

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

If you have sold or transferred all your shares in Amber Hill Financial Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**AMBER HILL FINANCIAL HOLDINGS LIMITED**

**安山金控股份有限公司**

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

**(Stock Code: 33)**

- (I) SHARE CONSOLIDATION;  
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE;  
(III) CONNECTED TRANSACTION IN RELATION TO THE SUBSCRIPTION AGREEMENT;  
(IV) APPLICATION FOR WHITEWASH WAIVER; AND  
(V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Connected Transaction  
Independent Board Committee, the Whitewash Independent Board Committee  
and the Independent Shareholders**

**RAINBOW.**

RAINBOW CAPITAL (HK) LIMITED  
滙博資本有限公司

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

A letter from the Board is set out on pages 13 to 52 of this circular. The recommendation of the Connected Transaction Independent Board Committee to the Independent Shareholders is set out on pages 53 to 54 of this circular. The recommendation of the Whitewash Independent Board Committee to the Independent Shareholders is set out on pages 55 to 56 of this circular. A letter of advice from the Independent Financial Adviser to the Connected Transaction Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders is set out on pages 57 to 113 of this circular.

A notice convening the EGM to be held at 19/F One Hennessy, 1 Hennessy Road, Wanchai, Hong Kong on 27 November 2020 at 12:00 noon is set out on pages EGM-1 to EGM-6 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. 25 November 2020 at 12:00 noon (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

Please see the section headed "PRECAUTIONARY MEASURES FOR THE EGM" in the circular for measures being taken to try to prevent and control the spread of the COVID-19 at the EGM.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders (excluding those Rights Shares to be provisionally allotted to Ng Concert Party Group for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the paragraph headed "Irrevocable Undertaking" in the letter from the Board set out in this circular) or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

4 November 2020

## **PRECAUTIONARY MEASURES FOR THE EGM**

The Board has made reference to the “Joint Statement in relation to General Meetings in light of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation” jointly issued by the Stock Exchange and the SFC on 1 April 2020 in relation to the arrangement of the EGM.

### **VOTING BY PROXY IN ADVANCE OF THE EGM**

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders’ rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

### **PREVENTIVE MEASURES AT THE EGM**

The Company will implement the following preventive measures at the EGM to safeguard the health and safety of the attending Shareholders, staff and other stakeholders:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.5 degrees Celsius will be requested to stay in an isolated place for completing the voting procedures;
- (ii) all Shareholders, proxies and other attendees are required to complete and submit at the entrance of the EGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or had physical contact with any person who to their best of knowledge has recently travelled to, any affected countries or areas outside Hong Kong (as per guidelines issued by the Hong Kong Government at [www.chp.gov.hk/en/features/102742.html](http://www.chp.gov.hk/en/features/102742.html)) at any time in the preceding 14 days. Any person who does not comply with this requirement will be requested to stay in an isolated place for completing the voting procedures;
- (iii) every attendee will be required to wear a surgical face mask throughout the EGM. Please note that no masks will be provided at the EGM venue and attendees should bring and wear their own masks;
- (iv) seating at the EGM will be arranged so as to reduce interaction between participants;
- (v) attendees will be accommodated in separate partitioned rooms or areas of not more than 20 persons (or such number as may be allowed under the Prevention and Control of Disease (Prohibition or Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong)) each; and
- (vi) no refreshments will be served and there will be no corporate gifts.

## **PRECAUTIONARY MEASURES FOR THE EGM**

In the interest of all stakeholders' health and safety and consistent with recent guidelines for prevention and control of COVID-19, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

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## DEFINITIONS

*In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“acting in concert”	has the meaning ascribed thereto under the Takeovers Code
“AIF Asset Management”	AIF Asset Management Limited, a wholly owned subsidiary of the Company and a licensed corporation to carry on business in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
“AIF Securities”	AIF Securities Limited, a wholly owned subsidiary of the Company and a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 5 (advising on futures contracts) regulated activities under the SFO
“Announcement”	the announcement of the Company dated 11 September 2020 in relation to, among other things, the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription and the Whitewash Waiver
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Amber Hill Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” of the letter from the Board in this circular

## DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Connected Transaction Independent Board Committee”	an independent committee of the Board established which comprises all the independent non-executive Directors to advise the Independent Shareholders on the fairness and reasonableness of terms of the Subscription Agreement, and to advise the Independent Shareholders how to vote at the EGM
“Consolidated Share(s)”	ordinary share(s) of the Company upon the Share Consolidation becoming effective
“Convertible Bonds”	collectively, Neo CB and Other CB
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider, among others, the Share Consolidation, the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Share(s)”	ordinary share(s) of the Company prior to the Share Consolidation becoming effective
“Group”	the Company and its subsidiaries (from time to time)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Financial Adviser”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Connected Transaction Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver

## DEFINITIONS

“Independent Shareholders”	Shareholders other than Mr. Ng and the parties acting in concert with him and their respective associates and those who are involved in or interested in the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and/or the Whitewash Waiver and those who are required to abstain from voting in the EGM to approve the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver under the Listing Rules and the Takeovers Code
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company and Ng Concert Party Group
“Irrevocable Undertaking”	the irrevocable undertaking by Ng Concert Party Group to the Company as set out in the paragraph headed “Irrevocable Undertaking” of the letter from the Board in this circular
“Last Trading Day”	31 July 2020, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Acceptance Date”	29 December 2020, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company may determine
“Latest Practicable Date”	30 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Latest Time for Acceptance”	4:00 p.m. on the Latest Acceptance Date
“Latest Time for Termination”	4:00 p.m. on the first Business Day after the latest time for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ng”	Ng Yu, the chairman of the Board and an executive Director

## DEFINITIONS

“Neo CB”	the convertible bonds issued by the Company to Neo Tech Inc. in the principal amount of HK\$100 million with 5% interest per annum accruing from 18 February 2019 up to 18 February 2020 and with default interest at 2.5% per annum accruing from 18 February 2020 up to date of actual repayment and a conversion price of HK\$1.00 per conversion Share, which have already fallen due on 18 February 2020
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements
“Ng Concert Party Group”	collectively, Mr. Ng and Neo Tech Inc., being a company wholly and beneficially owned by Mr. Ng
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Non-Qualifying Shareholders
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account 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
“NQS Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that have not been sold by the Company
“Other CB”	the convertible bonds issued by the Company in the principal amount of HK\$5 million, which have already fallen due on 18 February 2020 with 5% interest per annum accruing from 25 June 2019 up to 18 February 2020 and with default interest at 10% per annum accruing from 18 February 2020 up to date of actual repayment and a conversion price of HK\$1.00 per conversion share and the holder of which is not a shareholder of the Company as at the Latest Practicable Date



## DEFINITIONS

“Overseas Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Nerico Brothers Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading) and Type 9 (asset management) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 11 September 2020 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares
“Placing Period”	the period commencing from the third Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the fifth Business day after the Latest Time for Acceptance
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	11 December 2020 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents

## DEFINITIONS

“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Company as at the close of business on the Record Date
“Record Date”	the date by reference to which entitlements under the Rights Issue are expected to be determined, which is currently scheduled to be on 10 December 2020 or such later date as announced by the Company
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on the date falling six months immediately prior to the date of the Announcement and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of not less than 402,933,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) and not more than 404,733,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB) at the Subscription Price by way of rights on the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date payable in full on acceptance
“Rights Share(s)”	the new Consolidated Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“SFC”	Securities and Futures Commission of Hong Kong
“SFC Approval”	the approval from the SFC under section 132 of the SFO in relation to the potential change of substantial shareholder of AIF Securities and AIF Asset Management, as a result of the Subscription
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the issued and unissued share capital of the Company (being the Existing Share(s) or the Consolidated Share(s), as the case may be)

## DEFINITIONS

“Share Consolidation”	proposed consolidation of the issued Shares on the basis of ten (10) Existing Shares into one (1) Consolidated Share
“Share Option(s)”	1,000,000 outstanding options to subscribe for 1,000,000 Existing Shares (equivalent to 100,000 Consolidated Shares upon completion of the Share Consolidation) granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 26 June 2017
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Neo Tech Inc., a company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Ng
“Subscription”	the subscription of the Subscription Shares under the Subscription Agreement
“Subscription Agreement”	the subscription agreement entered into between the Company and the Subscriber on 31 July 2020 in relation to the subscription of the Subscription Shares
“Subscription Price”	HK\$0.71 per Rights Share
“Subscription Shares”	equivalent to the number of the Unsold Rights Shares and subject to the minimum 25% public float requirement under the Listing Rules such that immediately after completion of the Subscription, the shareholding interest of Ng Concert Party Group in the Company would be not more than 75% of the issued share capital of the Company
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong
“Unsold Rights Shares”	the Unsubscribed Rights Shares and NQS Unsold Rights Shares which have not been placed to places by the Placing Agent under the Placing Agreement
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights, excluding those Rights Shares to be provisionally allotted to Ng Concert Party Group for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the paragraph headed “Irrevocable Undertaking” of the letter from the Board in this circular

## DEFINITIONS

“Whitewash Independent Board Committee”	an independent committee of the Board established which comprises all the non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who have no direct or indirect interest in the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement or the Whitewash Waiver to advise the Independent Shareholders on the fairness and reasonableness of terms of the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver, and to advise the Independent Shareholders how to vote at the EGM
“Whitewash Waiver”	a waiver from the obligation of Ng Concert Party Group to make a mandatory general offer to the Shareholders in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by Mr. Ng and the parties acting in concert with him as a result of the Rights Issue, the Irrevocable Undertaking and the subscription of the Subscription Shares in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
“%”	per cent.

## EXPECTED TIMETABLE

*The expected timetable for the implementation of the Share Consolidation, the Rights Issue and the Placing is set out below.*

<b>Event</b>	<b>Time and Date 2020</b>
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM .....	4:30 p.m. on Friday, 20 November
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both dates inclusive).....	Monday, 23 November to Friday, 27 November
Latest time for lodging proxy forms for the EGM .....	12:00 noon on Wednesday, 25 November
Record date for attendance and voting at the EGM .....	Friday, 27 November
Expected date and time of the EGM to approve the proposed Share Consolidation, the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver .....	12:00 noon on Friday, 27 November
Announcement of the poll result of the EGM .....	Friday, 27 November
Register of members of the Company re-opens.....	Monday, 30 November
<b>The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue as set out in this circular.</b>	
Effective date of the Share Consolidation.....	Tuesday, 1 December
Commencement of dealings in the Consolidated Shares.....	9:00 a.m. on Tuesday, 1 December
Original counter for trading in Existing Shares in the board lot size of 6,000 Existing Shares (in the form of existing share certificates) temporarily closes .....	9:00 a.m. on Tuesday, 1 December
Temporary counter for trading in the Consolidated Shares in the board lot size of 600 Consolidated Shares (in the form of existing share certificates) opens .....	9:00 a.m. on Tuesday, 1 December
First day of free exchange of existing share certificates for new share certificates for Consolidated Shares .....	Tuesday, 1 December

<b>EXPECTED TIMETABLE</b>
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Last day of dealings in the Consolidated Shares on a cum-entitlement basis relating to the Rights Issue .....	Tuesday, 1 December
First day of dealings in Consolidated Shares on an ex-entitlement basis relating to the Rights Issue .....	Wednesday, 2 December
Latest time for the Shareholders to lodge transfer documents of Consolidated Shares in order to be qualified for the Rights Issue.....	4:30 p.m. on Thursday, 3 December
Closure of register of members to determine the eligibility of the Rights Issue (both dates inclusive).....	Friday, 4 December to Thursday, 10 December
Record Date for the Rights Issue .....	Thursday, 10 December
Register of members of the Company re-opens.....	Friday, 11 December
Despatch of the Prospectus Documents (including the PAL and the Prospectus) (in case of the Non-Qualifying Shareholders, the Prospectus only).....	Friday, 11 December
Original counter for trading in the Consolidated Shares in the board lot size of 6,000 Consolidated Shares (in the form of new share certificates) reopens .....	9:00 a.m. on Tuesday, 15 December
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences .....	9:00 a.m. on Tuesday, 15 December
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares .....	Tuesday, 15 December
First day of dealings in nil-paid Rights Share .....	Tuesday, 15 December
Latest time for splitting the PAL .....	4:30 p.m. on Thursday, 17 December
Last day of dealings in nil-paid Rights Shares .....	Tuesday, 22 December
Latest time for acceptance of and payment for the Rights Shares.....	4:00 p.m. on Tuesday, 29 December
Announcement of the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements .....	Thursday, 31 December

<b>EXPECTED TIMETABLE</b>
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**Time and Date  
2021**

Commencement of placing of Unsubscribed Rights Shares  
and the NQS Unsold Rights Shares by the Placing Agent..... Monday, 4 January

Latest time of placing of the Unsubscribed Rights Shares  
and the NQS Unsold Rights Shares by the Placing Agent..... 4:00 p.m. on  
Wednesday, 6 January

Temporary counter for trading in the Consolidated Shares  
in the board lot size of 600 Consolidated Shares  
(in the form of existing share certificates) closes..... 4:10 p.m. on  
Wednesday, 6 January

Parallel trading in Consolidated Shares (represented by both  
existing share certificates and new share certificates) ends..... 4:10 p.m. on  
Wednesday, 6 January

Designated broker ceases to provide matching services  
for odd lots of the Consolidated Shares..... 4:10 p.m.  
Wednesday, 6 January

Latest Time for Termination ..... 4:00 p.m. on  
Thursday, 7 January

Latest time for free exchange of existing share certificates  
for new share certificates ..... Monday, 11 January

Announcement of results of the Rights Issue (including results of  
the placing of the Unsubscribed Rights Shares and the NQS  
Unsold Rights Shares and the amount of the Net Gain per  
Unsubscribed Rights Share and NQS Unsold Rights Share  
under the Compensatory Arrangements) ..... Wednesday, 13 January

Despatch of share certificates for fully-paid Rights Shares  
and refund cheques in relation to unsuccessful applications..... Thursday, 14 January

Commencement of dealings in fully-paid Rights Shares ..... 9:00 a.m. on  
Friday, 15 January

Payment of Net Gain to relevant  
No Action Shareholders (if any)..... Friday, 22 January

*Note:* All times and dates in this circular refer to Hong Kong local times and dates. In the event that any special circumstances arise, such dates and deadlines may be adjusted by the Board if it considers appropriate. Any changes to the expected timetable will be published or notified to the Shareholders by way of announcement(s) on the website of the Stock Exchange and on the website of the Company as and when appropriate.

<b>EXPECTED TIMETABLE</b>
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**EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES**

The latest time for acceptance of and payment for Rights Shares will not take place if a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons, or a “black” rainstorm warning is:

- i. in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and
- ii. in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the 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 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 does not take place on the Latest Acceptance Date, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.



LETTER FROM THE BOARD



**AMBER HILL FINANCIAL HOLDINGS LIMITED**

**安山金控股份有限公司**

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

**(Stock Code: 33)**

*Executive Directors:*

Mr. Ng Yu (*Chairman*)  
Mr. Wei Weicheng  
Mr. Lin Feng  
Mr. Chan Chi Ming

*Registered office:*

94 Solaris Avenue, Camana Bay  
PO Box 1348  
Grand Cayman, KY1-1108  
Cayman Islands

*Non-executive Director:*

Mr. Huang Shao Long

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

Room A, 5/F  
Chunghing Commercial Building  
62–63 Connaught Road Central  
Central  
Hong Kong

*Independent non-executive Directors:*

Mr. Anthony Espina  
Mr. Wang Jun Sheng  
Mr. Lo Hang Fong

4 November 2020

*To the Shareholders*

Dear Sir or Madam,

- (I) SHARE CONSOLIDATION;  
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS  
SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD  
ON THE RECORD DATE;  
(III) CONNECTED TRANSACTION IN RELATION TO  
THE SUBSCRIPTION AGREEMENT;  
(IV) APPLICATION FOR WHITEWASH WAIVER; AND  
(V) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to (i) the Announcement in relation to, among other things, the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver; (ii) the announcement of the Company dated 18 September 2020 in relation to the appointment of Rainbow Capital (HK) Limited as

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the Independent Financial Adviser; and (iii) the announcements of the Company dated 30 September 2020, 12 October 2020, 16 October 2020, 30 October 2020 and 3 November 2020 respectively in relation to the delay in despatch of the circular.

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver; (ii) a letter from the Connected Transaction Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement; (iii) a letter from the Whitewash Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver; (iv) a letter from the Independent Financial Adviser to the Connected Transaction Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders on the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) a notice convening the EGM.

### **(I) SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued Existing Shares be consolidated into one (1) Consolidated Share.

#### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the fulfillment of the following conditions:

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

As at the Latest Practicable Date, all the above conditions remain unfulfilled.

#### **Listing application**

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated

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

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

### **Reason for the Share Consolidation**

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 30 August 2019 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

The existing board lot value has been less than HK\$2,000. It is expected that the Share Consolidation will increase the nominal value of the Shares and would bring about a corresponding upward adjustment in the trading price per Consolidated Share. Based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day, with a board lot size of 6,000, the existing board lot value was only HK\$558, which was less than HK\$2,000. Upon the Share Consolidation becoming effective, based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day, the share price of the Company would be adjusted to HK\$0.93, with a board lot size of 6,000, the new board lot value would be HK\$5,580, which would be more than the required HK\$2,000. As such, the proposed Share Consolidation would enable the Company to comply with the trading requirements under the Listing Rules. Thus, the Board considers that, despite such Share Consolidation would lead to odd lots, it would maintain the trading amount for each board lot at a reasonable level in order to attract more investors and to extend the shareholder base of the Company.

Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction

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costs for each securities trade. It is hoped that this will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company. Accordingly, the Board is of the view that the Share Consolidation is beneficial to the Company and the Shareholders as a whole.

As at the Latest Practicable Date, save as disclosed in this circular, the Company (i) has not had any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; and (ii) has had no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect of undermining or negating the intended purpose of the Share Consolidation. The Board is of the view that, having considered the corporate plan of the Company for the next twelve months, the proposed Share Consolidation is fair and reasonable, and in the interest of the Company and the Shareholders as a whole. However, in the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules, as and when appropriate.

### **Fractional entitlement to Consolidated Shares**

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

Shareholders concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

### **Effects of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company amounted to HK\$10,000,000,000 divided into 10,000,000,000,000 ordinary Shares of HK\$0.001 each, of which 1,343,112,768 ordinary Shares had been allotted and issued as fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective and on the basis that no further Existing Shares will be allotted, issued or repurchased prior thereto, the authorised share capital of the Company will become HK\$10,000,000,000 divided into 1,000,000,000,000 ordinary Shares of HK\$0.01 each, of which 134,311,276 Consolidated Shares will be in issue, which are fully paid or credited as fully paid.

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Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefits of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the shares of the Company regardless of the number of share certificates held by such holder.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares to which the Shareholders may be entitled.

### **Adjustments in relation to other securities of the Company**

As at the Latest Practicable Date, there have been 1,000,000 outstanding Share Options for subscription of 1,000,000 Existing Shares under the Share Option Scheme. Pursuant to the terms of the Share Option Scheme, the number of Shares issuable and the exercise prices of the Share Options will be adjusted in accordance with the Share Option Scheme upon the Share Consolidation and the Rights Issue becoming unconditional. The Company in accordance with the Share Option Scheme will notify the holders of the Share Options the required adjustment(s) as soon as practicable. There are also outstanding Convertible Bonds in the principal amount of HK\$105 million (i.e. the Neo CB and the Other CB), which have already fallen due on 18 February 2020 and the number of Shares issuable upon conversion and the conversion price of the outstanding Convertible Bonds will be adjusted according in accordance with the terms of the Convertible Bonds. Details of adjustments will be set out in the Prospectus in respect of the Rights Issue to be despatched to the Qualifying Shareholders and (for information purpose only) the Non-Qualifying Shareholders.

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

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Nerico Brothers Limited to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Mr. Mok Wing Hon of Nerico Brothers

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Limited at (852) 3420 1054 or by facsimile at (852) 3101 4007 during the period from Tuesday, 15 December 2020 to 4:10 p.m. on Wednesday, 6 January 2021 (both days inclusive).

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

### **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, the Shareholders may during the period from Tuesday, 1 December 2020 to Monday, 11 January 2021 (both days inclusive) submit existing share certificates in the colour of yellow for the Existing Shares to the Registrar, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for exchange for new share certificates in the colour of blue for the Consolidated Shares at the expense of the Company.

Thereafter, share certificates of the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever is higher.

