement dated 2 February 2021 (which was terminated according to its terms on 18 May 2021) entered into between Mudanjiang Longjin Wine Co., Ltd. (牡丹江龍晉酒業有限公司) (“**Mudanjiang Wine**”), an indirect wholly-owned subsidiary of the Company, and three individuals who are independent third parties, pursuant to which Mudanjiang Wine agreed to purchase the entire equity interest in Beijing Yaolai Longwei Wine Co., Ltd. (北京耀萊龍微酒業有限公司) at a consideration of HK\$80 million;
- (9) the framework agreement dated 16 March 2021 entered into between Heihe Longjiang and Heihe Shark Technology Co., Ltd. (黑河鯊魚科技有限公司) regarding the establishment of a joint venture company to be held as to 50% by each party which would enable the Group to tap into businesses such as cryptocurrency and big data management and revitalise part of the assets of Heihe Longjiang;
- (10) the placing agreement dated 1 June 2021 entered into between the Company, Mr. Chan Yuen Tung and China Tonghai Securities Limited for the placing of up to 100,000,000 existing Shares on a best effort basis at the placing price of HK\$0.3 per placing share to not less than 6 places;
- (11) the subscription agreement dated 1 June 2021 entered into between the Company and Mr. Chan Yuen Tung to subscribe up to 100,000,000 Shares issued under general mandate at the subscription price of HK\$0.3 per subscription Share;
- (12) the letter of intent dated 10 August 2021 entered into between the Company and Tianjin Boguang Chemical Technology Co., Ltd. (天津博光化工技術有限公司) regarding the establishment of a joint venture company to be held as to 50% by each party which would engage in the manufacturing and selling of lithium battery raw materials, including but not limited to lithium hexafluorophosphate, lithium difluorophosphate, ethylenesulfate, vinylene carbonate, nonafluoro-tert-butyl alcohol, trifluoromethyltrimethylsilane, etc.;

- (13) the strategic investment framework agreement dated 16 August 2021 entered into between the Company and Beijing Gaoya Investment Management Limited (北京高雅投資管理有限公司) (“**Gaoya Investment**”) where Gaoya Investment agreed to cooperate with the Company and committed to make strategic investments in the Company to support the Company’s business development;
- (14) the placing agreement dated 24 August 2021 entered into between the Company, Mr. Chan Yuen Tung and China Tonghai Securities Limited for the placing of a maximum of 170,000,000 existing Shares on a best effort basis at the placing price of HK\$0.25 per placing Share to not less than 6 places;
- (15) the subscription agreement dated 24 August 2021 entered into between the Company and Mr. Chan Yuen Tung to subscribe up to 170,000,000 Shares issued under general mandate at the subscription price of HK\$0.25 per subscription Share; and
- (16) the Underwriting Agreement.

(7) LITIGATION

Save as disclosed in the section headed “Statement of Indebtedness” in Appendix I to this Prospectus, no member of the Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

(8) EXPERT’S CONSENT AND QUALIFICATION

The following sets out the qualification of the expert who has given opinions, letters or advices included in this Prospectus:

Name	Qualification
McMillan Woods (Hong Kong) CPA Limited (“ McMillan Woods ”)	Certified Public Accountants

As at the Latest Practicable Date, McMillan Woods was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares, convertible securities, warrants, options or derivatives which carry voting rights in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2021, being the date to which the latest published audited financial statements of the Group were made up.

McMillan Woods has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its report and/or references to its name in the form and context in which they are included.

(9) GENERAL

- (a) The business address of all directors and senior management of the Company is Room 4007, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (b) The company secretary of the Company is Mr. Ma Kin Ling, a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The registered office of the Company is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (d) The head office and principal place of business of the Company in Hong Kong is Room 4007, 40/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.
- (e) The principal share registrar and transfer office of the Company is Esera Management (Bermuda) Limited, Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda.
- (f) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (g) As at the Latest Practicable Date, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (h) In the event of inconsistency, the English text of this Prospectus, the PAL, and EAF shall prevail over the Chinese text.

(10) EXPENSES

The expenses in connection with the Rights Issue, including the Underwriting Commission, printing, registration, translation, legal, accounting and documentation charges are estimated to be approximately HK\$5.29 million, which are payable by the Company.

(11) CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office of the Company:	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM10 Bermuda
Company Secretary:	Mr. Ma Kin Ling (a member of the Hong Kong Institute of Certified Public Accountants)
Authorised representatives:	Ms. Chan Yuk Foebe Mr. Law Tze Ping Eric
Auditor:	McMillan Woods (Hong Kong) CPA Limited 24/F., Siu On Centre 188 Lockhart Road Wan Chai Hong Kong
Principal share registrar and transfer office:	Estera Management (Bermuda) Limited Victoria Place, 5th Floor 31 Victoria Street Hamilton HM10 Bermuda
Share registrar and transfer office	Tricor Tengis Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers:	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central Hong Kong Agricultural Bank of China No.462 Zhong Yang Road Heihe City Heilongjiang Province PRC

Legal advisers to the Company as to the Rights Issue:	Simmons & Simmons 30/F, One Taikoo Place 979 King's Road Hong Kong
Underwriter:	Koala Securities Limited Units 01-02 13/F Everbright Centre 108 Gloucester Road Wanchai Hong Kong

(12) DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consents referred to in the section headed “(8) Expert’s Consent and Qualification” in this appendix have been delivered to the Registrar of Companies in Hong Kong for registration as required by Section 342C of the Companies (WUMP) Ordinance.

(13) LEGAL EFFECT

The Prospectus Documents and all acceptances of any offer or application contained in such documents are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by all the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies (WUMP) Ordinance, so far as applicable.

(14) DOCUMENTS ON DISPLAY

The following documents are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.xinyangmaojian.com.hk) for a period of 14 days from the date of this Prospectus:

- (a) the letter from McMillan Woods (Hong Kong) CPA Limited dated 15 December 2021 in respect of the unaudited pro forma financial information on the Group, the text of which is set out in Appendix II to this Prospectus;
- (b) the material contracts referred to in the section headed “(6) Material Contracts” in this appendix;
- (c) the written consents referred to in the section headed “(8) Expert’s Consent and Qualification” in this appendix; and
- (d) the Prospectus Documents.