After 4:00 p.m. on Monday, 11 January 2021, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for share certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

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

The register of members of the Company will be closed from Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

**Shareholders and potential investors should note that the Share Consolidation is conditional upon satisfaction of the conditions as set out in the paragraph headed "Conditions of the Share Consolidation" above. Accordingly, the Share Consolidation may or may not proceed.**

**Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company. If they are in any doubt, they should consult their professional advisers.**

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### (II) PROPOSED RIGHTS ISSUE

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

#### Issue statistics

Basis of the Rights Issue	: Three (3) Rights Shares (in nil-paid form) for every one (1) Consolidated Share held on the Record Date
Subscription Price	: HK\$0.71 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	: 1,343,112,768 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	: 134,311,276 Consolidated Shares
Number of Rights Shares	: Not less than 402,933,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) and not more than 404,733,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB)
Aggregate nominal value of the Rights Shares	: Not less than HK\$4,029,338.28 (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) and not more than HK\$4,047,338.28 (assuming no change in the number of Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB)

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- Number of issued Consolidated Shares upon completion of the Rights Issue (assuming that the Rights Issue is fully subscribed) : Not less than 537,245,104 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) and not more than 539,645,104 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
- Maximum funds raised before expenses : Up to approximately HK\$286 million (assuming no outstanding exercisable Share Options being exercised and no part of the Other CB being converted and all the Rights Shares will be taken up)
- Up to approximately HK\$287 million (assuming all outstanding exercisable Share Options being exercised and the Other CB being converted in full and all the Rights Shares will be taken up)

As at the Latest Practicable Date, there have been 1,000,000 outstanding Share Options granted by the Company exercisable into 1,000,000 Existing Shares (equivalent to 100,000 Consolidated Shares upon completion of the Share Consolidation). There were also outstanding Convertible Bonds in the principal amount of HK\$105 million (i.e. the Neo CB and the Other CB), which have already fallen due on 18 February 2020 and part of the Convertible Bonds in the principal amount of HK\$100 million (i.e. the Neo CB) has been held by Neo Tech Inc. as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking, Ng Concert Party Group has irrevocably and unconditionally undertaken to the Company that it will not dispose of or exercise any conversion rights attached to the Neo CB and such Neo CB will remain beneficially owned by it up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights issue will not proceed, whichever is earlier. Save for the foregoing, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.



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Assuming no change in the number of issued Consolidated Shares on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 402,933,828 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) approximately 300% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 75% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

Assuming no change in the number of issued Consolidated Shares on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 404,733,828 Rights Shares proposed to be issued pursuant to the Rights Issue represents (i) approximately 300% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 75% of the issued share capital of the Company after completion of the Share Consolidation and as enlarged by the allotment and issue of the Rights Shares.

### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders (excluding those Rights Shares to be provisionally allotted to Ng Concert Party Group for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the paragraph headed “Irrevocable Undertaking” in this letter from the Board) or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code, unless a waiver from the Executive has been obtained in accordance with Rule 7.19(5)(b) of the Listing Rules. In this regard, an application to the Executive for the Whitewash Waiver in respect of the Right Issue, the Irrevocable Undertaking and the Subscription Agreement has been made by Ng Concert Party Group.

### **Irrevocable Undertaking**

As at the Latest Practicable Date, Ng Concert Party Group has been interested in 265,980,000 Shares, representing approximately 19.8% of the total number of the existing issued Shares.

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Pursuant to the Irrevocable Undertaking, (i) Ng Concert Party Group has undertaken to the Company that they will subscribe for 79,794,000 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of 26,598,000 Consolidated Shares beneficially held by them (upon completion of the Share Consolidation) provided that the total number of the Rights Shares to be subscribed by Ng Concert Party Group under the Rights Issue will be scaled down to the extent that their aggregate percentage shareholding in the Company will be not more than 34.99% immediately after completion of the Rights Issue (exceeding which the SFC Approval would be required); (ii) they will not dispose of 265,980,000 Existing Shares or 26,598,000 Consolidated Shares (upon completion of the Share Consolidation) comprising the shareholding in the Company owned by Ng Concert Party Group and such 265,980,000 Existing Shares or 26,598,000 Consolidated Shares (upon completion of the Share Consolidation) will remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier; and (iii) Neo Tech Inc. will not dispose of or exercise any conversion rights attached to the Neo CB and such Neo CB will remain beneficially owned by it up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier. Consequently, the Irrevocable Undertaking will be subject to the Whitewash Waiver but no SFC Approval will be required.

Save for the Irrevocable Undertaking, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be allotted and issued to them under the Rights Issue as at the Latest Practicable Date.

### **Subscription price**

The Subscription Price is HK\$0.71 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 23.66% to the theoretical closing price of HK\$0.93 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 27.55% to the theoretical average closing price of HK\$0.98 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

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- (c) a discount of approximately 31.73% to the theoretical average closing price of HK\$1.04 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.104 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 7.79% to the theoretical ex-rights price of HK\$0.77 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.077 per Share based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 8.97% to the theoretical ex-rights price of HK\$0.78 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.078 per Share based on the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 10.13% to the theoretical ex-rights price of HK\$0.79 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.079 per Share based on the average closing price of HK\$0.104 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (g) a discount of approximately 7.79% to the theoretical closing price of HK\$0.77 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on 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 20.41% of the theoretical diluted price of HK\$0.78 per Consolidated Share to the benchmarked price of HK\$0.98 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.93 per Consolidated Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.98 per Consolidated Share).

As at 31 December 2019 and 30 June 2020, the Company has net liabilities attributable to Shareholders of the Company in the amount of HK\$110.15 million and HK\$129.57 million respectively and hence the disclosure of the Subscription Price to the Company's net asset value per share is not applicable. The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.70.

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The Subscription Price was determined by the Company with reference to, amongst other factors, (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; (iii) a loss recorded by the Company attributable to its owners of approximately HK\$380 million for the year ended 31 December 2019; and (iv) the funding and capital needs of the Company for its repayment of outstanding liabilities, business plans and prospect set out in the paragraph headed “Reasons for the Rights Issue” below.

After taking into consideration the reasons for the Rights Issue as stated in the paragraph headed “Reasons for the Rights Issue” below, the Directors consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

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

The Rights Shares (when allotted, issued and fully paid) will rank *pari passu* in all respects with the Shares then 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, the record date of which is after the date of allotment and issue of the Rights Shares in their fully-paid form.

### **Qualifying Shareholders**

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 3 December 2020. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 1 December 2020 and the Shares will be dealt with on an ex-rights basis from Wednesday, 2 December 2020.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing the PAL and lodging the same with a cheque or banker’s cashier order for the Rights Shares being applied for with the Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong on or before 4:00 p.m. on the Latest Acceptance Date.

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

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

The register of members of the Company will be closed from Friday, 4 December 2020 to Thursday, 10 December 2020 (both dates inclusive) for determining the entitlements to the Rights Issue. No transfer of Consolidated Shares will be registered during this period.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares (in nil-paid form) for every one (1) Consolidated Share 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 should be made by duly completing a PAL and lodging the same with a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. There will be no excess application arrangements in relation to the Rights Issue.

### **Non-Qualifying Shareholders**

The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will send copies of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders for their information only, but will not send the PAL to them. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as at the Latest Practicable Date, there were four Overseas Shareholders holding an aggregate of 5,320,000 Existing Shares representing approximately 0.40% of the total number of the existing issued Shares, whose address on the register of members was in the PRC.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the advice provided by the legal advisers as to the laws of the PRC, as at the Latest Practicable Date, the laws of the PRC imposed no restrictions on extending the Rights Issue to such Overseas Shareholders located in the PRC, and the Company is not required to obtain any approvals for the despatch of the Prospectus Documents to such Overseas Shareholders. Accordingly, there was no Non-Qualifying Shareholder as at the Latest Practicable Date.

Having made enquiry regarding the legal restrictions with respect to the offer of the Rights Issue to the Overseas Shareholders, the Directors have formed the view that it is expedient for the Rights Shares to be offered to the Overseas Shareholders in the PRC.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence

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on the Stock Exchange and in any event before the last day of dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Non-Qualifying Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent on a best effort basis at the price at least equal to the Subscription Price under the Placing Agreement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the Rights Shares in nil-paid form that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

### **Fractions of the Rights Shares**

On the basis of three (3) Rights Shares for every one (1) Consolidated Share held on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Nerico Brothers Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Nerico Brothers Limited confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; (ii) they are Independent Third Parties; and (iii) they are independent of and not acting in concert with Ng Concert Party Group and no member of the Ng Concert Party Group will involve in the odd lots matching services.

Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Mr. Mok Wing Hon at (852) 3420 1054 of Nerico Brothers Limited or by facsimile at (852) 3101 4007. Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

## LETTER FROM THE BOARD

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

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 11 September 2020 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period to independent placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Wednesday, 6 January 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- A. the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- B. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date. If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

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

Details of the Placing Agreement are summarised as follows:

Date : 11 September 2020  
Issuer : The Company

## LETTER FROM THE BOARD

- Placing Agent : Nerico Brothers Limited was appointed as the Placing Agent to procure, on a best effort basis, placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the Placing Period.
- The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; (ii) they are Independent Third Parties; and (iii) they are independent of and not acting in concert with Ng Concert Party Group and no member of the Ng Concert Party Group will involve in the identification, screening and selection of the independent placees.
- Placing Period : The period commencing from the third Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance.
- Commission and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 2% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- Placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares shall be not less than the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares during the process of the Placing.
- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and independent of and not acting in concert with Ng Concert Party Group. For the avoidance of doubt, no placee shall become a substantial shareholder of the Company.



## LETTER FROM THE BOARD

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

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

- (i) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;
- (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

As at the Latest Practicable Date, other than (i) internal approval by the respective board of directors of the Placing Agent and the Company, which have already been obtained by the Placing Agent and the Company; (ii) approval from the Stock Exchange for the listing of and permission to deal in the Rights Shares; (iii) approval from Independent Shareholders at the EGM to approve the Rights Issue, the Placing and the Subscription Agreement; and (iv) the Whitewash Waiver, there is no other consent and approval required. In the event that the above condition precedents have not been fulfilled on or before the Latest Time for Termination, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof). As at the Latest Practicable Date, all the above conditions remain unfulfilled.

## LETTER FROM THE BOARD

The engagement between the Company and the Placing Agent of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market conditions. The Directors (including the non-executive Director and the independent non-executive Directors who are members of the Whitewash Independent Board Committee and have taken the advice from the independent financial adviser) consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (including the commission payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders. If all or any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders.

The Board is of the view that the above Compensatory Arrangements are fair and reasonable and are in the best interests of the Shareholders as a whole based on the following reasons:

- (i) the arrangements are in compliance with the requirements under Rule 7.21(1)(b) of the Listing Rules under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) because under the arrangements, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company;
- (ii) the Compensatory Arrangements (including the determination of the placing price) will be managed by an independent licensed placing agent which is subject to the stringent code of conduct over, among others, pricing and allocation of the placing Shares. The Placing Agent and its ultimate beneficial owner(s) (a) are not Shareholders; (b) are Independent Third Parties; and (c) they are independent of and not acting in concert with Ng Concert Party Group and no member of the Ng Concert Party Group will involve in the identification, screening and selection of the independent placees; and
- (iii) the Compensatory Arrangements will not only provide an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders, it also provides a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company.

## LETTER FROM THE BOARD

### Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (a) the passing of the necessary resolutions at the EGM to approve the Share Consolidation and the Share Consolidation having become effective;
- (b) the passing by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules and the Takeovers Code of the necessary resolution(s) at the EGM to approve the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (c) the granting of the Whitewash Waiver by the Executive;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) not later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (f) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings;
- (g) the compliance with and performance of all the undertakings and obligations of Ng Concert Party Group or any of their nominee(s), under the Irrevocable Undertaking; and
- (h) compliance with the requirements under the applicable laws and regulations of Hong Kong.

As at the Latest Practicable Date, all the above conditions remain unfulfilled. The above conditions precedent are incapable of being waived. If any of the above conditions precedent is not satisfied by the Latest Time for Termination, the Rights Issue will not proceed.

## LETTER FROM THE BOARD

### **Application for listing**

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 nil-paid and fully-paid forms. No part of the securities of the Company in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any other stock exchange.

The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 6,000 Consolidated Shares in one board lot.

### **Stamp Duty and other applicable fees and charges**

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

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

Subject to the fulfilment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be sent by ordinary post on or before Thursday, 14 January 2021 to those persons who have validly accepted and, where applicable, applied for, and paid for the Rights Shares, at their own risk.

If the Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be refunded to the Qualifying Shareholders or such other person to whom the nil-paid rights have been validly renounced or transferred or, in the case of joint acceptances, to the first-named person, without interest and by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other person to their registered addresses by the Registrar on or around Thursday, 14 January 2021.

### **Rights Shares will be eligible for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both 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 commencement date of dealings in the Rights Shares in both their nil-paid or 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 settlement day thereafter.

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

## LETTER FROM THE BOARD

### THE SUBSCRIPTION

On 31 July 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, Neo Tech Inc. Details of the Subscription Agreement are set out below.

### THE SUBSCRIPTION AGREEMENT

Date : 31 July 2020 (after trading hours of the Stock Exchange)

Parties : (i) the Company; and

(ii) Neo Tech Inc.

Neo Tech Inc. is wholly and beneficially owned by Mr. Ng and is an investment holding company. Mr. Ng is the sole director of Neo Tech Inc..

### Subscription Shares

Pursuant to the Subscription Agreement, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for the Subscription Shares. The final number of the Subscription Shares will be determined based on the results of the Rights Issue and will be equivalent to the number of the Unsold Rights Shares and subject to the minimum 25% public float requirement under the Listing Rules such that immediately after completion of the Subscription, the shareholding interest of Ng Concert Party Group in the Company would be not more than 75% of the issued share capital of the Company.

The Subscription Shares will be allotted and issued under a specific mandate to be approved by an ordinary resolution by the Independent Shareholders at the EGM.

Assuming completion of Rights Issue with no outstanding Share Options being exercised and no Other CB being converted on or before the Record Date and not all the Qualifying Shareholders (other than Ng Concert Party Group subject to the Irrevocable Undertaking) have taken up any entitled Rights Shares and no Rights Shares being placed under the Compensatory Arrangements, and subject to the minimum 25% public float requirement under the Listing Rules, the maximum number of 330,644,157 Subscription Shares to be allotted and issued under the Subscription represent approximately 246.18% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 61.54% of the issued share capital of the Company immediately upon completion of the Share Consolidation, the Rights Issue and the Subscription. The aggregate nominal value of the maximum number of 330,644,157 Subscription Shares is HK\$3,306,441.57 (upon completion of the Share Consolidation) and the market value of the Subscription Shares is approximately HK\$307,499,000 (upon completion of the Share Consolidation), based on the last closing price of HK\$0.093 per Share as quoted on the Stock Exchange prior to the entering into of the Subscription Agreement.

## LETTER FROM THE BOARD

Assuming completion of Rights Issue with all outstanding Share Options being exercised and the Other CB being converted in full on or before the Record Date and not all the Qualifying Shareholders (other than Ng Concert Party Group subject to the Irrevocable Undertaking) have taken up any entitled Rights Shares and no Rights Shares being placed under the Compensatory Arrangements, and subject to the minimum 25% public float requirement under the Listing Rules, the maximum number of 332,121,222 Subscription Shares to be allotted and issued under the Subscription represent approximately 247.28% of the issued share capital of the Company immediately upon completion of the Share Consolidation; and (ii) approximately 61.54% of the issued share capital of the Company immediately upon completion of the Share Consolidation, the Rights Issue and the Subscription. The aggregate nominal value of the maximum number of 332,121,222 Subscription Shares is HK\$3,321,212.22 (upon completion of the Share Consolidation) and the market value of the Subscription Shares is approximately HK\$308,873,000 (upon completion of the Share Consolidation), based on the last closing price of HK\$0.093 per Share as quoted on the Stock Exchange prior to the entering into of the Subscription Agreement.

### **Ranking of the Subscription Shares**

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

### **Subscription price**

The subscription price under the Subscription Agreement is equivalent to the Subscription Price under the Rights Issue and the Board (other than Mr. Ng, who is the sole shareholder of Neo Tech Inc. and interested in the Subscription Agreement and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription Agreement, but including the independent non-executive Directors who have formed the Connected Transaction Independent Board Committee and have taken the advice from the Independent Financial Adviser) considers that the subscription price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Assuming completion of the Rights Issue with no outstanding Share Options being exercised and no Other CB being converted on or before the Record Date and not all the Qualifying Shareholders (other than Ng Concert Party Group subject to the Irrevocable Undertaking) have taken up any entitled Rights Shares and no Rights Shares being placed under the Compensatory Arrangements, and subject to the minimum 25% public float requirement under the Listing Rules, the Subscriber will subscribe a maximum number of 330,644,157 Subscription Shares and the aggregate gross proceeds of the Subscription will be approximately HK\$234,757,000 and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$234.5 million, representing a net issue price of approximately HK\$0.71 per Subscription Share.

Assuming completion of the Rights Issue with all outstanding Share Options being exercised and the Other CB being converted in full on or before the Record Date and not all the Qualifying Shareholders (other than Ng Concert Party Group subject to the Irrevocable

## LETTER FROM THE BOARD

Undertaking) have taken up any entitled Rights Shares and no Rights Shares being placed under the Compensatory Arrangements, and subject to the minimum 25% public float requirement under the Listing Rules, the Subscriber will subscribe a maximum number of 332,121,222 Subscription Shares and the aggregate gross proceeds of the Subscription will be approximately HK\$235,806,000 and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$235.5 million, representing a net issue price of approximately HK\$0.71 per Subscription Share.

### **Conditions precedent of the Subscription Agreement**

Completion of the Subscription Agreement is conditional upon the satisfaction of the following conditions:

- (a) the Listing Committee granting the listing of and permission to deal in the Subscription Shares;
- (b) the passing by the Independent Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules and the Takeovers Code at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (c) all necessary consents and approvals required to be obtained by the Company and the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereby (including but not limited to the SFC Approval) having been obtained;
- (d) the granting of the Whitewash Waiver by the Executive; and
- (e) the completion of the Rights Issue.

As at the Latest Practicable Date, other than (i) internal approval by the respective board of directors of the Company and the Subscriber, which have already been obtained by the Company and the Subscriber, respectively; (ii) approval from the Stock Exchange for the listing of and permission to deal in the Subscription Shares; (iii) approval from Independent Shareholders at the EGM to approve the Subscription Agreement and the grant of specific mandate to allot and issue Subscription Shares; (iv) the SFC Approval; and (v) the Whitewash Waiver, there is no other consent and approval required. None of the above conditions precedent are waivable. In the event that the above conditions precedent are not fulfilled on or before 5:00 p.m. on 31 January 2021 (or such other time and date as may be agreed by the Company and the Subscriber), all rights, obligations and liabilities of the parties to the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other, save for any antecedent breaches of the terms under the Subscription Agreement. As at the Latest Practicable Date, all the above conditions remain unfulfilled.

## **LETTER FROM THE BOARD**

### **Completion**

Completion of the Subscription Agreement shall take place at 4:00 p.m. within three Business Days after the conditions precedent of the Subscription Agreement are fulfilled (or such other time and date as may be agreed by the Company and the Subscriber).

### **Application for listing**

An application has been made by the Company to the Listing Committee for the approval of the listing of, and permission to deal in, the Subscription Shares.

### **REASONS FOR THE SUBSCRIPTION**

The Subscription Agreement allows the Subscriber to subscribe for the Subscription Shares such that the Company would be able to raise as much proceeds as originally contemplated under the Rights Issue in the event that there are any Rights Shares which remain unsubscribed and unsold in the market under the Rights Issue. The aggregate net proceeds of the Subscription will be applied by the Company for the purposes set out in the paragraph headed "Use of proceeds" in this letter from the Board. Further announcement(s) will be made by the Company as to the final amount of the net proceeds raised by the Company under the Rights Issue and the Subscription and the detailed plan for the use of proceeds upon completion of the Rights Issue and the Subscription. In addition, if the Subscriber was to underwrite the Rights Issue, such underwriting would have been subject to the SFC Approval and hence completion of the Rights Issue would have been possibly prolonged. Without underwriting of the Rights Issue but with the Subscription Agreement, the Rights Issue may complete first and the Subscriber will subsequently subscribe for the Subscription Shares under the Subscription Agreement to raise as much proceeds as originally contemplated under the Rights Issue and, depends on the number of the Subscription Shares to be subscribed by the Subscriber, the Subscription will be subject to the SFC Approval if upon completion of the Subscription, Ng Concert Party Group will hold 35% or more of the issued share capital of the Company.

Based on the above, the Board (other than Mr. Ng, who is the sole shareholder of Neo Tech Inc. and interested in the Subscription Agreement and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription Agreement but including the independent non-executive Directors who have formed the Connected Transaction Independent Board Committee and have taken the advice from the Independent Financial Adviser) considers that the Subscription Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.



## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Share Consolidation; (iii) immediately after completion of the Share Consolidation and the Rights Issue (assuming all Shareholders have taken up all the entitled Rights Shares); (iv) immediately after completion of the Share Consolidation and the Rights Issue (assuming none of the Qualifying Shareholders (other than Ng Concert Party Group) have taken up any entitled Rights Shares); and (v) immediately after completion of the Share Consolidation, the Rights Issue and the Subscription:

- (a) assuming no outstanding Share Options being exercised and no Other CB being converted on or before the Record Date and there is no other change in the shareholding structure of the Company before the completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after completion of the Share Consolidation		Immediately after completion of the Share Consolidation and the Rights Issue (assuming all Shareholders have taken up all the entitled Rights Shares)		Immediately after completion of the Share Consolidation and the Rights Issue (assuming none of the Qualifying Shareholders (other than Ng Concert Party Group) have taken up any entitled Rights Shares) (Note 3)		Immediately after completion of the Share Consolidation, the Rights Issue and the Subscription (Note 4)	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
<b>Major Shareholder</b>										
Mr. Ng (Note 1)	612,000	0.05	61,200	0.05	244,800	0.05	364,511	0.22	268,623	0.05
Neo Tech Inc. (Note 2)	265,368,000	19.75	26,536,800	19.75	106,147,200	19.75	57,609,454	34.77	402,665,205	74.95
<b>Public Shareholder</b>										
Other Shareholders	<u>1,077,132,768</u>	<u>80.20</u>	<u>107,713,276</u>	<u>80.20</u>	<u>430,853,104</u>	<u>80.20</u>	<u>107,713,276</u>	<u>65.01</u>	<u>134,311,276</u>	<u>25.00</u>
<b>Total</b>	<u><u>1,343,112,768</u></u>	<u><u>100.00</u></u>	<u><u>134,311,276</u></u>	<u><u>100.00</u></u>	<u><u>537,245,104</u></u>	<u><u>100.00</u></u>	<u><u>165,687,241</u></u>	<u><u>100.00</u></u>	<u><u>537,245,104</u></u>	<u><u>100.00</u></u>

Notes:

- (1) Mr. Ng is the chairman of the Board and an executive Director.
- (2) Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng. Mr. Ng is therefore deemed to be interested in 265,368,000 Shares for the purposes of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
- (3) Subscription of Rights Shares by Ng Concert Party Group will be subject to the Irrevocable Undertaking as set out in the paragraph headed “Irrevocable Undertaking” in this letter from the Board.
- (4) On a hypothetical scenario that Ng Concert Party Group will subscribe for 45,691,671 Rights Shares and the public Shareholders will subscribe for 26,598,000 Rights Shares such that immediately after completion of the Rights Issue, Ng Concert Party Group will hold 72,289,671 Consolidated Shares (representing approximately 34.99% of the issued share capital of the Company immediately after completion of the Rights Issue) and the public Shareholders will hold 134,311,276 Consolidated Shares (representing approximately 65.01% of the issued share capital of the Company immediately after completion of the Rights Issue) and thereafter Neo Tech Inc. will subscribe for a maximum of 330,644,157 Subscription Shares such that immediately after

## LETTER FROM THE BOARD

completion of the Subscription, Ng Concert Party Group will hold 402,933,828 Consolidated Shares (representing approximately 75% of the issued share capital of the Company immediately after completion of the Subscription) and the public Shareholders will hold 134,311,276 Consolidated Shares (representing approximately 25% of the issued share capital of the Company immediately after completion of the Subscription).

- (5) Other than Mr. Ng, there is no Directors holding any shareholding interest in the Company as at the Latest Practicable Date.

- (b) assuming all the outstanding Share Options being exercised and the Other CB being converted in full on or before the Record Date and there is no other change in the shareholding structure of the Company before the completion of the Rights Issue:

	As at the date of this circular		Immediately after completion of the Share Consolidation		Immediately after completion of the Share Consolidation and upon full exercise of all outstanding Share Options and full conversion of the Other CB on or before the Record Date		Immediately after completion of the Share Consolidation and the Rights Issue (assuming full exercise of outstanding Share Options and full exercise of the Other CB on or before the Record Date and all Shareholders have taken up all the entitled Rights Shares)		Immediately after completion of the Share Consolidation and the Rights Issue (assuming full exercise of outstanding Share Options and full exercise of the Other CB on or before the Record Date and none of the Qualifying Shareholders (other than Ng Concert Party Group) have taken up any entitled Rights Shares) (Note 3)		Immediately after completion of the Share Consolidation, the Rights Issue and the Subscription (Note 4)	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
<b>Major Shareholder and Director</b>												
Mr. Ng (Note 1)	612,000	0.05	61,200	0.05	61,200	0.05	244,800	0.05	366,542	0.22	269,823	0.05
Neo Tech Inc. (Note 2)	265,368,000	19.75	26,536,800	19.75	26,536,800	19.67	106,147,200	19.67	57,930,358	34.77	404,464,005	74.95
<b>Public Shareholder</b>												
Holder of outstanding Share Options	—	—	—	—	100,000	0.07	400,000	0.07	100,000	0.06	377,753	0.07
Holder of the Other CB	—	—	—	—	500,000	0.37	2,000,000	0.37	500,000	0.30	1,996,686	0.37
Other Shareholders	1,077,132,768	80.20	107,713,276	80.20	107,713,276	79.84	430,853,104	79.84	107,713,276	64.65	132,536,837	24.56
<b>Total</b>	<b>1,343,112,768</b>	<b>100.00</b>	<b>134,311,276</b>	<b>100.00</b>	<b>134,911,276</b>	<b>100.00</b>	<b>539,645,104</b>	<b>100.00</b>	<b>166,610,176</b>	<b>100.00</b>	<b>539,645,104</b>	<b>100.00</b>

*Notes:*

- (1) Mr. Ng is the chairman of the Board and an executive Director.
- (2) Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng. Mr. Ng is therefore deemed to be interested in 265,368,000 Shares for the purposes of the SFO.
- (3) Subscription of Rights Shares by Ng Concert Party Group will be subject to the Irrevocable Undertaking as set out in the paragraph headed “Irrevocable Undertaking” in this circular.
- (4) On a hypothetical scenario that Ng Concert Party Group will subscribe for 46,014,606 Rights Shares and the public Shareholders will subscribe for 26,598,000 Rights Shares such that immediately after completion of the Rights Issue, Ng Concert Party Group will hold 72,612,606 Consolidated Shares (representing approximately 34.99% of the issued share capital of the Company immediately after completion of the Rights Issue) and the public Shareholders will hold 134,911,276 Consolidated Shares (representing approximately 65.01% of the issued share capital

## LETTER FROM THE BOARD

of the Company immediately after completion of the Rights Issue) and thereafter Neo Tech Inc. will subscribe for a maximum of 332,121,222 Subscription Shares such that immediately after completion of the Subscription, Ng Concert Party Group will hold 404,733,828 Consolidated Shares (representing approximately 75.00% of the issued share capital of the Company immediately after completion of the Subscription) and the public Shareholders will hold 134,911,276 Consolidated Shares (representing approximately 25% of the issued share capital of the Company immediately after completion of the Subscription).

- (5) Other than Mr. Ng, there are no Directors holding any shareholding interest in the Company as at the Latest Practicable Date.

### FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activity in the past twelve months immediately before the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the date of this circular
26 February 2020 and 20 April 2020	Placing of new Shares under general mandate	Approximately HK\$17.97 million	Working capital of the Group	The proceeds were fully utilised as intended
17 July 2020 and 4 August 2020	Placing of new Shares under general mandate	Approximately HK\$22.96 million	Working capital of the Group	Part of the proceeds have been applied for the intended purpose and the remaining part will be applied for the intended purpose

Save as disclosed above, the Company had not conducted any fund raising activity involving issue of its securities in the past twelve months immediately preceding the Latest Practicable Date.

### INFORMATION ON THE PLACING AGENT

The Placing Agent is a corporation licensed to carry out Type 1 (dealings in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading) and Type 9 (asset management) regulated activities under the SFO. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; (ii) they are Independent Third Parties; and (iii) are independent of and not acting in concert with Ng Concert Party Group and no member of the Ng Concert Party Group will involve in the identification, screening and selection of the independent placees. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) have been Independent Third Parties.

## LETTER FROM THE BOARD

### INFORMATION ON THE SUBSCRIBER

Neo Tech Inc., the Subscriber, is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Ng. It is an investment holding company and a substantial Shareholder, holding 265,368,000 Shares as the Latest Practicable Date, representing approximately 19.75% of the total number of the existing issued Shares.

### REASONS FOR THE RIGHTS ISSUE

The Group is principally engaged in securities brokerage and assets management, trading of party products, advancing business, credit guarantee and investment business and trading of metals and minerals.

As disclosed in the annual report of the Company for the year ended 31 December 2019, (i) as at 31 December 2019, the total current liabilities, net current liabilities and negative equity of the Group amounted to approximately HK\$197 million, HK\$110 million and HK\$101 million respectively; and (ii) the Group's revenue generated from securities brokerage and assets management business segment of the Group decreased to HK\$0.73 million for the year ended 31 December 2019. The decrease was attributable to the suspension of relevant SFC licenses in the second half of 2019. The licenses were suspended due to shortage of fund and failure to meet the liquid capital requirement under the Hong Kong Securities and Futures (Financial Resources) Rules. Therefore, the Group intends to conduct the Rights Issue to raise funds for repayment of outstanding liabilities and development of its trading of party products business, securities brokerage and assets management business as well as its advancing business.

The Board has considered other alternative means of fund raising, such as debt financing/ bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Company has approached commercial banks, but it was unable to obtain any debt financing at terms acceptable to the Company as, save for the collaterals for the existing banking facilities, the Group does not have any other significant assets which are satisfactory to the banks and can serve as collaterals for further bank loans. Also, the Board does not consider debt financing to be desirable at this stage as the expected financing costs are high and additional borrowings will deteriorate the gearing position of the Group.

The Company has conducted placing of new Shares on 17 July 2020 and such placing was completed on 4 August 2020. The Company has utilised all the general mandate granted to the Directors by the Shareholders at the previous extraordinary general meeting of the Company to allot and issue new Shares and the Company cannot conduct further placing of new Shares unless the Shareholders approve the refreshment of general mandate limit at an extraordinary general meeting of the Company or the Company conduct further placing of new Shares by way of specific mandate.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights

## LETTER FROM THE BOARD

entitlement in the open market (subject to the availability); or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$284 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) and approximately HK\$285 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB).

The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK\$50 million for repayment of overdue external debts of the Group; (ii) approximately HK\$40 million for repayment of the shareholder's loan owing by the Company to Mr. Ng; (iii) approximately HK\$110 million for repayment of the overdue Convertible Bonds; (iv) approximately HK\$30 million as additional capital for the trading of party products business of the Group; (v) approximately HK\$15 million for additional liquid capital for the securities brokerage and assets management business of the Group, the licensed activities of which were suspended due to insufficient liquid capital under the SFO; (vi) approximately HK\$15 million as additional capital for the advancing business of the Group; and (vii) the remaining balance of approximately HK\$24 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) or approximately HK\$25 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB) for general working capital of the Group.

The table below sets out the details of the proposed use of proceeds as at the Latest Practicable Date:

	<b>Use of proceeds</b>	<b>Estimated amount</b>	<b>Proposed timeline</b>
1.	Repayment of overdue external debts of the Group	HK\$50 million	Within 6 months after the Rights Issue
2.	Repayment of the shareholder's loan owing by the Company to Mr. Ng	HK\$40 million	Within 6 months after the Rights Issue
3.	Repayment of overdue Convertible Bonds ( <i>Note</i> )	HK\$110 million	Within 12 months after the Rights Issue
4.	Additional capital for trading of party products business	HK\$30 million	Within 6 months after the Rights Issue

## LETTER FROM THE BOARD

Use of proceeds	Estimated amount	Proposed timeline
5. Additional liquid capital for the securities brokerage and assets management business	HK\$15 million	Within 6 months after the Rights Issue
6. Additional capital for the advancing business of the Group	HK\$15 million	Within 12 months after the Rights Issue
7. General working capital	HK\$24 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) or HK\$25 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB)	Within 36 months after the Rights Issue

*Note:* In the event that the holder of the Other CB exercises the conversion rights attached to the Other CB on or before the Record Date, the Company will apply the net proceeds of the Rights Issue in the amount of approximately HK\$107 million to repay the outstanding principal amount and interest amount of the Neo CB only and the remaining HK\$3 million will be applied by the Company as general working capital of the Group.

As at the Latest Practicable Date, the Group has overdue external debts, which consist of a loan from a Hong Kong listed company, professional fees including legal, auditing, valuation and registrar services and etc., rentals, telecommunication charges, trading system and connection expenses, stock exchange fees and interest, in the aggregate principal amount and interest amount of approximately HK\$50 million, all of which have already fallen due. Each of the creditors of the above overdue external debts was not a shareholder of the Company as at the Latest Practicable Date. The Company intends to apply approximately HK\$50 million from the Rights Issue for repayment of overdue external debts of the Group.

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As at the Latest Practicable Date, the Company has been indebted to Mr. Ng by way of a shareholder's loan in the principal amount of HK\$38.50 million. The shareholder's loan bears an interest of 2.5% per annum and is repayable on demand by Mr. Ng. The Company intends to apply approximately HK\$40 million from the Rights Issue for repayment of the shareholder's loan.

As at the Latest Practicable Date, the Company has had outstanding Convertible Bonds in the principal amount of HK\$105 million (i.e. the Neo CB and the Other CB) and interest amount of approximately HK\$7.26 million, which have already fallen due on 18 February 2020. There is default interest at the rate of 10% per annum under the terms of the Convertible Bonds. Neo Tech Inc., being the holder of the Neo CB, agreed to the Company that it would only charge the Company default interest at the rate of 2.5% per annum until the date of actual repayment by the Company of the total outstanding amount under the Neo CB. The Company intends to apply approximately HK\$110 million for repayment of the overdue Convertible Bonds.

The trading of party products of the Group includes trading of party accessories, decorations, cutlery and eatery wares from suppliers. The Group provides touch-ups to such products which include but not limited to adding festive elements to such products. The final products are sold to customers in Hong Kong and North America. Part of the net proceeds from the Rights Issue in the amount of approximately HK\$30 million will be applied for strengthening the liquid capitals and supporting the development of the trading of party products business of the Group, in particular to develop and operate the electronic trading platform (i.e. online website) and to finance the inventory and provide sufficient working capital for the business such that the trading receivables to be incurred during the normal course of business will not affect the operation of trading of party products of the Group.

AIF Asset Management is a wholly owned subsidiary of the Company and is a licensed corporation to carry on business in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and AIF Securities is a wholly owned subsidiary of the Company and is a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 5 (advising on futures contracts) regulated activities under the SFO. The Directors consider that AIF Asset Management and AIF Securities, which carry out regulated activities under the SFC, will enhance and create long-term benefit for the Group and the Shareholders as a whole and part of the net proceeds from the Rights Issue in the amount of approximately HK\$15 million will be applied for strengthening the liquid capitals and supporting the development of the securities brokerage and assets management business of the Group. The Directors believe that the provision of securities brokerage and assets management services to its customers could improve the revenue of the Group. The Company will charge a brokerage commission by a certain percentage of trading amount, interest on the margin loans to the customers and management fee and performance bonus on the asset under management to generate stable revenue to the Group. Furthermore, the Company plans to enhance the Group's corporate value and recognition through its securities brokerage and assets management services which will result in strengthening of the Group's competitiveness in the brokerage industry. Further financial resources will be injected into AIF Asset Management and AIF Securities to maintain the minimum liquid capital requirement under the Hong Kong Securities and Futures (Financial

## LETTER FROM THE BOARD

Resources) Rules as well as for further business development of AIF Asset Management and AIF Securities including but not limited to promoting the business, attracting more customers and recruiting more staff to expand the business team. Currently, the securities brokerage and assets management business of AIF Asset Management and AIF Securities is managed by Mr. Chan Chi Ming, the executive director and chief executive officer of the Company who has more than 25 years' relevant experience in the industry and there are 11 staff members employed by the Group for the operation of the securities brokerage and assets management business of AIF Asset Management and AIF Securities. The Company intends to recruit approximately 25 new staff, including responsible officers and licensed representatives ranging from director grade to executive grade with securities and commodities trading, asset management, operations, settlement, clearing and accounting experience. Out of the HK\$15 million which will be applied as additional liquid capital for the securities brokerage and assets management business, the Company intends to apply HK\$5 million to increase seed money to establish new funds and for the expansion of our asset management team by recruiting new staff, including responsible officers as portfolio managers and licensed representatives as analysts. The Board is of the view that, with additional capital resources, there will be increased capabilities to cater for the increasing demand for our securities brokerage and assets management business.

The Board considers that the advancing business of the Group requires intensive capital and part of the net proceeds from the Rights Issue in the amount of approximately HK\$15 million will be applied for financing the advancing business of the Group. The Board believes that the advancing business of the Group can bring in additional revenue for the Group and supplement its securities brokerage and assets management business. To further develop and enhance the advancing business of the Group, the Company will target individual personal loans or mortgage loans as well as corporate and institution borrowers with high credit rating and high-quality collateral to secure such loans. The Company has stringent risk policy to govern loan approvals as well as to assess the collaterals and credit risk. The Company also has internal control procedures to monitor the loan and interest repayment and the security from time to time to minimize its credit risk. Currently, the advancing business of the Company is managed by Mr. Tsang King Sun, the chief financial officer of the Company, who has more than 10 years' experience in accounting, financial management, credit and risk control and there are 5 staff members employed by the Group for the operation of the advancing business. The Company will also allocate more resources to recruit more staff for the operation of the advancing business. The Board considers that with additional injection of new funding to the advancing business, the Company will be able to attract new borrowers, build up customer base and have sufficient capital for potential loans.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders (excluding those Rights Shares to be provisionally allotted to Ng Concert Party Group for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the paragraph headed "Irrevocable Undertaking" in this circular) or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the



## LETTER FROM THE BOARD

Company and the size of the Rights Issue will be reduced accordingly. There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. Announcement of results of the Rights Issue is scheduled to be made by the Company on Wednesday, 13 January 2021. If the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue will be applied by the Company in the following order of priority:

- (i) for repayment of overdue external debts of the Group;
- (ii) for repayment of the shareholder's loan owing by the Company to Mr. Ng;
- (iii) for repayment of the overdue Convertible Bonds;
- (iv) for additional capital for the trading of party products business of the Group;
- (v) for additional liquid capital for the securities brokerage and assets management business, the licensed activities of which were suspended due to insufficient liquid capital under the SFO;
- (vi) as additional capital for the advancing business of the Group; and
- (vii) for general working capital of the Group.

Further details of the use of proceeds which will be made by the Company in the announcement of results of the Rights Issue.

### LISTING RULES IMPLICATIONS

As none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholders would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

In accordance with Rule 7.19(A) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the minority Shareholders at the EGM by way of poll. Pursuant to Rule 7.27(A)(1) of the Listing Rules, where minority Shareholders' approval is required for a rights issue under Rule 7.19A of the Listing Rules, the rights issue must be made conditional on approval by shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, directors (excluding independent non-executive directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. As the Company has no controlling shareholder, Mr. Ng, being an executive Director and his associates including Neo Tech Inc. shall abstain from voting in favour of the resolution relating to the Rights Issue at the EGM. Mr. Ng and his associates including Neo Tech Inc. have not indicated to the Company of their intention to vote against the resolution relating to the Rights Issue at the EGM.

## **LETTER FROM THE BOARD**

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

As at the Latest Practicable Date, the Subscriber, Neo Tech Inc., has been a substantial Shareholder (as defined under the Listing Rules) and therefore a connected person of the Company. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction on the part of the Company under the Listing Rules and the Subscription Agreement and the transactions contemplated thereunder is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Ng, Neo Tech Inc. and their respective concert parties and associates shall abstain from voting of the resolution relating to the Subscription Agreement and the transactions contemplated thereunder at the EGM. In addition, as the Subscription Agreement and the transactions contemplated thereunder are the underlying transactions of the Whitewash Waiver, pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code, the resolution(s) proposed to be voted at the EGM in relation to the Subscription Agreement and the transactions contemplated thereunder shall be approved by more than 50% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM.

### **INTENTIONS OF THE SUBSCRIBER REGARDING THE GROUP**

As at the Latest Practicable Date, the Subscriber intends to continue the existing business including but not limited to the trading of party products business, the securities brokerage and assets management business and advancing business of the Group and the continued employment of the employees of the Group and save for the Subscription, does not intend to introduce any major changes to the existing operation and business of the Company or redeployment of any of the fixed assets of the Group other than in the ordinary course of business. The Subscriber considers that the proceeds of the Subscription will help the Company repay its outstanding liabilities and develop its businesses including but not limited to the trading of party products business, the securities brokerage and assets management business and advancing business of the Group in the long-term. In view of the above, the Board considers that the terms of the Subscription are fair and reasonable and are in the interests of the Company and the Shareholder as a whole.

### **WHITEWASH WAIVER**

As at the Latest Practicable Date, Ng Concert Party Group has been interested in 265,980,000 Shares, representing approximately 19.8% of the total number of the existing issued Shares. As a result of the Irrevocable Undertaking and immediately after completion of the Rights Issue and the Subscription, assuming (i) there is no other change in the shareholding structure of the Company before the completion of the Rights Issue and the Subscription; and (ii) not all the Qualifying Shareholders (other than Ng Concert Party Group subject to the Irrevocable Undertaking) have taken up the entitled Rights Shares and none of the Rights Shares are placed to independent placees under the Compensatory Arrangements, the interests of Ng Concert Party Group in the voting rights of the Company may increase from approximately 19.8% to approximately 75%. Accordingly, Ng Concert Party Group would be

## LETTER FROM THE BOARD

obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Ng Concert Party Group pursuant to Rule 26.1 of the Takeovers Code as such increase will have the effect of increasing Ng Concert Party Group's holding of voting rights of the Company to 30% or more, unless the Whitewash Waiver is obtained from the Executive. If the Whitewash Waiver is obtained from the Executive, the maximum potential holding of voting rights by Ng Concert Party Group will exceed 50% of the voting rights of the Company and Ng Concert Party Group may increase their holding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer.

An application to the Executive for the Whitewash Waiver has been made by Ng Concert Party Group. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. Only the Independent Shareholders are entitled to vote at the EGM in respect of the resolution(s) in relation to the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver. The resolution(s) proposed to be voted at the EGM in relation to the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder shall be approved by more than 50% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM. The resolution(s) proposed to be voted at the EGM in relation to the Whitewash Waiver shall be approved by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM. The Rights Issue will not proceed if the Share Consolidation is not approved by the Shareholders at the EGM or the Whitewash Waiver is not granted by the Executive or the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are not approved by the Independent Shareholders at the EGM.

If the Rights Issue, the Placing, and the Subscription and the Whitewash Waiver are approved by the Independent Shareholders at the EGM, Ng Concert Party Group's aggregate shareholding interests in the Company can end up in the range between approximately 19.72% to 75% of the total enlarged issued share capital of the Company immediately after completion of the Rights Issue and the Subscription.

As at the Latest Practicable Date, the Company has not believed that the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Whitewash Waiver and the Subscription Agreement give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking and the Subscription Agreement do not comply with other applicable rules and regulations. The Executive has indicated that they agreed to grant the Whitewash Waiver subject to, among others, approval by the Independent Shareholders in accordance with Note 1 on Dispensations from Rule 26 of the Takeovers Code at the EGM.

## LETTER FROM THE BOARD

The Share Consolidation, the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder are subject to the satisfaction (or, if applicable, waiver) of a number of conditions as set out in this letter from the Board and, accordingly, the Share Consolidation, the Rights Issue, the Placing and the Subscription Agreement may or may not proceed. The issue of this circular does not in any way imply that the Share Consolidation, the Rights Issue, the Placing and the Subscription Agreement will be implemented or completed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

### INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, (i) the Company has no shareholding interest in Neo Tech Inc. and did not deal in the shares of Neo Tech Inc. during the Relevant Period; and (ii) Mr. Ng, who is the chairman of the Board and an executive Director, is interested in 265,980,000 Shares, representing approximately 19.8% of the issued share capital of the Company and Mr. Ng wholly and beneficially owns 100% shareholding interest in Neo Tech Inc..

Each of Mr. Ng and the parties acting in concert with him has confirmed that save for the Rights Issue, the Irrevocable Undertaking, the Placing and the Subscription, neither he nor any persons acting in concert with him:

- (a) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of the Announcement and ending on the Latest Practicable Date;
- (b) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company other than the Neo CB;
- (c) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and of Neo Tech Inc. and which might be material to the transactions contemplated under the Rights Issue, the Placing, the Irrevocable Undertaking and the Subscription Agreement and/or the Whitewash Waiver;
- (d) apart from the consideration for the Rights Shares, has any other consideration, compensation or benefit in whatever form paid or to be paid by Mr. Ng or any parties acting in concert with him to the Company or any party acting in concert with the Company in connection with the sale and purchase of the Rights Shares;
- (e) has any understanding, arrangement, agreement or special deal between Mr. Ng or any party acting in concert with him on the one hand and the Company and any party acting in concert with it on the other hand;

## LETTER FROM THE BOARD

- (f) has any understanding, arrangement, agreement or special deal between any Shareholders and (i) Mr. Ng and any persons acting in concert with him or (ii) the Company, its subsidiaries or associated companies;
- (g) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolutions approving the transactions contemplated under the Rights Issue, the Placing and the Subscription Agreement and/or the Whitewash Waiver;
- (h) has any agreements or arrangements to which Mr. Ng or any persons acting in concert with him is a party which relate to the circumstances in which he or any persons acting in concert with him may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Rights Issue, the Placing, the Irrevocable Undertaking and the Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable); and
- (i) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

### GENERAL

The register of members of the Company will be closed from Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other thing, the Share Consolidation, the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver.

By reason of the requirements of the Takeovers Code and the Listing Rules, Ng Concert Party Group and parties acting in concert with them and their respective associates, who are interested in 265,980,000 Shares (representing approximately 19.8% of the existing issued share capital of the Company) as at the Latest Practicable Date, and any other Shareholders who are involved or interested in the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolution(s) approving the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver.

Save for the aforesaid, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, no other Shareholder is required to abstain from voting in respect of the resolutions to consider and approve the Rights Issue, the Placing, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

The Prospectus Documents setting out details of the Rights Issue will be despatched to the Qualifying Shareholders on Friday, 11 December 2020. The Prospectus (without the PAL) and a letter to the Non-Qualifying Shareholders (if any) explaining the circumstances in which they are not permitted to participate in the Rights Issue will be despatched to the Non-Qualifying Shareholders (if any) for their information only.

## **LETTER FROM THE BOARD**

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

The Shares will be dealt on an ex-rights basis from Wednesday, 2 December 2020. Dealings in the nil-paid rights are expected to take place from Tuesday, 15 December 2020 to Tuesday, 22 December 2020 (both days inclusive). If the conditions of the Rights Issue (please refer to the paragraph headed “Conditions of the Rights Issue” in this letter from the Board) are not fulfilled, the Rights Issue will not proceed.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

Any person who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

### **EGM**

A notice convening the EGM to be held at 19/F., One Hennessy, 1 Hennessy Road, Wanchai, Hong Kong on 27 November 2020 at 12:00 noon at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the Share Consolidation, the Rights Issue, the Placing and the Subscription Agreement and a special resolution will be proposed to consider and, if thought fit, to approve the Whitewash Waiver, is set out on pages EGM-1 to EGM-6 of this circular. Only the Independent Shareholders will be entitled to vote on the resolutions to approve the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver at the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon in any event no later than 25 November 2020 at 12:00 noon (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

In compliance with the Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 23 November 2020 to Friday, 27 November 2020 (both days inclusive) for determining the entitlement for attendance and voting at the EGM. The register of members of the Company will be closed from Friday, 4 December 2020 to Thursday, 10 December 2020 (both days inclusive) for determining the entitlement to the Rights Issue. No transfer of Shares will be registered during the above book closure periods.

## **LETTER FROM THE BOARD**

### **ESTABLISHMENT OF THE CONNECTED TRANSACTION INDEPENDENT BOARD COMMITTEE AND THE WHITEWASH INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER**

The Company has established the Connected Transaction Independent Board Committee, comprising all the independent non-executive Directors (namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong), to advise the Independent Shareholders in respect of the fairness and reasonableness of the Subscription Agreement and the transactions contemplated thereunder, and as to the voting action therefor, after taking into account the recommendations of the Independent Financial Adviser.

The Company has established the Whitewash Independent Board Committee, comprising all non-executive Directors (namely Mr. Huang Shao Long, Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong), to advise the Independent Shareholders in respect of the fairness and reasonableness of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver, and as to the voting action therefor, after taking into account the recommendations of the Independent Financial Adviser.

With the approval of the Connected Transaction Independent Board Committee and Whitewash Independent Board Committee, Rainbow Capital (HK) Limited has been appointed as the Independent Financial Adviser to advise the Connected Transaction Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders in the same regard.

### **RECOMMENDATION**

All Directors consider the Share Consolidation to be proposed at the EGM is in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the proposed ordinary resolution to approve the Share Consolidation at the EGM.

The Connected Transaction Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong, has been established to consider, and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement.

The Whitewash Independent Board Committee comprising all the non-executive Directors, namely Mr. Huang Shao Long, Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong, has been established to consider, and to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver.

The Connected Transaction Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Connected Transaction Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreement to be proposed at the EGM.

## LETTER FROM THE BOARD

The Whitewash Independent Board Committee, having considered the advice from the Independent Financial Adviser, considers that the terms of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Whitewash Independent Board Committee has recommended the Independent Shareholders to vote in favour of the resolutions in respect of the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver to be proposed at the EGM.

The Directors (including the non-executive Director and independent non-executive Directors but other than Mr. Ng Yu, who is interested in the Subscriber and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription) consider the terms of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including all of the non-executive Director and independent non-executive Directors but other than Mr. Ng Yu, who is interested in the Subscriber and was required to abstain from voting on the relevant Board resolution(s) approving the Subscription Agreement by virtue of him having a material interest in the Subscription) recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Amber Hill Financial Holdings Limited**  
**Ng Yu**  
*Chairman and Executive Director*





**AMBER HILL FINANCIAL HOLDINGS LIMITED**

**安山金控股份有限公司**

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

**(Stock Code: 33)**

4 November 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**CONNECTED TRANSACTION IN RELATION TO  
THE SUBSCRIPTION AGREEMENT**

We refer to the circular of the Company dated 4 November 2020 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Connected Transaction Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Details of the Subscription Agreement are set out in the “Letter from the Board” on pages 13 to 52 of the Circular.

The Independent Financial Adviser has been appointed to advise us and Independent Shareholders in respect of the terms of the Subscription Agreement. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 57 to 113 of the Circular.

Having considered the terms of the Subscription Agreement, taking into account the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the entering into of the Subscribing Agreement, while not in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

**LETTER FROM THE CONNECTED TRANSACTION INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
The Connected Transaction Independent Board Committee

**Mr. Anthony Espina**      **Mr. Wang Jun Sheng**      **Mr. Lo Hang Fong**  
*Independent non-executive Directors*

**Amber Hill Financial Holdings Limited**



**AMBER HILL FINANCIAL HOLDINGS LIMITED**

**安山金控股份有限公司**

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

**(Stock Code: 33)**

4 November 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3)  
RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE  
HELD ON THE RECORD DATE;  
CONNECTED TRANSACTION IN RELATION TO  
THE SUBSCRIPTION AGREEMENT AND APPLICATION  
FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 4 November 2020 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Whitewash Independent Board Committee, to advise the Independent Shareholders as to whether, in our opinion, the terms of the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Details of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver are set out in the “Letter from the Board” on pages 13 to 52 of the Circular.

The Independent Financial Adviser has been appointed to advise us and Independent Shareholders in respect of the terms of the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver. Details of its advice, together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 57 to 113 of the Circular.

Having considered the terms of the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver, taking into account the information contained in the Circular and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue, the Placing, the Subscription Agreement and the

**LETTER FROM THE WHITEWASH INDEPENDENT BOARD COMMITTEE**

Whitewash Waiver are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue, the Placing, the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
The Whitewash Independent Board Committee

**Mr. Huang Shao Long   Mr. Anthony Espina   Mr. Wang Jun Sheng   Mr. Lo Hang Fong**  
*Non-executive Directors*

**Amber Hill Financial Holdings Limited**

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of a letter of advice from Rainbow Capital, the independent financial adviser to the Whitewash Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver, which has been prepared for the purpose of incorporation in this circular.*

### **Rainbow Capital (HK) Limited**

4 November 2020

*To: the Whitewash Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders*

Amber Hill Financial Holdings Limited  
Room A, 5/F  
Chunghing Commercial Building  
62–63 Connaught Road Central  
Central  
Hong Kong

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY ONE (1)  
CONSOLIDATED SHARE HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTION IN RELATION TO  
THE SUBSCRIPTION AGREEMENT; AND  
(III) APPLICATION FOR WHITEWASH WAIVER**

### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to the Whitewash Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver, details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 4 November 2020 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Subject to, among other conditions, the approval by the Independent Shareholders at the EGM, the Board proposed to raise a gross proceeds of up to (i) approximately HK\$286 million by way of a rights issue of 402,933,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date); or (ii) approximately HK\$287 million by way of a rights issue of 404,733,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and conversion of the Other CB), at the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Subscription Price of HK\$0.71 per Rights Share on the basis of three (3) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be available to Non-Qualifying Shareholders. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent, an Independent Third Party, to independent placees on a best effort basis pursuant to the Placing Agreement entered into between the Company and the Placing Agent on 11 September 2020 in compliance with Rule 7.21(1)(b) of the Listing Rules.

Pursuant to the Irrevocable Undertaking, (i) Ng Concert Party Group has undertaken to the Company that they will subscribe for 79,794,000 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of 26,598,000 Consolidated Shares beneficially held by them (upon completion of the Share Consolidation) provided that the total number of the Rights Shares to be subscribed by Ng Concert Party Group under the Rights Issue will be scaled down to the extent that their aggregate percentage shareholding in the Company will be not more than 34.99% immediately after completion of the Rights Issue (exceeding which the SFC Approval would be required); (ii) they will not dispose of 265,980,000 Existing Shares or 26,598,000 Consolidated Shares (upon completion of the Share Consolidation) owned by Ng Concert Party Group and such Existing Shares or Consolidated Shares will remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier; and (iii) Neo Tech Inc. will not dispose of or exercise any conversion rights attached to the Neo CB and such Neo CB will remain beneficially owned by it up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Pursuant to the Subscription Agreement dated 31 July 2020, the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for the Subscription Shares which will be equivalent to the number of the Unsold Rights Shares, subject to the minimum 25% public float requirement under the Listing Rules (the “**Public Float Requirement**”), such that immediately after completion of the Subscription, Ng Concert Party Group would not hold more than 75% of the issued share capital of the Company. Through the Subscription, the Company would be able to raise as much proceeds as originally contemplated under the Rights Issue in the event that there are Unsold Rights Shares which have not been placed to placees by the Placing Agent under the Placing Agreement.

As the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the minority Shareholders at the EGM by way of poll in accordance with Rule 7.19(A) of the Listing Rules. Pursuant to Rule 7.27(A)(1) of the Listing Rules, since there is no controlling Shareholder, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which the Directors (excluding independent non-executive Directors) and the chief executive of the issuer and their respective associates shall abstain from voting in favour. Accordingly, Mr. Ng, being the chairman of the Board and an executive Director and his associates including Neo Tech Inc. shall abstain from voting in favour of the resolution relating to the Rights Issue at the EGM.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Subscriber, Neo Tech Inc., was a substantial Shareholder (as defined under the Listing Rules) and therefore a connected person of the Company. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company, which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Ng, Neo Tech Inc. and their associates shall abstain from voting in favour of the resolution relating to the Subscription Agreement and the transactions contemplated thereunder at the EGM.

As at the Latest Practicable Date, Ng Concert Party Group was interested in 265,980,000 Shares, representing approximately 19.8% of the issued share capital of the Company. As a result of the Irrevocable Undertaking and immediately after completion of the Rights Issue and the Subscription, assuming (i) there is no other change in the shareholding structure of the Company before completion of the Rights Issue and the Subscription; and (ii) not all the Qualifying Shareholders (other than Ng Concert Party Group) have taken up the entitled Rights Shares and none of the Rights Shares are placed to independent placees under the Compensatory Arrangements, the interests of Ng Concert Party Group in the voting rights of the Company may increase from approximately 19.8% to approximately 75%. Accordingly, Ng Concert Party Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Ng Concert Party Group pursuant to Rule 26.1 of the Takeovers Code as such increase will have the effect of increasing Ng Concert Party Group's holding of voting rights of the Company to 30% or more, unless the Whitewash Waiver is obtained from the Executive.

An application has been made by Ng Concert Party Group to the Executive for the Whitewash Waiver in respect of the Rights Issue, Irrevocable Undertaking and the Subscription Agreement. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Whitewash Waiver by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM. The resolution(s) proposed to be voted at the EGM in relation to the Rights Issue, the Placing Agreement and the Subscription Agreement shall be approved by more than 50% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM. Ng Concert Party Group and their respective associates or concert parties and any other Shareholders who are involved in or interested in the Rights Issue, the Placing Agreement, the Irrevocable Undertaking, the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM of the resolution(s) approving the Rights Issue, the Placing Agreement, the Subscription Agreement and the Whitewash Waiver.

The Whitewash Independent Board Committee comprising the non-executive Directors has been established to advise the Independent Shareholders and make recommendation on whether the terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver are fair and reasonable and as to voting. The Connected Transaction Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Subscription Agreement. We, Rainbow Capital, have been appointed as the Independent

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial Adviser to advise the Whitewash Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, Ng Concert Party Group, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. We have acted as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the proposed refreshment of general mandate, details of which are set out in the circular of the Company dated 15 June 2020. Other than that, there was no engagement or connection between the Group or Ng Concert Party Group on one hand and us on the other hand in the last two years. Apart from normal professional fees paid or payable to us in connection with this engagement, no other arrangement exists whereby we will receive any fees or benefits from the Company, Ng Concert Party Group, their respective substantial shareholders and financial or other professional advisers, or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we are considered eligible to give an independent advice to the Whitewash Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders.

### **BASIS OF OUR OPINION**

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Directors and the management of the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the Latest Practicable Date.

The Independent Shareholders will be informed by the Company and us as soon as practicable if there is any material change to the information disclosed in the Circular prior to the EGM, in which case we will consider whether it is necessary to revise our opinion and inform the Whitewash Independent Board Committee, the Connected Transaction Independent Board Committee and the Independent Shareholders accordingly.



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or their respective substantial shareholders, subsidiaries or associates.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

#### 1. Background of the Group

As stated in the Letter from the Board, the Group is principally engaged in securities brokerage and assets management, trading of party products, advancing business, credit guarantee and investment business, trading of metals and minerals and provision of security products and services. However, as a result of the Deconsolidation (as defined below) and the cessation of control over and disposal of certain subsidiaries, the Group will no longer carry out credit guarantee and investment business and provision of security products and services (the “**Discontinued Businesses**”). Set out below is a table of the revenue contribution of each business segments for the three years ended 31 December 2019:

	<b>For the year ended 31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
— Securities brokerage and assets management	0.54%	1.81%	0.93%
— Trading of party products	30.20%	76.90%	34.68%
— Advancing business	8.85%	18.70%	7.31%
— Credit guarantee and investment business	—	0.32%	0.88%
— Trading of metals and minerals	—	—	56.20%
— Trading of security products and provision of security services	60.41%	2.27%	—

#### *Securities brokerage and assets management*

Revenue generated from the securities brokerage and assets management accounted for approximately 0.93%, 1.81% and 0.54% for the year ended 2017, 2018 and 2019, respectively. Although such business did not contribute a large part of the revenue for the three years ended 31 December 2019, it is one of the core businesses which are still under the control of the Group, the market outlook of

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

which are set out in the sub-section headed “(v) Outlook” below. The Company will apply approximately HK\$15 million of the net proceeds from the Rights Issue to strengthen the liquid capital and support the development of such business, details of which are set out in the section headed “2. Use of proceeds from the Rights Issue”.

### *Trading of party products*

The trading of party products of the Group includes party accessories, decorations, cutlery and eatery wares from suppliers. Revenue generated from such business accounted for approximately 34.68%, 76.90% and 30.20% for the three years ended 31 December 2019. Considering it is one of the core businesses which are still under the control of the Group and it contribute a large part of revenue for the three years ended 31 December 2019, the Company will apply approximately HK\$30 million of the net proceeds from the Rights Issue to support the development of such business, details of which are set out in the section headed “2. Use of proceeds from the Rights Issue”.

### *Advancing business*

Revenue generated from such business accounted for approximately 7.31%, 18.70% and 8.85% for the three years ended 31 December 2019. Considering it is one of the core businesses which are still under the control of the Group, the Company will apply approximately HK\$15 million of the net proceeds from the Rights Issue to support the development of such business, details of which are set out in the section headed “2. Use of proceeds from the Rights Issue”.

### *Credit guarantee and investment business*

The Group had been generating minimal revenue from the credit guarantee and investment business. The revenue generated from such business accounted for approximately 0.88% and 0.32% for the year ended 31 December 2017 and 2018, respectively. The asset size of this business segment accounted for 15.7% and 4.8% of the Group’s total assets as at 31 December 2017 and 2018, respectively. However, since the beginning of 2020, the management of the operating subsidiaries engaged in credit guarantee and investment business, namely 和協海峽融資擔保有限公司 (Harmonic Strait Credit Guarantee Co., Ltd.), 深圳瀚宏供應鏈管理有限公司 (Shenzhen Hanhong SCM Co., Ltd.) and 深圳薩尼威國際貿易有限公司 (Shenzhen Sunnyway International Trade Company Limited) (collectively, the “**Deconsolidated Subsidiaries**”), had been intentionally disobeying and neglecting the order and authority of the new management of the Company appointed since December 2019 (the “**New Management**”) which comprises all the current executive Directors. As a result of failure to obtain any books and records of Deconsolidated Subsidiaries, due to the non-cooperation of the management of the Deconsolidated Subsidiaries, the Group no longer had control over the Deconsolidated Subsidiaries and the results of the Deconsolidated Subsidiaries were deconsolidated from the financial statements of the Group since 1 January 2019 (the “**Deconsolidation**”). The Company also noted that the license necessary for the operation of the credit guarantee and investment business in the PRC was terminated in February 2020. As advised by the Company,

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

as at the Latest Practicable Date, the Group has sought opinion from its legal advisers as to the PRC laws and has engaged the qualified PRC lawyers (the “**PRC Lawyer**”) with regard to the initiation of civil actions. As at the Latest Practicable Date, the PRC Lawyer is working on the preparation work on the dispute with an aim to regain control over and obtain the books and records of the Deconsolidated Subsidiaries. Although the Group has no intention to resume the credit guarantee and investment business as it is no longer part of the business development plan of the New Management, the Group is in the process of regaining control over the Deconsolidated Subsidiaries to recover any valuable asset. As advised by the Directors, material assets of the Deconsolidated Subsidiaries are expected to include certain level of cash and securities for the provision of credit guarantee business.

As disclosed in the annual report of the Company for the year ended 31 December 2019, neither the Company nor the auditors can get access to the books and records of the Deconsolidated Subsidiaries for the year ended 31 December 2019. Due to the lack of complete books and records of the Deconsolidated Subsidiaries, we are unable to appraise the latest financial performance and financial position of the Deconsolidated Subsidiaries which could materially affect the financial position and financial performance of the Group had the Deconsolidated Subsidiaries been consolidated up to 30 June 2020.

### *Trading of metals and minerals*

Revenue generated from the trading of metals and minerals accounted for approximately 56.20%, nil and nil for the year ended 31 December 2017, 2018 and 2019, respectively. As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Group’s trading of metals and minerals was suspended after departure of the former management in 2019.

### *Trading of security products and provision of security services*

The revenue generated from trading of security products and provision of security services accounted for approximately nil, 2.27% and 60.41% for the three years ended 31 December 2019, respectively. For the reasons for the substantial increase in the revenue contribution in 2019, please refer to the sub-section headed “(i) Financial performance” below.

In December 2018, the Group acquired Dewe Kexin (Beijing) Technology Co., Ltd. (“**Dewe Kexin**”) and International Security Net Co., Limited (“**International Security Net**”) (the “**Acquisition**”) at a total consideration of approximately HK\$70 million, which were principally engaged in trading of security products and provision of security services, respectively. The vendors to the Acquisition provided profit guarantees (the “**Profit Guarantee(s)**”) in respect of Dewe Kexin and International Security Net for the three years ending 31 December 2020. Pursuant to a loan agreement entered into between a subsidiary of the Company as borrower and an independent third party as lender, a share pledge over the Group’s 51% equity interest in Dewe Kexin created as security for a loan in principal amount of RMB5,000,000 was registered, which was subsequently enforced on 17 February

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2020. As a result, the Group ceased to own any interest in Dewe Kexin and ceased to carry out the business of trading of security products. In June 2020, it was determined that the Profit Guarantee for the year ended 31 December 2019 was not fulfilled and that for the year ending 31 December 2020 was terminated due to cessation of control over Dewe Kexin, with cancellation of the corresponding convertible bonds issued by the Company as the consideration for the Acquisition. Subsequent to the disposal of the entire issued share capital of International Security Net pursuant to the relevant sales and purchase agreement entered into in June 2020 due to the unsatisfactory financial performance of the company, the Group will no longer carry out the business of provision of security services. The total loss arising from the aforesaid cessation of control over Dewe Kexin, non-fulfillment and termination of the Profit Guarantees and disposal of International Security Net amounted to approximately HK\$15.6 million for the six months ended 30 June 2020.

Set out below is a summary of (i) the consolidated financial information of the Group for the two years ended 31 December 2019 (“**FY2018**” and “**FY2019**”, respectively) and the six months ended 30 June 2019 and 2020 (“**2019 H1**” and “**2020 H1**”, respectively); and (ii) the disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2019, which has possible impact on the net liabilities and net loss position of the Group for FY2019, as extracted from the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”):

(i) *Financial performance*

	For the six months ended 30 June		For the year ended 31 December	
	2020	2019	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
<b>Revenue</b>	24,914	74,248	135,613	66,933
— Securities brokerage and assets management	15,074	354	726	1,211
— Sales of party products	9,311	15,758	40,965	51,479
— Advancing business	—	6,088	12,001	12,514
— Credit guarantee service and investment income	—	—	—	212
— Sales of security products and provision of security services	529	52,048	81,921	1,517
Cost of sales and services	(10,484)	(64,671)	(105,104)	(50,556)
<b>Gross profit</b>	14,430	9,577	30,509	16,377
<b>Profit/(Loss) from operations</b>	(3,355)	(19,181)	12,451	(80,101)
Finance costs	(7,449)	(5,556)	(15,684)	(7,428)
Other non-operating expenses	(16,269)	—	(112,303)	(10,070)
Impairment losses	(10,350)	(2,955)	(268,290)	(5,300)
<b>Loss before tax</b>	(37,423)	(26,325)	(383,826)	(102,899)
Income tax credit/(expense)	—	291	428	(432)
Loss attributable to the Shareholders	<u>(37,423)</u>	<u>(26,233)</u>	<u>(380,376)</u>	<u>(103,031)</u>

(a) *FY2019 compared to FY2018*

Revenue of the Group increased by approximately 102.6% to approximately HK\$135.6 million in FY2019 from approximately HK\$66.9 million in FY2018, primarily attributable to revenue contribution from trading of security products and provision of security services which were acquired by the Company in December 2018. The Group will no longer carry out the businesses of trading of security products and provision of security services as a result of the enforcement of share pledge over Dewe Kexin in February 2020 and the disposal of International Security Net to be completed in second half of 2020, respectively.

Revenue generated from securities brokerage and assets management decreased from approximately HK\$1.2 million in FY2018 to approximately HK\$0.7 million in FY2019 as a result of the suspension of relevant SFC

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licenses in the second half of 2019 due to shortage of fund and failure to meet the liquid capital requirement under the Hong Kong Securities and Futures (Financial Resources) Rules. As at the Latest Practicable Date, the relevant licenses remained under suspension, but the liquid capital has been restored to a level which satisfies the minimum statutory requirements. The Group has applied to the SFC for resumption of relevant licenses. It is expected that the licenses for asset management and securities brokerage will be resumed in the second half of 2020 and the first half of 2021, respectively, as stated in the 2020 Interim Report. As at the Latest Practicable Date, such licenses have not been resumed.

The decrease in sales of party products by approximately 20.4% from approximately HK\$51.5 million in FY2018 to approximately HK\$41.0 million in FY2019 was mainly attributable to the keen competition in the industry and the continuous decrease in demand for party products in recent years. Taking into account (i) sales of party products account for a large part of revenue of the Group (i.e. more than 30%) for FY2018, FY2019 and 2020 H1, being one of the core businesses of the Group; and (ii) deterioration of the performance of such core business caused by the keen competition is expected to cast doubt about the ability of the Group to continue as a going concern, we consider that part of the net proceeds from the Rights Issue in the amount of approximately HK\$30 million will provide immediate liquid capital and support to the development of the trading of party products business of the Group in face of the current hardship.

As regards the advancing business, no new loan was granted in 2019 and the loan portfolio remained the same as that in 2018. The interest receivables and loan receivables were fully impaired at the end of the 2019.

Gross profit increased by approximately 86.3% from approximately HK\$16.4 million in FY2018 to approximately HK\$30.5 million in FY2019, which was in line with the increase in revenue.

The Group turned from a loss from operations of approximately HK\$80.1 million in FY2018 to a profit from operations of approximately HK\$12.5 million in FY2019, primarily attributable to (1) the increase in revenue as mentioned above and therefore gross profit; (2) the decrease in realised loss on disposal of trading securities; and (3) the fair value gain on contingent consideration receivables of approximately HK\$54.5 million in FY2019 arising from the Profit Guarantees.

The increase in finance costs from approximately HK\$7.4 million in FY2018 to approximately HK\$15.7 million in FY2019 was mainly due to the interest on the Convertible Bonds matured in 2020.

Loss attributable to the Shareholders increased significantly from approximately HK\$103.0 million in FY2018 to approximately HK\$380.4 million in FY2019, primarily attributable to (1) the loss on Deconsolidation of

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approximately HK\$120.2 million included in other non-operating expenses in FY2019; (2) the impairment loss on goodwill and intangible assets in relation to, among others, licenses for Type 1, 4 and 9 regulated activities, money lending license and software licenses of approximately HK\$71.9 million in FY2019; (3) the impairment loss on interest in an Associate of approximately HK\$46.4 million in FY2019; and (4) impairment loss on loan receivables, trade receivables, deposit paid and other receivables of approximately HK\$147.7 million in FY2019 as the New Management of the Group considered that the collectability was doubtful, which was partially offset by the increase in profit from operations.

As disclosed in the 2019 Annual Report, the outbreak of the novel coronavirus has resulted in a material adverse impact on the Group's business due to the worsened economic atmosphere in the PRC and globally, and such downtrend is expected to continue in the first quarter or even in the first half of 2020.

### *(b) 2020 H1 compared to 2019 H1*

Revenue of the Group decreased by approximately 66.4% to approximately HK\$24.9 million in 2020 H1 from approximately HK\$74.2 million in 2019 H1. This was primarily attributable to (1) the decrease in sales of party products affected by the outbreak of the novel coronavirus; (2) the slowdown of the advancing business as the Group maintained its conservative approach given the uncertain economic conditions; and (3) the cessation of trading of security products in February 2020, which was partially offset by the increase in revenue from provision of securities brokerage and assets management services.

Notwithstanding the significant decrease in revenue, gross profit increased from approximately HK\$9.6 million in 2019 H1 to approximately HK\$14.4 million in 2020 H1, mainly due to the increase in revenue from provision of securities brokerage and assets management services.

The decrease in loss from operations from approximately HK\$19.2 million in 2019 H1 to approximately HK\$3.4 million in 2020 H1 was mainly due to the increase in gross profit and the decrease in operating expenses which was in line with the decrease in revenue.

Loss attributable to the Shareholders increased by approximately 42.7% from approximately HK\$26.2 million in 2019 H1 to approximately HK\$37.4 million in 2020 H1, mainly attributable to (1) a loss of approximately HK\$15.6 million included in other non-operating expenses arising from (i) cessation of control over Dewe Kexin in February 2020; (ii) non-fulfillment and termination of the Profit Guarantees and cancellation of the corresponding convertible bonds issued by the Company as the consideration for the Acquisition; and (iii) expected loss on disposal of International Security Net and other receivables;

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and (2) the impairment loss on certain legacy long outstanding prepayment, deposits and other receivables of approximately HK\$10.4 million in 2020 H1, which was partially offset by the increase in gross profit.

### (ii) *Financial position*

	<b>As at 30 June 2020</b>	<b>As at 31 December 2019</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets, including:	17,629	64,073	224,273
— Property, plant and equipment	16,643	17,180	24,816
Current assets, including:	112,203	86,949	298,006
— Trade receivables	22,859	18,654	19,185
— Prepayments, deposits and other receivables	18,464	26,577	136,437
— Contingent consideration receivables	49,693	26,110	—
— Cash and cash equivalents	19,491	13,525	22,910
<b>Total assets</b>	<b>129,832</b>	<b>151,022</b>	<b>522,279</b>
Non-current liabilities, including:	—	55,687	52,350
— Convertible bonds	—	52,890	45,600
Current liabilities	259,467	196,653	177,311
— Trade payables	2,907	7,764	6,483
— Accruals and other payables	28,189	43,304	57,272
— Lease liabilities	356	5,976	—
— Other loan	69,792	13,000	13,000
— Shareholder's loan	38,500	—	—
— Convertible bonds	111,256	108,601	99,095
— Amount due to a deconsolidated subsidiary	8,467	8,467	—
— Tax payables	—	2,961	1,461
— Provisions	—	6,580	—
<b>Total liabilities</b>	<b>259,467</b>	<b>252,340</b>	<b>229,661</b>
Net current (liabilities)/assets	(147,264)	(109,704)	120,695
Current ratio	0.43	0.44	1.68
<b>Net (liabilities)/assets attributable to the Shareholders</b>	<b>(129,565)</b>	<b>(110,147)</b>	<b>265,920</b>
Gearing ratio ( <i>Note</i> )	154.1%	106.6%	25.8%

*Note:* Being the sum of convertible bonds, shareholder's loan and other loan less cash and cash equivalents and divided by total assets.

The analysis set out below is based on the disclosure in the 2019 Annual Report and the 2020 Interim Report, in which the Auditors expressed the Disclaimer of Opinion for FY2019. Although the Disclaimer of Opinion would have a material impact of the Group's financial position, we consider that it will not affect our assessment on the use of proceeds from the Rights Issue as well as the fairness and



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reasonableness of the terms of the Rights Issue for the reasons set out in the section headed “1. Background of the Group — (iii) Disclaimer of opinion for FY2019” above.

Total assets of the Group decreased significantly by approximately 75.1% from approximately HK\$522.3 million as at 31 December 2018 to approximately HK\$129.8 million as at 30 June 2020, primarily attributable to (a) the deconsolidation of the operating subsidiaries engaged in credit guarantee and investment business in FY2019; (b) the impairment loss on goodwill, intangible assets, interest in an associate, loan receivables, trade receivables, deposit paid and other receivables in FY2019; (c) the deconsolidation of Dewe Kexin in February 2020; and (d) the impairment loss of prepayment, deposits and other receivables in 2020 H1.

As at 30 June 2020, non-current assets mainly consisted of property, plant and equipment of approximately HK\$16.6 million and current assets mainly consisted of trade receivables of approximately HK\$22.9 million, prepayments, deposits and other receivables of approximately HK\$18.5 million, contingent consideration receivables of approximately HK\$49.7 million and cash and cash equivalents of approximately HK\$19.5 million. Contingent consideration receivables represented the Profit Guarantees given by the vendors in relation to the Group’s acquisition of Dewe Kexin and International Security Net in 2018. The Profit Guarantees were unfulfilled and terminated and the corresponding convertible bonds issued by the Company as the consideration for the aforesaid acquisition, which were classified as other loans as at 30 June 2020, would be cancelled. The non-fulfillment and termination of the Profit Guarantees, together with the cancellation of the corresponding convertible bonds issued by the Company, would not have a material adverse impact on the financial position of the Group, given the total loss arising from (i) cessation of control over Dewe Kexin; (ii) expected termination of Profit Guarantees and cancellation of the corresponding convertible bonds; and (iii) expected loss on disposal of International Security Net and other receivables amounted to approximately HK\$15.6 million for the six months ended 30 June 2020, compared with the total assets of the Group of approximately HK\$129.8 million as at 30 June 2020.

As at 30 June 2020, the Group had current liabilities of approximately HK\$259.5 million, among which, the Group had (a) a loan from an Independent Third Party of HK\$13 million which was overdue and unsecured with a fixed interest rate of 5% per annum; (b) a loan from Mr. Ng, a substantial Shareholder, of HK\$38.5 million which was unsecured and repayable on demand with a fixed interest rate of 2.5% per annum; and (c) outstanding convertible bonds of approximately HK\$111.3 million (including both principal and interest thereon) which was overdue and unsecured with a coupon rate of 5% per annum before 18 February 2020, and with interest rates of 10% and 2.5% per annum for the Other CB and the Neo CB respectively from 18 February 2020 up to date of actual repayment.

As at 30 June 2020, the Group had net current liabilities of approximately HK\$147.3 million with a current ratio of approximately 0.43, indicating that the Group may not have sufficient liquid assets to cover its short-term liabilities. The

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Group was in a net liabilities position of approximately HK\$129.6 million with a gearing ratio of approximately 154.1% as at 30 June 2020. Taking into account the net proceeds of approximately HK\$22.96 million raised from the placing of new Shares under general mandate which was completed on 4 August 2020, net current liabilities and net liabilities of the Group as at 30 June 2020 would be reduced to approximately HK\$124.3 million and HK\$106.6 million, respectively. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, as disclosed in the 2020 Interim Report.

### *(iii) Disclaimer of opinion for FY2019*

The auditors of the Company (the “**Auditors**”) have expressed a disclaimer of opinion (the “**Disclaimer of Opinion**”) on the consolidated financial statements of the Group for FY2019, which mainly arose from loss of control of certain PRC subsidiaries as well as limitation of scope on interest in an associate, trading of security products and provision of security services business segment and impairment assessment of loan receivables and trade receivables. For details, please refer to the sections headed “Independent auditor's report” (the “**Audit Report**”) and “Additional information on auditor's opinion” in the 2019 Annual Report, which are summarised as follows:

#### *Deconsolidation of the Deconsolidated Subsidiaries*

As a result of the non-cooperation of the management of the Deconsolidated Subsidiaries, the Board was unable to get access to the books and records of the Deconsolidated Subsidiaries. Therefore, the consolidated financial statements of the Group for FY2019 were prepared on the basis that the deconsolidation of the Deconsolidated Subsidiaries was deemed to be effective on 1 January 2019. The Deconsolidated Subsidiaries are principally engaged in the credit guarantee and investment business.

As disclosed in the Audit Report, no sufficient audit evidence has been provided to satisfy the Auditors as to whether (a) the Company had lost control of the Deconsolidated Subsidiaries since 1 January 2019; and (b) the loss on the Deconsolidation of approximately HK\$120.2 million for FY2019 and the amount due to a deconsolidated subsidiary of approximately HK\$8.5 million as at 31 December 2019 are free from material misstatement. As such, the Deconsolidation was not in compliance with the relevant Hong Kong Financial Reporting Standard and the Auditors cannot ascertain the impact of the Deconsolidation.

Taking into account that (a) the Group was in the process of regaining control over the Deconsolidated Subsidiaries and did not intend to further develop the credit guarantee and investment business as at the Latest Practicable Date; (b) the Group had been generating minimal revenue from the credit guarantee and investment business, amounting to approximately HK\$1.6 million and HK\$212,000 for the two years ended 31 December 2018,

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respectively; (c) none of the proceeds from the Rights Issue will be applied towards the credit guarantee and investment business; (d) the financial performance and condition of the Group as well as the Disclaimer of Opinion have been reflected in the Share prices which we have considered in assessing the fairness and reasonableness of the Subscription Price, details of which are set out in the section headed “5. Assessment of the principal terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking and the Subscription Agreement” below; and (e) the Group’s imminent need for the Rights Issue to develop its existing businesses and to repay its outstanding liabilities which cast doubt on the Group’s ability to continue as a going concern as stated in the 2019 Annual Report and 2020 Interim Report, is unaffected by the Disclaimer of Opinion, we consider that the financial information of the Deconsolidated Subsidiaries are not relevant to assessing the use of proceeds from the Rights Issue as well as the fairness and reasonableness of the terms of the Rights Issue.

### *Limitation of scope on interest in an associate*

As at 31 December 2019, interest in an associate (the “**Associate**”), which represented 21.6% equity interest in Sunrise Insurance Broker Company Limited engaged in provision of insurance brokerage service, amounted to approximately HK\$586,000. The Group’s share of profit of the Associate and impairment loss on interest in the Associate were approximately HK\$5.4 million and HK\$46.4 million for FY2019, respectively.

As stated in the Audit Report, no sufficient audit evidence was available to satisfy the Auditor as to (a) whether the Group’s share of profit of the Associate of approximately HK\$5.4 million and impairment loss on interest in the Associate of approximately HK\$46.4 million for FY2019 and therefore the carrying amount of the interest in the Associate of approximately HK\$586,000 as at 31 December 2019 were fairly stated; and (b) the appropriateness and reasonableness of the impairment assessment on the recoverable amount of interest in the Associate as at 31 December 2019.

As disclosed in the annual report of the Group for the year ended 31 December 2017, the Group acquired 24% of equity interest in the Associate on 30 June 2017, which was diluted to 21.6% in FY2018. The share of loss of the Associate amounted to approximately HK\$3.8 million and HK\$5.0 million for the year ended 31 December 2017 and 2018, respectively. The share of profit of the Associate amounted to approximately HK\$5.4 million and HK\$nil for FY2019 and 2020 H1, respectively. Compared with the revenue of the Group of approximately HK\$135.6 million for FY2019, the share of profit of the Associate of approximately HK\$5.4 million for FY2019 is minimal. As such, we consider that the business engaged by the Associate does not form part of the principal businesses of the Group in terms of the profit contribution and we did not consider the financial information of the Associate in evaluating the terms of the Rights Issue.

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### *Limitation of scope on trading of security products and provision of security services business segment*

After the enforcement of share pledge over Dewe Kexin in February 2020 and the disposal of International Security Net in June 2020, the Board was unable to obtain cooperation from the new management of the trading of security products.

The Audit Report stated that the Auditors were unable to obtain sufficient appropriate audit evidence to determine (a) whether the revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests of trading of security products business were free from material misstatement for FY2019; (b) the reasonableness of the impairment loss of approximately HK\$10.3 million and HK\$40.2 million respectively on the intangible assets and goodwill arising from the trading of security products and provision of security services business segment; and (c) the reasonableness of the independent valuation in determining the fair value of contingent consideration receivables of approximately HK\$60.3 million as at 31 December 2019 arising from the Profit Guarantees.

Taking into account that (a) the Group is no longer engaged in the trading of security products and provision of security services business; (b) the Group incurred segment losses of approximately HK\$651,000, HK\$1.6 million (The Auditors has issued the Disclaimer of Opinion on this number) and HK\$271,000 for its security products and provision of security services business for FY2018, FY2019 and 2020 H1, respectively; and (c) none of the proceeds from the Rights Issue will be applied towards the trading of security products and provision of security services business, we are of the view that the financial information in relation to such business segment are not relevant to assessing the use of proceeds from the Rights Issue as well as the fairness and reasonableness of the terms of the Rights Issue.

### *Limitation of scope on impairment assessment of loan receivables and trade receivables*

As at 31 December 2019, loan receivables and trade receivables of the Group arising from its advancing business amounted to HK\$nil, as impairment loss on legacy loan receivables and trade receivables of approximately HK\$111.1 million and HK\$11.5 million has been provided for FY2019, respectively (collectively, the “**Legacy Receivables**”). The Legacy Receivables comprise principals and interests of 11 loans with expiry dates ranging from 4 April 2018 to 30 December 2019, which were advanced to seven individuals (the “**Borrowers**”) who are Independent Third Parties. Some of the Legacy Receivables were secured by pledged assets or personal guarantees. For the three years ended 31 December 2019 and the six months ended 30 June 2020, impairment losses on loan receivables and trade receivables arising from its advancing business amounted to approximately HK\$nil, HK\$10.2 million,

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HK\$122.6 million and HK\$nil, respectively. Given all 11 loans were made before the appointment of the New Management, the New management did not involve in the risk assessment and approval process of these loans.

As disclosed in 2019 Annual Report, the New Management has assessed the recoverability of the loan portfolio. Taking into account (a) that demand letters have been sent out to the Borrowers in the first half of 2020 and neither reply nor repayment was received from them as at the Latest Practicable Date; (b) the loss of contact of the Borrowers; and (c) the difficulty and uncertainty in enforcing the underlying pledged assets and personal guarantees located in the PRC as advised by the PRC legal advisers taking into account that (1) one of the Borrowers has already filed bankruptcy in the PRC; (2) validity of the personal guarantees were uncertain; and (3) some pledges may require sophisticated and costly legal procedures to realise, we concur with the Directors that the collectability of the Legacy Receivables was doubtful.

As stated in the Audit Report, the Auditors were unable to obtain sufficient appropriate audit evidence regarding the impairment assessments of the outstanding loan receivables and trade receivables.

As disclosed in the section headed “2. Use of proceeds from the Rights Issue” below, among the net proceeds from the Rights Issue, approximately HK\$15 million will be applied as additional capital for the advancing business. Given that (a) as disclosed in the 2019 Annual Report, the New Management will continue to consider new business opportunity in the advancing business with an aim to generate a stable income stream to the Group; (b) improved internal control procedures, which involve clear segregation of duties of risk assessment, loan approval, drawdown arrangement and monitoring, have been contemplated to minimise the Group’s credit risk, particularly the Group’s credit risk assessment will include background due diligence and litigation search of the borrower, evaluation of the borrower’s repayment ability, land and asset search on pledged assets and regular review of the repayment status of the borrower with proper documentation; and (c) as disclosed in the Letter from the Board, the Company will target individual personal loans or mortgage loans as well as corporate and institution borrowers with high credit rating and high-quality collateral to secure such loans, we consider that the additional fund available to the advancing business will strengthen the Group’s capital base for expansion of the advancing business and that internal control measures have been contemplated to minimise the Group’s credit risk and ensure proper documentation. As advised by the Directors, the aforesaid improved internal control procedures and internal control measures will be implemented by the end of 2020.

### *Overall comment*

As at the Latest Practicable Date, the Group was no longer engaged in the credit guarantee and investment business and the trading of security product and provision of security services business, and did not intend to further develop these businesses. On the other hand, the business engaged by the Associate does

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not form part of the principal businesses of the Group. Compared with the revenue of the Group, the share of profit/(loss) of the Associate is minimal. In addition, as at the Latest Practicable Date, the Legacy Receivables have not been recovered, as advised by the Directors. Having considered (a) the minimal revenue generated by the credit guarantee and investment business, amounting to approximately HK\$1.6 million and HK\$212,000 for the two years ended 31 December 2018, respectively, representing an decreasing trend; (b) the asset size of credit guarantee and investment business segment accounted for approximately 18.5%, 15.7% and 4.8% of the Group's total assets as at 31 December 2016, 2017 and 2018, respectively, representing an decreasing trend; (c) the loss-making position of the trading of security product and provision of security services business since acquisition in December 2018; (d) that none of the proceeds from the Rights Issue will be applied towards the credit guarantee and investment business and the trading of security product and provision of security services business; (e) that the financial performance and condition of the Group as well as the Disclaimer of Opinion have been reflected in the Share prices which we have considered in assessing the fairness and reasonableness of the Subscription Price; (f) that the potential dilution effect of the Rights Issue is justifiable given the Group's imminent need to repay its outstanding liabilities and develop its existing businesses, as set out in the section headed "6. Potential dilution effect on the shareholding interests of the Independent Shareholders" below; and (g) that the proceeds from the Rights Issue will be primarily used to repay its existing indebtedness and develop its existing businesses which the Group has control over, we consider that the financial information associated with the Disclaimer of Opinion are not relevant to assessing the use of proceeds from the Rights Issue as well as the fairness and reasonableness of the terms of the Rights Issue. As such, the Disclaimer of Opinion was not taken into account in evaluating the use of proceeds from the Rights Issue as well as the fairness and reasonableness of the terms of the Rights Issue.

As disclosed in the 2019 Annual Report, in view of the Disclaimer of Opinion, the Board acknowledged that certain deficiencies or inadequacies might exist in the internal control and risk management systems of the Group. Since the New Management joined the Group since December 2019, the internal control and risk management systems of the Group have been strengthened and the Group believes that any material weaknesses and deficiencies in the internal control and risk management systems no longer exist. Furthermore, the Group has engaged an independent internal control consultant (the "**Internal Control Consultant**") to conduct a full scale and holistic review of the internal control system of the Group (the "**Review**"). As at the Latest Practicable Date, the Review was in progress.

Currently, the Group is primarily engaged in provision of securities brokerage and assets management services, trading of party products, and advancing business. As disclosed in the 2020 Interim Report, the New Management has conducted a detailed business review and restructuring of the operations with a view to restoring the businesses back to normal, improving the financial situation, strengthening the internal controls, streamlining the

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operating costs and efficiency. In evaluating the use of proceeds from the Rights Issue and the fairness and reasonableness of the terms of the Rights Issue, we have considered, in particular, the current financial position of the Group and the Group's funding requirement to develop its existing businesses, details of which are further discussed below. As set out in the section headed "3. Reasons for the Rights Issue" below, the current financial resources of the Group are insufficient for the Group to meet its indebtedness that is already overdue or will be due within one year, let alone support and develop the existing businesses of the Group.

### *(iv) New Management*

As disclosed in the 2019 Annual Report, the New Management, comprising all current executive Directors, joined the Company in or after December 2019. For FY2019, the business and operation of the Group was managed by the former executive management led by Ms. Cheung Kwan who was the former executive director of the Company and chairlady of the Board prior to her removal as a director on 19 December 2019 (the "**Former Executive Management**"). The Directors consider that the Former Executive Management was responsible for the management and operating results of the Group before December 2019.

We have reviewed the background and experience of the New Management who is currently managing the business and operation of the Group and responsible for the future development of the Group. We noted that their past experiences are relevant to the Group's operations, which are summarised as follows:

<b>Name</b>	<b>Position in the Group (date of appointment as executive Director)</b>	<b>Past experience related to the operation of the Group</b>
Mr. Ng	Chairman of the board and executive director  (23 December 2019)	(i) Over ten years of experience in commodity futures, foreign exchange spot and other derivatives trading experience;  (ii) In 2014, Mr. Ng established Water Wood Holdings Limited, which was principally engaged in asset management; and

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Name	Position in the Group (date of appointment as executive Director)	Past experience related to the operation of the Group
		(iii) From 2017 to 2019, Mr. Ng acquired Amber Hill Capital Limited, Guangdong Amber Hill ES Holdings Co., Ltd., Amber Hill Capital (Pte) Ltd. and Premium Life Insurance Limited, through which a wide range of licensed regulated activities are conducted, including financial service operations in asset management, wealth management, family trust, securities trading, futures trading, exchange trading, small loans as a money lender and insurance brokerage.
Mr. Lin Feng (“ <b>Mr. Lin</b> ”)	Executive director  (10 January 2020)	(i) Over 5 years’ experience in corporate finance industry  (ii) In 2015, Mr. Lin established Shenzhen Qianhai Water & Wood Fund Management Limited, principally engaged in the algorithmic trading and private equity, and introduced one of the five most significant overseas hedge funds into China market.
Mr. Wei Weicheng (“ <b>Mr. Wei</b> ”)	Executive director  (23 December 2019)	(i) Over 5 years’ experience in wealth management, company fundraising and mergers and acquisitions; and  (ii) Mr. Wei had served renowned global high-tech company and international banking group.



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<b>Name</b>	<b>Position in the Group (date of appointment as executive Director)</b>	<b>Past experience related to the operation of the Group</b>
Mr. Chan Chi Ming (“ <b>Mr. Chan</b> ”)	Executive director and chief executive officer  (6 April 2020)	<ul style="list-style-type: none"> <li>(i) Over 20 years’ experience in the fields of investment banking and corporate finance, securities and futures brokerage, asset and wealth management, auditing and accounting;</li> <li>(ii) Mr. Chan is a fellow member of The Association of Chartered Certified Accountants, a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities and Investment Institute;</li> <li>(iii) Mr. Chan was formerly an executive director and chief executive officer of CASH Financial Services Group Limited (a company listed on the Stock Exchange with stock code 510) and an executive director and deputy chief executive officer of Celestial Asia Securities Holdings Limited (a company listed on the Stock Exchange with stock code 1049).</li> </ul>

*Source: announcements of the Company and the 2019 Annual Report*

As shown above, we noted that the New Management has extensive experience in the financial industry. In particular, Mr. Ng, an executive Director and the chairman of the Board, had experience in a wide range of licensed regulated activities including asset management, wealth management, family trust, securities trading, futures trading, exchange trading, small loans as a money lender and insurance brokerage. Moreover, Mr. Chan, an executive Director and chief executive officer of the Group, has extensive experience in managing financial companies listed on the Stock Exchange. He was formerly an executive director and chief executive officer of CASH Financial Services Group Limited (a company listed on the Stock Exchange with stock code 510) and an executive director and deputy chief

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executive officer of Celestial Asia Securities Holdings Limited (a company listed on the Stock Exchange with stock code 1049). As such, we are of the view that the New Management has the ability and experience to manage the business of the Group.

### (v) *Outlook*

As disclosed in the 2020 Interim Report, notwithstanding the challenges and uncertainties arising from the PRC-United States trade tension and the novel coronavirus, the role of Hong Kong as the international financial centre and gateway to the PRC continues to provide tremendous business opportunities, as evidenced by the resilient of the stock market, recent and upcoming listings of giant companies and no significant outflow of fund amid the local and global uncertainties.

For the securities brokerage and assets management services, the Group generates revenue by charging a brokerage commission by a certain percentage of trading amount, interest on the margin loans to the customers and management fee and performance bonus on the asset under management to generate stable revenue to the Group. As such, the financial performance of the Group's financial services business is closely related to, among other things, the market capitalisation and turnover of the Stock Exchange, the number of active margin clients and the assets under management ("AUM") of the asset and wealth management industry in Hong Kong.

We consider the growth in the market capitalisation and turnover of the Stock Exchange, the number of active margin clients and the AUM of the asset and wealth management industry, as detailed below, will provide a favourable environment for the development of the Group's financial services business as a whole.

#### *Securities brokerage market*

According to the statistics on the website of the Stock Exchange, total market capitalisation of listed securities on the Stock Exchange increased from approximately HK\$24,683.7 billion as at 31 December 2015 to approximately HK\$38,165.0 billion as at 31 December 2019, representing a compound annual growth rate ("CAGR") of approximately 11.5%, and further to approximately HK\$42,746.8 billion as at 31 August 2020, representing an increase of approximately 12.0% from that as at 31 December 2019. Average daily turnover value of the Stock Exchange, on the other hand, dropped from approximately HK\$105.6 billion in 2015 to approximately HK\$87.2 billion in 2019, but rebounded significantly to approximately HK\$126.1 billion for the eight months 31 August 2020, representing an increase of approximately 44.6% from that as at 31 December 2019.

According to the "Financial Review of the Securities Industry" published by the SFC, total number of active margin clients increased from 241,948 as at 31 December 2015 to 601,842 as at 31 December 2019, representing a CAGR of approximately 25.6%, and further to 851,157 as at 30 June 2020, representing an increase of approximately 41.4% from that as at 31 December

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2019. For the six months ended 30 June 2020, the net profits of all securities dealers and securities margin financiers increased significantly by approximately 92% as compared to the corresponding period in 2019, despite a 34% decrease in 2019 as compared to 2018.

### *Assets management market*

According to the Asset and Wealth Management Activities Survey 2019 (the “**Survey**”) published by the SFC in August 2020, (a) Hong Kong’s asset and wealth management business, primarily comprising asset management and fund advisory business, private banking and private wealth management business and assets held under trusts, recorded a 20% year-on-year increase in AUM to HK\$28,769 billion in 2019; and (b) net fund inflows of HK\$1,668 billion were recorded for the asset and wealth management business in Hong Kong during 2019, representing an increase of approximately 113.0% from HK\$783 billion in 2018. As stated in the Survey, despite the uncertain and challenging global market situation due to the novel coronavirus outbreak and increasing geopolitical tensions between the United States and the PRC, Hong Kong’s financial market has remained resilient so far in 2020, with a rebound in the second quarter of 2020 in terms of the net asset value of Hong Kong — domiciled public funds and net fund inflows.

### *(vi) Overall comment*

Subsequent to the deconsolidation of the operating subsidiaries engaged in credit guarantee and investment business in FY2019, the cessation of control over Dewe Kexin engaged in trading of security products in February 2020 and the disposal of International Security Net engaged in provision of security services to be completed in second half of 2020, the Group is primarily engaged in provision of securities brokerage and assets management services, trading of party products and advancing business (the “**Core Business(es)**”).

The financial performance of the Core Businesses in FY2019 and 2020 H1 has been affected by, among other things, the suspension of relevant SFC licenses to carry out the securities brokerage and assets management business due to shortage of fund to meet the relevant liquid capital requirement, the keen competition in the party supplies market, the PRC-United States trade tension and the economic downturn caused by the outbreak of the novel coronavirus.

The Group’s liquidity position is under pressure as evidenced by its net current liabilities and net liabilities position. The current financial resources of the Group are insufficient to meet its short-term liabilities, a majority of which is already overdue. Meanwhile, although the Disclaimer of Opinion may undermine the reliability of the net current liability position of the Group, the Auditors have also flagged the Group’s ability to continue as a going concern, as stated in the 2019 Annual Report. As such, we consider that the Rights Issue allows the Group to raise funds not only for the repayment of outstanding liabilities but also for the development of the Core Businesses, which shall assist the Group in maintaining the going concern.

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The Directors have made a statement of material changes in the financial and trading position and outlook of the Group since 31 December 2019, as set out in the section headed “Material change” in Appendix I to the Circular.

### 2. Use of proceeds from the Rights Issue

As stated in the Letter from the Board, the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$284 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) and approximately HK\$285 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB).

The proposed use of the net proceeds from the Rights Issue is summarised as follows:

<b>Use of proceeds</b>	<b>Estimated amount (Approximate percentage of total net proceeds)</b>
1. Repayment of the Convertible Bonds which have already fallen due on 18 February 2020 with default interests ( <i>Note</i> )	HK\$110 million (39%)
2. Repayment of overdue external debts of the Group	HK\$50 million (17%)
3. Repayment of the shareholder’s loan owing by the Company to Mr. Ng	HK\$40 million (14%)
<b>Sub-total (for repayment of debts)</b>	<b>HK\$200 million (70%)</b>
4. Additional capital for trading of party products business of the Group	HK\$30 million (11%)
5. Additional liquid capital for the securities brokerage and assets management business of the Group	HK\$15 million (5%)
6. Additional capital for the advancing business of the Group	HK\$15 million (5%)
<b>Sub-total (for business development)</b>	<b>HK\$60 million (21%)</b>
7. General working capital	HK\$24 million or HK\$25 million (9%)
<b>Total</b>	<b>HK\$284 million or HK\$285 million (100%)</b>

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*Note:* In the event that the holder of the Other CB exercises the conversion rights attached to the Other CB on or before the Record Date, approximately HK\$107 million of the net proceeds of the Rights Issue will be applied to repay the outstanding principal amount and interest amount of the Neo CB and the remaining HK\$3 million will be applied as general working capital of the Group.

If the Rights Issue is undersubscribed, the net proceeds from the Rights Issue will be applied by the Company in the following order of priority:

- (i) for repayment of overdue external debts of the Group;
- (ii) for repayment of the shareholder's loan owing by the Company to Mr. Ng;
- (iii) for repayment of the overdue Convertible Bonds;
- (iv) for additional capital for the trading of party products business of the Group;
- (v) for additional liquid capital for the securities brokerage and assets management business;
- (vi) as additional capital for the advancing business of the Group; and
- (vii) for general working capital of the Group.

As shown in the table above, the net proceeds from the Rights Issue will be applied by the Company (a) as to approximately 70% for repayment of debts, including the overdue Convertible Bonds and external debts as well as the shareholder's loan from Mr. Ng; (b) as to approximately 21% for the development of the Group's existing businesses (i.e. the Core Businesses); and (c) as to approximately 9% as the general working capital of the Group.

### *In relation to repayment of debts*

As set out in the section headed "1. Background of the Group — (iii) Financial position" above, as at 30 June 2020, the Group had net current liabilities and net liabilities of approximately HK\$147.3 million and HK\$129.6 million, respectively, with a current ratio of approximately 0.43, indicating that the Group has insufficient assets to repay its liabilities.

As at the Latest Practicable Date, the Group had (i) outstanding Convertible Bonds in the principal amount of HK\$105 million and interest amount of approximately HK\$7.26 million, which have already fallen due on 18 February 2020; (ii) overdue external debts of approximately HK\$50 million, which consist of a loan from a Hong Kong listed company, professional fees including legal, auditing, valuation and registrar services, rentals, telecommunication charges, trading system and connection expenses, stock exchange fees and interest; and (iii) outstanding

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shareholder's loan from Mr. Ng in the principal amount of HK\$38.5 million which is repayable on demand and bears an interest of 2.5% per annum. Among the Convertible Bonds, the holders of the Neo CB and the Other CB will charge default interests of 2.5% and 10% per annum, respectively, until the date of actual repayment of the outstanding Convertible Bonds.

Taking into account (i) the net current liabilities and net liabilities position of the Group as at 30 June 2020; (ii) that the outstanding Convertible Bonds and external debts have already fallen due; and (iii) that the repayment of the outstanding Convertible Bonds and shareholder's loan from Mr. Yu with the proceeds from the Rights Issue would reduce the interest burdens of the Group, we consider the use of the proceeds from the Rights Issue to repay the Group's outstanding debts to be justifiable.

### *In relation to the Group's trading of party products business*

The Company will apply approximately HK\$30 million of the net proceeds from the Rights Issue to strengthen the liquid capital and support the development of the trading of party products business of the Group. As set out in the section headed "1. Background of the Group — (i) Financial performance" above, the financial performance of the trading of party products business of the Group in FY2019 and 2020 H1 has been adversely affected by the keen competition in the party supplies market, the PRC-United States trade tension and the outbreak of the novel coronavirus. We consider that part of the net proceeds from the Rights Issue in the amount of approximately HK\$30 million will provide immediate liquid capital and support to the development of the trading of party products business of the Group in face of the current hardship.

### *In relation to the Group's securities brokerage and assets management business*

The Company will apply approximately HK\$15 million of the net proceeds from the Rights Issue to strength the liquid capital and support the development of the securities brokerage and assets management business of the Group which are carried out by AIF Asset Management and AIF Securities, wholly-owned subsidiaries of the Company. AIF Asset Management is a licensed corporation to carry on business in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO whereas AIF Securities is a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 5 (advising on futures contracts) regulated activities under the SFO.

Due to insufficient liquid capital under the SFO, the licensed activities of AIF Asset Management and AIF Securities were suspended in the second half of 2019. As at the Latest Practicable Date, the Company was in the progress of applying for resumption of the relevant SFC licenses of AIF Asset Management and AIF Securities. It is expected that the licenses for asset management and securities brokerage will be resumed in the second half of 2020 and the first half of 2021, respectively, as stated in the 2020 Interim Report.

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As stated in the Letter from the Board, further financial resources will be injected into AIF Asset Management and AIF Securities to maintain the minimum liquid capital requirement under the Hong Kong Securities and Futures (Financial Resources) Rules as well as for further business development of AIF Asset Management and AIF Securities including but not limited to promoting the business, attracting more customers and recruiting more staff to expand the business team. The Company intends to recruit approximately 25 new staff for the securities brokerage and assets management business. Out of the \$15 million which will be applied as additional liquid capital for the securities brokerage and assets management business, the Company intends to apply HK\$5 million to increase seed money to establish new funds and for the expansion of its asset management team by recruiting new staff. We concur with the Directors that the additional capital resources from the Rights Issue will equip the Group with increased capabilities to expand its securities brokerage and assets management business with a view to improving the revenue of the Group.

Currently, the securities brokerage and assets management business of AIF Asset Management and AIF Securities is managed by Mr. Chan Chi Ming, the executive director and chief executive officer of the Company, who has extensive experience in investment banking, asset and wealth management, FinTech application, securities and commodities trading, and there are 11 staff members employed by the Group for the operation of the securities brokerage and assets management business of AIF Asset Management and AIF Securities.

### *In relation to the Group's advancing business*

Given the current financial position of the Group, limited capital is available for the Group to finance its advancing business and no new loan was granted in FY2019 and 2020 H1. As such, the Company will apply approximately HK\$15 million of the net proceeds from the Rights Issue to develop the advancing business of the Group which is capital intensive in nature. As stated in the Letter from the Board, the Company will target individual personal loans or mortgage loans as well as corporate and institution borrowers with high credit rating and high-quality collateral to secure such loans. With the new fund from the Rights Issue, the Group will be able to expand its team for the operation of the advancing business, build up customer base and have sufficient capital for potential loans.

Currently, the advancing business of the Group is managed by Mr. Tsang King Sun, the chief financial officer of the Company, who has more than 10 years' experience in accounting, financial management, credit and risk control, and there are 5 staff members employed by the Group for the operation of the advancing business.

### *In relation to the Group's general working capital*

The Company will apply the remaining balance of approximately HK\$24 million (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) or approximately HK\$25 million (assuming no change in the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and full conversion of the Other CB) for general working capital of the Group. In 2020 H1, operating expenses of the Group amounted to approximately HK\$19.2 million, which translated into approximately HK\$38.5 million on an annualised basis. As such, the part of the net proceeds from the Rights Issue as the general working capital is expected to cover the operating expenses of the Group for less than one year.

### *Conclusion*

In assessing the fairness and reasonableness of the intended use of proceeds from the Rights Issue, we have considered (i) the current financial position of the Group including the financial resources available to the Group and the maturity profile of the Group's debts; (ii) the required level of fund to cover the operating expenses of the Group; (iii) the scale of operation of each Core Business in FY2019 and 2020 H1; (iv) the business plan of the Group and the fund required to implement such business plan; and (v) the experience of the management team in managing the Core Businesses.

Taking into account (i) the current liquidity of the Group; (ii) that the Group's liabilities as at 30 June 2020 either have already become overdue or will be due within one year; (iii) the funding requirement of the Group's operating expenses; and (iv) that part of the net proceeds from the Rights Issue will be applied to develop the Group's existing businesses, we consider the intended use of the net proceeds from the Rights Issue to repay the Group's liabilities and develop its existing businesses to be justifiable.

### **3. Reasons for the Rights Issue**

#### *(i) Financial difficulties to repay the existing indebtedness*

As mentioned in the section headed "1. Background of the Group — (iii) Financial position" above, the Group recorded net current liabilities and net liabilities of approximately HK\$147.3 million and HK\$129.6 million, respectively, as at 30 June 2020. With the net proceeds of approximately HK\$22.96 million (the "**Placing Proceeds**") raised from the placing of new Shares under general mandate which was completed on 4 August 2020, net current liabilities and net liabilities of the Group as at 30 June 2020 would be reduced to approximately HK\$124.3 million and HK\$106.6 million, respectively. Cash and cash equivalents of the Group of approximately HK\$19.5 million as at 30 June 2020, coupled with the Placing Proceeds, are insufficient for the Group to meet its indebtedness that is already overdue or will be due within one year. Given the current loss-making position of the Group, it will be difficult for the Group to repay its outstanding liabilities if no further fund-raising activities were conducted.

Taking into account the current financial position of the Group, the Directors consider that it is necessary to conduct further fund-raising activities to alleviate the financial burden. Accordingly, as advised by the management of the Group, after



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taking into account other fund-raising alternatives as detailed in the below subsection, the Rights Issue will be an appropriate mean for the Group to raise funds for repayment of its outstanding liabilities.

*(ii) Lack of capital to support and develop the existing businesses of the Group given the current financial position*

The financial performance of the Group's trading of party products business in FY2019 and 2020 H1 has been adversely affected by the keen competition in the party supplies market, the PRC-United States trade tension and the outbreak of the novel coronavirus since early 2020 whereas the growth of the securities brokerage and assets management business and the advancing business, which are capital intensive in nature (e.g. margin loans for trading of securities and mortgage loans), has been restrained by the suspension of relevant SFC licenses to carry out the securities brokerage and assets management business in the second half of 2019 due to shortage of fund to meet the relevant liquid capital requirement and the lack of capital to advance new loans in view of the current financial position of the Group. As such, we consider that the net proceeds from the Rights Issue will provide the Group with additional capital to support the trading of party products business in face of the current difficult market condition and to develop the securities brokerage and assets management business as well as the advancing business with a view to generating additional revenue to the Group.

*(iii) Suitable source of financing among other fund-raising alternatives*

As stated in the Letter from the Board, the Directors have considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing/bank borrowings, placing of new Shares and open offer.

In respect of debt financing, based on our discussion with the management of the Group, the Company has approached commercial banks for exploring the possibility of obtaining new banking facilities. However, given that the Group does not have any significant assets which is satisfactory to the banks and can serve as collaterals for further bank loans, the Group was unable to obtain any debt financing at terms acceptance to the Group. Moreover, taking into account the requirement of interest payments and the deterioration of the gearing of the Group as a result of additional borrowings, the Directors consider debt financing to be undesirable at this stage.

In respect of placing of new Shares, since the Company has fully utilised the existing general mandate, the Company cannot conduct further placing of new Shares unless the Shareholders approve the refreshment of general mandate limit or a specific mandate for issue of new Shares at an extraordinary general meeting of the Company. In addition, not all Shareholders are allowed to participate in the fund-raising exercise in order to maintain their shareholdings in the Company if placing of new Shares is selected whereas the Rights Issue is pre-emptive in nature, allowing

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the Qualifying Shareholders to maintain their respective pro-rata shareholdings through participation in the Rights Issue and continue to participate in the future development of the Group.

In respect of open offer, the Directors consider that the Rights Issue would be more favourable and attractive to the Shareholders than an open offer because it would allow Shareholders to have more flexibility in dealing with the Consolidated Shares and the nil-paid rights attaching thereto.

We also noted in the 2020 Interim Report that Mr. Ng has confirmed his intention to provide continuing financial support to the Group. However, the Directors consider that it is not financially healthy for the Group to solely rely on Mr. Ng's financial support. Given the net liability position and falling due debts, the Group has been looking for different means of financing to repay the debts and restoring the net asset position. The proposed Rights Issue and the Subscription, which are in the form of equity financing, are less costly than loans including shareholder's loans and if successfully completed, will improve the financial position of the Group by restoring the net asset position from net liability, reducing the gearing ratios and interest burden. The Board is of the view that the proposed Rights Issue and the Subscription are the best available fund-raising option to the Group and is in the interest of the shareholders and the Company as a whole.

*(iv) Overall comment*

Taking into account (a) the weak financial position, in particular the net current liabilities and net liabilities position of the Group; (b) that the Group's debt level will be substantially trimmed down after the Rights Issue which will improve the financial position of the Group; (c) that the Rights Issue will strengthen the capital base of the Group for further development of its existing businesses; and (d) that the Rights Issue offers all Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables them to maintain their proportionate interests in the Company and continue to participate in the future development of the Company, we concurred with the management of the Group that the Rights Issue is the most appropriate means of financing over the aforementioned fund-raising alternatives.

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### 4. Principal terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking and the Subscription Agreement

#### (i) *The Rights Issue*

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. For details of the terms of the Rights Issue, please refer to the section headed “Proposed Rights Issue” in the Letter from the Board. Set out below are the principal terms of the Rights Issue:

Basis of the Rights Issue	:	Three (3) Rights Shares (in nil-paid form) for every one (1) Consolidated Share held on the Record Date
Subscription Price	:	HK\$0.71 per Rights Share
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	134,311,276 Consolidated Shares
Number of Rights Shares	:	Not less than 402,933,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date) and not more than 404,733,828 Rights Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and conversion of the Other CB)

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- Number of issued Consolidated Shares upon completion of the Rights Issue (assuming that the Rights Issue is fully subscribed) : Not less than 537,245,104 Consolidated Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) and not more than 539,645,104 Shares (assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and conversion of the Other CB and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
- Maximum funds raised before expenses : Up to approximately HK\$286 million (assuming no outstanding exercisable Share Options being exercised and all the Rights Shares will be taken up) or approximately HK\$287 million (assuming all outstanding exercisable Share Options being exercised and the Other CB being converted and all the Rights Shares will be taken up)
- Conditions : The Rights Issue is conditional upon, among other things:
- (a) the passing of the necessary resolutions at the EGM to approve the Share Consolidation and the Share Consolidation having become effective;
  - (b) the passing by the Independent Shareholders of the necessary resolution(s) at the EGM to approve the Rights Issue, the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
  - (c) the granting of the Whitewash Waiver by the Executive; and

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- (d) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings.

The conditions precedent to the Rights Issue cannot be waived. If any of the conditions precedent is not satisfied by the Latest Time for Termination, the Rights Issue will not proceed.

### *(ii) The Irrevocable Undertaking*

As at the Latest Practicable Date, Ng Concert Party Group was interested in 265,980,000 Shares, representing approximately 19.8% of the issued share capital of the Company.

Pursuant to the Irrevocable Undertaking, subject to the Whitewash Waiver, Ng Concert Party Group has undertaken to the Company that:

- (a) they will subscribe for 79,794,000 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of 26,598,000 Consolidated Shares beneficially held by them (upon completion of the Share Consolidation) provided that the total number of the Rights Shares to be subscribed by Ng Concert Party Group under the Rights Issue will be scaled down to the extent that their aggregate percentage shareholding in the Company will be not more than 34.99% immediately after completion of the Rights Issue (exceeding which the SFC Approval would be required);
- (b) they will not dispose of 265,980,000 Existing Shares or 26,598,000 Consolidated Shares (upon completion of the Share Consolidation) owned by Ng Concert Party Group and such Existing Shares or Consolidated Shares (upon completion of the Share Consolidation) will remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (the “**Expiry Date**”); and
- (c) Neo Tech Inc. will not dispose of or exercise any conversion rights attached to the Neo CB and such Neo CB will remain beneficially owned by it up to and including the Expiry Date.

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### *(iii) The Placing Agreement*

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. Accordingly, on 11 September 2020 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which any Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders on a pro-rata basis.

For details of the terms of the Placing Agreement, please refer to the section headed “Placing Agreement for the Unsubscribed Rights Shares and NQS Unsold Rights Shares” in the Letter from the Board. Set out below are the principal terms of the Placing Agreement:

Date	:	11 September 2020
Placing Agent	:	Nerico Brothers Limited, which is an Independent Third Party
Placing Period	:	The period commencing from the third Business Day after the Latest Time for Acceptance and ending on 4:00 p.m. on the fifth Business Day after the Latest Time for Acceptance
Commission and expenses	:	2% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares that have been successfully placed by the Placing Agent
Placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares	:	Not less than the Subscription Price
Placees	:	The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placee(s) who are Independent Third Parties.

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

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### *(iv) The Subscription Agreement*

On 31 July 2020 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, Neo Tech Inc., pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for the Subscription Shares, being the number of the Unsold Rights Shares which have not been placed to places by the Placing Agent under the Placing Agreement, subject to the Public Float Requirement.

For details of the terms of the Subscription Agreement, please refer to the section headed “The Subscription Agreement” in the Letter from the Board. Set out below are the principal terms of the Subscription Agreement:

- Date : 31 July 2020
- Parties : (a) the Company; and  
(b) Neo Tech Inc.
- Subscription Shares : Equivalent to the number of the Unsold Rights Shares which have not been placed to places by the Placing Agent under the Placing Agreement, subject to the Public Float Requirement
- Subscription price : Equivalent to the Subscription Price under the Rights Issue
- Conditions precedent : Completion of the Subscription Agreement is conditional upon, among other things:
- (a) the Listing Committee granting the listing of and permission to deal in the Subscription Shares;
  - (b) the passing by the Independent Shareholders of the necessary resolution(s) at the EGM to approve the Rights Issue, the Placing Agreement, the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
  - (c) the granting of the Whitewash Waiver by the Executive; and
  - (d) completion of the Rights Issue.

None of the conditions precedent to the Subscription Agreement can be waived. In the event that the conditions precedent are not fulfilled on or before 5:00 p.m. on 31 January 2021 (or such other time and date as may be agreed by the Company and the Subscriber), all rights, obligations and liabilities of the parties to the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any claim against the other, save for any antecedent breaches of the terms under the Subscription Agreement.

**5. Assessment of the principal terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking and the Subscription Agreement**

*(i) The Subscription Price*

The Subscription Price is HK\$0.71 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares, which was determined by the Company after taking into account, among other things, (a) the recent closing prices of the Shares; (b) the prevailing market conditions; (c) the loss attributable to the Shareholders of approximately HK\$380.4 million for the year ended 31 December 2019; and (d) the funding and capital needs of the Company for repayment of its outstanding liabilities and business development set out in the section headed “2. Use of proceeds from the Rights Issue” above.

The Subscription Price of HK\$0.71 per Rights Share represents:

- (a) a discount of approximately 23.66% to the adjusted closing price of HK\$0.93 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 27.55% to the adjusted average closing price of HK\$0.98 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 31.73% to the adjusted average closing price of HK\$1.04 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.104 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;



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- (d) a discount of approximately 7.79% to the theoretical ex-rights price of HK\$0.77 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.077 per Share based on the closing price of HK\$0.093 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (e) a discount of approximately 8.97% to the theoretical ex-rights price of HK\$0.78 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.078 per Share based on the average closing price of HK\$0.098 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (f) a discount of approximately 10.13% to the theoretical ex-rights price of HK\$0.79 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.079 per Share based on the average closing price of HK\$0.104 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (g) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 20.41% of the theoretical diluted price of HK\$0.78 per Consolidated Share to the benchmarked price of HK\$0.98 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.93 per Consolidated Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.98 per Consolidated Share); and
- (h) a discount of approximately 7.79% to the adjusted closing price of HK\$0.77 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price of HK\$0.71 per Rights Share represents:

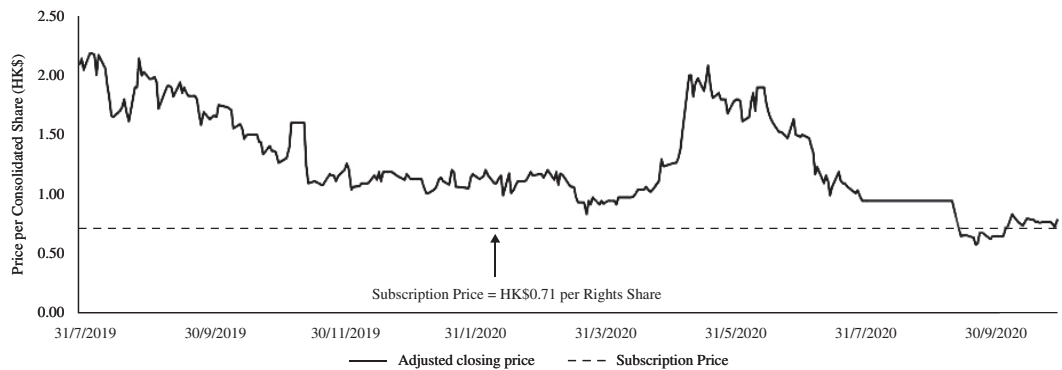
- (a) *Comparison with adjusted historical closing prices of the Consolidated Shares*

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily adjusted closing prices (as adjusted for the Share Consolidation) of the Consolidated Shares from 31 July 2019 to the Last Trading Day (the “**Review Period**”) (being a period of approximately one year prior to and including the Last Trading Day) and up to the Latest Practicable Date and compared them with the Subscription Price. We

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consider the Review Period is adequate to reflect the general market sentiment primarily caused by the PRC-United States trade tension and the local social incidents since the second half of 2019 and the outbreak of the novel coronavirus since early 2020 and illustrates the general trend and level of movement of the daily closing prices of the Consolidated Shares.

### Historical daily adjusted closing price per Consolidated Share



Source: Bloomberg

During the Review Period, the average adjusted closing price was approximately HK\$1.387 per Consolidated Share (the “**Average Adjusted Closing Price**”). The daily adjusted closing price ranged from HK\$0.82 per Consolidated Share (the “**Lowest Adjusted Closing Price**”) recorded on 24 March 2020 to HK\$2.19 per Consolidated Share (the “**Highest Adjusted Closing Price**”) recorded on 5 August 2019 and 6 August 2019 during the Review Period.

Since the beginning of the Review Period, the daily adjusted closing price has been in a downward trend from HK\$2.15 per Consolidated Share on 1 August 2019 to HK\$0.82 per Consolidated Share on 24 March 2020. It then surged to a peak of HK\$2.09 per Consolidated Share on 20 May 2020 before retreating to HK\$0.93 per Consolidated Share on the Last Trading Day.

The daily adjusted closing prices of the Consolidated Shares were above the Subscription Price throughout the Review Period. The Subscription Price of HK\$0.71 per Rights Share represents (1) a discount of approximately 13.41% to the Lowest Adjusted Closing Price of HK\$0.82 per Consolidated Share; (2) a discount of approximately 67.58% to the Highest Adjusted Closing Price of HK\$2.19 per Consolidated Share; and (3) a discount of approximately 48.81% to the Average Adjusted Closing Price of approximately HK\$1.387 per Consolidated Share for the Share Review Period.

As discussed in the sub-section headed “(c) Comparison with recent rights issue exercises” below, we note that it is a common market practice to set the subscription price at a discount to the prevailing market prices of the relevant share in order to increase the attractiveness and encouraging shareholders to participate in the rights issue so as to meet the company’s need for additional funding.

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After resumption of trading of the Shares on 14 September 2020 following the publication of the Announcement on 11 September 2020, the daily adjusted closing price exhibited a downward trend and closed at HK\$0.56 per Consolidated Share on 22 September 2020. As at the Latest Practicable Date, the Consolidated Shares closed at HK\$0.77 per Consolidated Share.

*(b) Average daily trading volume of the Shares*

Apart from historical daily adjusted closing prices of the Consolidated Shares, we have also reviewed the average daily trading volume of the Shares for each month during the Review Period, details of which are set out below:

	Approximate average daily trading volume of the Shares (No. of Shares)	Number of trading days	Approximate percentage of average daily trading volume to total number of issued Shares (Note 1)	Approximate percentage of average daily trading volume to total number of issued Shares held by public Shareholders (Note 2)
<b>2019</b>				
August	407,500	22	0.043%	0.061%
September	174,476	21	0.019%	0.026%
October	178,467	21	0.019%	0.027%
November	646,694	17	0.069%	0.096%
December	209,221	19	0.022%	0.031%
<b>2020</b>				
January	522,541	17	0.056%	0.078%
February	1,550,639	20	0.165%	0.231%
March	567,100	22	0.060%	0.084%
April	550,347	19	0.049%	0.064%
May	1,364,662	20	0.122%	0.160%
June	489,295	21	0.044%	0.057%
July	3,800,673	22	0.340%	0.445%
August (Note 3)	—	—	—	—
From				
14 September				
2020 to				
30 September				
2020	6,366,163	13	0.474%	0.591%
From 5 October				
2020 to the				
Latest				
Practicable				
Date	1,151,989	18	0.086%	0.107%

*Source: website of the Stock Exchange*

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*Notes:*

1. Based on the number of total issued Shares as at each month end as disclosed in the monthly returns of the Company.
2. Based on the number of Shares held by public Shareholders as calculated by deducting the Shares held by Mr. Ng and Neo Tech Inc. from the number of total issued Shares as at each month end.
3. The trading in the Shares on the Stock Exchange was suspended on 3 August 2020 and resumed on 14 September 2020 following the publication of the Announcement.

As shown in the table above, prior to the resumption of the trading in the Shares on 14 September 2020, the average daily trading volume of the Shares in each month ranged from 174,476 Shares in September 2019 to 3,800,673 Shares in July 2020, representing approximately 0.019% and 0.34% of the total number of issued Shares as at the end of the relevant months and approximately 0.026% to 0.445% of the total number of issued Shares held by public Shareholders as at the end of the relevant months, respectively, indicating a relatively thin trading liquidity during the Review Period. The relatively high trading liquidity in July 2020 may be attributable to the publication of the annual results announcement of the Company on 8 July 2020 and the announcement of a placing of new Shares under general mandate on 17 July 2020. Since the publication of the Announcement, there has a surge in trading volume of the Shares, reflecting the market reaction to the Rights Issue.

Given the relatively thin trading liquidity of the Shares during the Review Period, it would be difficult for the Shareholders to acquire a substantial block of the Shares in the open market, without exerting a significant impact on the Share price. Accordingly, we consider that it is reasonable for the Subscription Price to be set at a discount to the prevailing historical closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholdings in the Company.

*(c) Comparison with recent rights issue exercises*

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have further reviewed the rights issue exercises initially announced by the companies listed on the Stock Exchange for the period from 1 January 2020 up to the Latest Practicable Date (being approximately ten months) which have subscription ratios of above 1-for-2 and are therefore subject to shareholders' approval. Based on the aforesaid criteria, we have identified an exhaustive list of 13 rights issue transactions (the "**Comparable Transactions**"). We consider that the aforesaid review period is adequate and appropriate to (1) capture the recent market practice in relation to rights issue exercises under the prevailing market conditions, in particular the effect of the recent novel coronavirus outbreak which has significantly affected the economic sentiment; and (2) provide a sufficient sample for comparison with the Rights Issue.

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The Comparable Transactions include rights issue transactions which are underwritten with different basis of entitlement and arrangements to dispose of any unsubscribed rights shares either through excess applications or share placements to independent places under Rule 7.21(1) of the Listing Rules. Taking into account that (1) the Comparable Transactions are objectively selected with the basis of entitlement requiring shareholders' approval, as in the case of the Rights Issue, which in our opinion, allow a more comprehensive assessment of the recent market trend on rights issue transactions; and (2) the Rights Issue is itself non-underwritten, but any Unsold Rights Shares upon completion of the Rights Issue shall be taken up by the Subscriber (subject to the Public Float Requirement) under the Subscription Agreement which is effectively an underwriting arrangement, we consider that the Comparable Transactions represent a fair and representative sample for comparison purpose.

Although the listed issuers involved in the Comparable Transactions have different principal activities, market capitalisations, profitability and financial positions as compared to those of the Company and the Comparable Transactions involve rights issue transactions with different size of fundraising, we consider that the Comparable Transactions can provide a general reference to the pricing trend of recent rights issue transactions under the current economic atmosphere as well as a sufficient sample size for comparison purpose, so as to determine whether the Subscription Price is in line with those of recent rights issue transactions in the market.

The details of the Comparable Transactions are set out below:

Date of Announcement	Company name (stock code)	Basis of entitlement	Premium/ (discount)	Premium/ (discount)	Premium/ (discount)	Maximum dilution on shareholding (Note 1)	Underwriting Yes/No	Excess application Yes/No	Compensatory arrangement by way of share placement Yes/No	
			of the subscription price over/to the average closing price for the 5 consecutive trading days up to and including the last trading day prior to/ on the date of the relevant announcements	of the subscription price over/to the average closing price for the 10 consecutive trading days up to and including the last trading day prior to/ on the date of the relevant announcements	of the subscription price over/to the theoretical ex-rights price based on the closing price on the last trading day prior to/on the date of the relevant announcements					
10 January 2020	Merdeka Financial Group Limited (8163)	4 for 1	(8.33%)	0.00%	2.80%	(1.79%)	80.00%	Yes	Yes	No
10 January 2020	Neway Group Holdings Limited (55)	2 for 1	(20.00%)	(21.57%)	(21.57%)	(8.68%)	66.67%	Yes	No	Yes
11 May 2020	Victory City Int'l Holdings Limited (539)	2 for 1	(30.35%)	(29.29%)	(29.29%)	(12.50%)	66.67%	Yes	Yes	No
19 May 2020	hmvod Limited (8103)	5 for 1	(64.00%)	(77.50%)	(73.80%)	(22.90%)	83.33%	Yes	Yes	No
1 June 2020	Summit Ascent Holdings Limited (102)	3 for 2	0.00%	0.67%	(1.48%)	0.00%	60.00%	Yes	No	Yes
9 June 2020	Cathay Pacific Airways Limited (293)	7 for 11	(46.90%)	(45.00%)	(43.40%)	(35.00%)	38.89%	Yes	Yes	No
7 July 2020	National Investments Fund Limited (1227)	5 for 1	(28.57%)	(27.69%)	(27.39%)	(6.25%)	83.33%	Yes	Yes	No

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Date of Announcement	Company name (stock code)	Basis of entitlement	Premium/ (discount)	Premium/ (discount)	Premium/ (discount)	Maximum dilution on shareholding (Note 1)	Underwriting Yes/No	Excess application Yes/No	Compensatory arrangement by way of share placement Yes/No	
			Premium/ (discount) of the subscription price over/to the closing price on the last trading date prior to/ on the date of the relevant announcements	Premium/ (discount) of the subscription price over/to the average closing price for the 5 consecutive trading days up to and including the last trading day prior to/ on the date of the relevant announcements	Premium/ (discount) of the subscription price over/to the average closing price for the 10 consecutive trading days up to and including the last trading day prior to/ on the date of the relevant announcements					Premium/ (discount) of the subscription price over/to the theoretical ex-rights price based on the closing price on the last trading day prior to/ on the date of the relevant announcements
30 July 2020	Larry Jewelry Int'l Company Limited (8351)	5 for 1	(29.17%)	(29.17%)	(28.57%)	(6.59%)	83.33%	Yes	Yes	No
24 August 2020	Wealth Glory Holdings Limited (8269)	5 for 2	(11.10%)	(12.10%)	(12.10%)	(3.60%)	71.43%	Yes	Yes	No
28 August 2020	Milan Station Holdings Limited (1150)	5 for 2	(10.57%)	(12.00%)	(14.06%)	(3.51%)	71.43%	Yes	Yes	No
28 August 2020	Royal Century Resources Holdings Limited (8125)	2 for 1	(25.00%)	(28.57%)	(30.88%)	(10.00%)	66.67%	Yes	No	Yes
25 September 2020	Green International Holdings Limited (2700)	1 for 1	(17.81%)	(28.06%)	(28.83%)	(9.77%)	50.00%	Yes	Yes	No
27 October 2020	Longhui International Holdings Limited (1007)	1 for 1	(29.00%)	(29.00%)	(29.70%)	(16.96%)	50.00%	Yes	Yes	No
		<b>Maximum</b>	0.00%	0.67%	2.80%	0.00%	83.33%			
		<b>Minimum</b>	(64.00%)	(77.50%)	(73.80%)	(35.00%)	38.89%			
		<b>Average</b>	(24.68%)	(26.10%)	(26.02%)	(10.58%)	67.06%			
		<b>Median</b>	(25.00%)	(28.06%)	(28.57%)	(8.68%)	66.67%			
11 September 2020	The Company	3 for 1	(23.66%)	(27.55%)	(31.73%)	(7.79%)	75.00%	Yes (Note 2)	No	Yes

Source: website of the Stock Exchange

Notes:

- Maximum dilution effect of each of the Comparable Transactions is calculated as: (number of new shares to be issued under the basis of entitlement)/(number of existing shares held for the entitlement for the new shares under the basis of entitlement + number of new shares to be issued under the basis of entitlement) x 100%.
- Although the Rights Issue is itself non-underwritten, any Unsold Rights Shares upon completion of the Rights Issue shall be taken up by the Subscriber (subject to the Public Float Requirement) under the Subscription Agreement which is effectively an underwriting arrangement.

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As illustrated in the table above, it is a common market practice that the pricing of a rights issue represents a discount to the prevailing closing share prices prior to the announcement of the rights issue and to the theoretical ex-rights price of the shares. The subscription prices of the Comparable Transactions:

- (1) ranged from a discount of approximately 64.00% to 0%, with an average of a discount of approximately 24.68% and a median of a discount of approximately 25.00%, to their respective closing prices on the last trading day prior to/on the dates of the relevant announcements;
- (2) ranged from a discount of approximately 77.50% to a premium of approximately 0.67%, with an average of a discount of approximately 26.10% and a median of a discount of approximately 28.06%, over/to their respective average closing prices for the five (5) consecutive trading days up to and including the last trading day prior to/on the dates of the relevant announcements;
- (3) ranged from a discount of approximately 73.80% to a premium of approximately 2.80%, with an average of a discount of approximately 26.02% and a median of a discount of approximately 28.57%, over/to their respective average closing prices for the ten (10) consecutive trading days up to and including the last trading day prior to/on the dates of the relevant announcements; and
- (4) ranged from a discount of approximately 35.00% to 0%, with an average of a discount of approximately 10.58% and a median of a discount of approximately 8.68%, to their respective theoretical ex-rights prices based on the closing prices on the last trading day prior to/on the dates of the relevant announcements.

When comparing the Rights Issue to the Comparable Transactions as shown in the table above, it is noted that the discounts of the Subscription Price to the adjusted closing price per Consolidated Share on the Last Trading Day, the adjusted average closing price per Consolidated Share for the five (5) and ten (10) consecutive trading days up to and including the Last Trading Day, and the theoretical ex-rights price per Consolidated Share on the Last Trading Day are approximately 23.66%, 27.55%, 31.73% and 7.79%, respectively, which are within the range of and close to the average and median of those of the Comparable Transactions.

In assessing the fairness and reasonableness of the Subscription Price, we have taken into account, among other things, (1) the historical Share price performance which has already reflected the market's response to the latest financial performance and position of the Group as well as the Disclaimer of Opinion; and (2) the discounts of subscription prices to closing share prices for various periods prior to the date of relevant announcements as well as the

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theoretical ex-rights prices of the Comparable Transactions. As such, we consider that the comparison of the Subscription Price with the historical Share prices and those of the Comparable Transactions is fair.

To conclude, given that (a) it is a common market practice that the pricing of a rights issue represents a discount to the prevailing closing share prices prior to the announcement of the rights issue and to the theoretical ex-rights price of the shares; (b) the substantial discount of the Subscription Price could enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue given the current financial difficulties of the Group; (c) the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares; (d) those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market; and (e) the discounts of the Subscription Price to the historical adjusted closing prices of the Consolidated Shares for various periods on or before the Last Trading Day and the theoretical ex-rights price of the Consolidated Shares on the Last Trading Day are within the ranges of those of the Comparable Transactions, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

### *(ii) The Irrevocable Undertaking*

Pursuant to the Irrevocable Undertaking, subject to the Whitewash Waiver, Ng Concert Party Group has undertaken to the Company that (a) they will subscribe for their own pro-rata entitlements under the Rights Issue to the extent that their total shareholding in the Company will be not more than 34.99% (the “**Shareholding Limit**”) immediately after completion of the Rights Issue; (b) they will not dispose of their Existing Shares or Consolidated Shares on or before the Expiry Date; and (c) Neo Tech Inc. will not dispose of or exercise any conversion rights attached to the Neo CB.

Having considered that (a) the Irrevocable Undertaking was given by Ng Concert Party Group in favour of the Company which solely represents the intention of Ng Concert Party Group in respect of its interests in the securities of the Company under the Rights Issue; (b) the Irrevocable Undertaking indicates Ng Concert Party Group’s support for the Rights Issue as they have undertaken to take up their own pro-rata entitlements under the Rights Issue, subject to the Shareholding Limit; (c) any acceptance by Ng Concert Party Group of their own pro-rata entitlements under the Rights Issue such that the Shareholding Limit is exceeded will require the SFC Approval which may delay the completion of the Rights Issue, we consider that the terms of the Irrevocable Undertaking are fair and reasonable.



*(iii) The Placing Agreement*

Pursuant to the Placing Agreement, any Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to independent placees on a best effort basis in compliance with Rule 7.21(1)(b) of the Listing Rules. Under the Placing Agreement, the Placing Agent will charge the Company a placing commission (the “**Placing Commission**”) of 2% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent. There will be no excess application arrangements in relation to the Rights Issue as required by Rule 7.21(1)(a) of the Listing Rules. Any Unsold Right Shares will be subscribed by the Subscriber under the Subscription Agreement, subject to the SFC Approval, the Whitewash Waiver and the Public Float Requirement.

In evaluating the fairness and reasonableness of the principal terms of the Placing Agreement, including the Placing Commission payable to the Placing Agent, we have further considered recent placing exercises conducted as a result of the compensatory arrangement as required under the Listing Rules in connection with rights issue or open offer exercises initially announced by the companies listed on the Stock Exchange for the period from 1 January 2020 and up to the Latest Practicable Date which are subject to shareholders’ approval. Based on the aforesaid criteria, we have identified an exhaustive list of nine compensatory arrangements (the “**Placing Comparables**”) by way of share placement. We consider that the aforesaid review period is adequate and appropriate to (a) reflect the latest market sentiment on share placements; and (b) provide a sufficient sample for comparison with the Placing.

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Set out below is a summary of the Placing Comparables:

<b>Date of announcement</b>	<b>Company name (stock code)</b>	<b>Commission fee/rate payable to the placing agent</b>
10 January 2020	Neway Group Holdings Limited (55)	A fixed fee of HK\$100,000
27 March 2020	Celestial Asia Securities Holdings Limited (1049)	1% of the gross proceeds from the subscription of the unsubscribed shares successfully placed by the placing agent
22 May 2020	China Solar Energy Holdings Limited (155)	3% of the amount equal to the placing price multiplied by the number of shares successfully placed by the placing agent
27 May 2020	Teamway International Group Holdings Limited (1239)	The higher of HK\$250,000 or 1.5% of the placing price multiplied by the number of placing shares successfully placed by the placing agent
1 June 2020	Summit Ascent Holdings Limited (102)	The higher of HK\$150,000 or 1.5% of gross proceeds from the subscription of the unsubscribed rights shares and the NQS unsold rights shares
24 August 2020	Tongda Hong Tai Holdings Limited (2363)	A fixed fee of HK\$800,000
28 August 2020	Royal Century Resources Holdings Limited (8125)	2% of the amount equal to the placing price multiplied by the number of shares actually placed by the placing agent
3 September 2020	Aeso Holding Limited (8341)	2.5% of the amount which is equal to the placing price multiplied by the number of shares actually placed by the placing agent

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<b>Date of announcement</b>	<b>Company name (stock code)</b>	<b>Commission fee/rate payable to the placing agent</b>
18 September 2020	Wan Cheng Metal Packaging Company Limited (8291)	2.5% of the amount which is equal to the placing price multiplied by the number of shares actually placed by the placing agent
<b>11 September 2020</b>	<b>The Company</b>	<b>2% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares that have been successfully placed by the Placing Agent</b>

*Source: website of the Stock Exchange*

As shown in the table above, we noted that the commission fees payable to the respective placing agents under the Placing Comparables are either (a) a fixed fee ranging from HK\$100,000 to HK\$800,000; or (b) based on certain percentage of the gross proceeds from the subscription of the unsubscribed or unsold shares ranging from 1.0% to 3%.

In addition to the Placing Comparables above, we have made reference to the share placements (the “**Share Placements**”) conducted by the Company through the Placing Agent under general mandate announced on 26 February 2020 and 17 July 2020, in which the Placing Agent charged the Company a placing commission of 1% and 2% of the gross proceeds from the Share Placements, respectively.

Given that (a) the Compensatory Arrangements under the Placing Agreement are in compliance with Rule 7.21(1)(b) of the Listing Rules; (b) the Compensatory Arrangements will provide a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (c) the Compensatory Arrangements will provide a compensatory mechanism for the No Action Shareholders if they neither subscribe for the Rights Shares nor sell their nil-paid rights since under such arrangements, the unsubscribed or unsold Rights Shares will be first offered to independent placees and any premium over the Subscription Price will be paid to the No Action Shareholders; (d) the Compensatory Arrangements will be managed by the Placing Agent which is an Independent Third Party, indicating that the terms of the Placing Agreement were arrived at after arm’s length negotiation between the Company and the Placing Agent; (e) the final Placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be

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determined with reference to the prevailing market conditions and will be not less than the Subscription Price which is fair and reasonable as set out in the sub-section headed “(i) Subscription Price” above, meaning that the placees under the Placing will not be preferentially treated over the Qualifying Shareholders who are entitled to participate in the Rights Issue at the Subscription Price; and (f) the Placing Commission payable to the Placing Agent is within the ranges of those charged in the Placing Comparables and the Share Placements, we consider that the terms of the Placing Agreement, including the Placing Commission, are fair and reasonable.

### *(iv) The Subscription Agreement*

Pursuant to the Subscription Agreement, any Unsold Rights Shares, being the Unsubscribed Rights Shares and NQS Unsold Rights Shares which have not been placed to placees by the Placing Agent under the Placing Agreement, will be conditionally subscribed by the Subscriber, subject to the SFC Approval, the Whitewash Waiver and the Public Float Requirement. Completion of the Rights Issue is a condition precedent to the Subscription Agreement.

For illustrative purpose only, assuming that (a) no outstanding Share Options are exercised and there is no other change in the shareholding structure of the Company before completion of the Rights Issue; (b) none of the Qualifying Shareholders (other than Ng Concert Party Group) have taken up any entitled Rights Shares; and (c) none of the Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent under the Placing Agreement (collectively, the “**Assumptions**”), the change in the shareholding structure of the Company upon completion of the Share Consolidation, the Rights Issue and the Subscription would be as follows:

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Share Consolidation		Immediately after completion of the Share Consolidation and the Rights Issue assuming none of the Qualifying Shareholders (other than Ng Concert Party Group) have taken up any entitled Rights Shares and subject to the Irrevocable Undertaking		Immediately after completion of the Share Consolidation, the Rights Issue and the Subscription	
	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %	Number of issued Shares	Approximate %
Ng Concert Party Group	265,980,000	19.80%	26,598,000	19.80%	57,973,965	34.99%	323,139,828	75.00%
Public Shareholders	1,077,132,768	80.20%	107,713,276	80.20%	107,713,276	65.01%	107,713,276	25.00%
<b>Total</b>	<b>1,343,112,768</b>	<b>100.00%</b>	<b>134,311,276</b>	<b>100.00%</b>	<b>165,687,241</b>	<b>100.00%</b>	<b>430,853,104</b>	<b>100.00%</b>

As shown above, based on the Assumptions, Ng Concert Party Group would subscribe for an aggregate of 296,541,828 Consolidated Shares upon completion of the Rights Issue and the Subscription for a total gross amount of approximately HK\$210.5 million based on the Subscription Price. We concur with the Directors that the arrangement under the Subscription Agreement allows the Company to raise

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as much as proceeds as originally contemplated under the Rights Issue in the event that there are Rights Shares which remain unsubscribed and unsold in the market under the Rights Issue and placing.

Taking into account that (a) the transactions contemplated under the Subscription Agreement is effectively an underwriting arrangement which, together with the Rights Issue, guarantees a minimum amount of fund that can be raised for the Company as mentioned above and assists the Company in maintaining the going concern, which is in line with the interests of Shareholders; (b) the Rights Issue can complete first without the SFC Approval which may take time as the shareholding of Ng Concert Party Group in the Company is controlled up to the Shareholding Limit (exceeding which the SFC Approval would be required) pursuant to the Irrevocable Undertaking upon completion of the Rights Issue and any Unsold Rights Shares will be taken up by the Subscriber under the Subscription Agreement (subject to the SFC Approval, the Whitewash Waiver and the Public Float Requirement) to ensure a minimum level of fund raised by the Company as a whole and also assists the Company in maintaining the going concern; and (c) the subscription price under the Subscription is equivalent to the Subscription Price under the Rights Issue which is fair and reasonable as set out in the sub-section headed “(i) Subscription Price” above, we consider that the terms of the Subscription Agreement are fair and reasonable.

### **6. Potential dilution effect on the shareholding interests of the Independent Shareholders**

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will not be diluted after the Rights Issue and the Subscription. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and the Subscription.

As set out in the section headed “5. Assessment of the principal terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking and the Subscription Agreement — (iv) The Subscription Agreement” above, the shareholding interest of the public Shareholders would be diluted from approximately 80.20% as at the Latest Practicable Date to 25.00% immediately after completion of the Rights Issue and the Subscription based on the Assumptions, representing a maximum potential dilution of approximately 68.8%.

Having considered that (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and the interests of the Independent Shareholders in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the

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Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in rights issue in general and the dilution effect of the Rights Issue is within the range of those of the Comparable Transactions as set out in the section headed “5. Assessment of the principal terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking and the Subscription Agreement — (i) The Subscription Price — (c) Comparison with recent rights issue exercises” above; (iv) the Rights Issue is the most appropriate financing alternative under the present circumstance of the Group as set out in the section headed “Reasons for the Rights Issue” above; and (v) the Group is of imminent need for the Right Issues to repay its outstanding liabilities as mentioned in the section headed “Reasons for the Rights Issue — (i) Financial difficulties to repay the existing indebtedness” above, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is acceptable.

### 7. Financial impact of the Rights Issue

#### (i) Net tangible assets

We set out below the unaudited consolidated net tangible liabilities and the pro forma consolidated net tangible assets per Consolidated Share, assuming completion of the Rights Issue took place on 30 June 2020, based on the unaudited pro forma financial information of the Group (the “**Unaudited Pro Forma Financial Information**”) in Appendix II to the Circular:

	As at 30 June 2020 <i>(Note 1)</i>	Upon completion of the Rights Issue (assuming there is no change in the number of Consolidated Shares in issue on or before the Record Date) <i>(Note 2)</i>	Upon completion of the Rights Issue (assuming full exercise of the Share Options and conversion of the Other CB on or before the Record Date) <i>(Note 3)</i>
Consolidated net tangible (liabilities)/assets attributable to the Shareholders (in HK\$) <i>(Note 4)</i>	(106,605,000)	177,478,000	183,756,000
Total number of Consolidated Shares in issue <i>(Note 4)</i>	134,311,276	537,245,104	539,645,104
<b>Unaudited consolidated net tangible (liabilities)/assets per Consolidated Share (in HK\$)</b> <i>(Note 4)</i>	<b>(0.794)</b>	<b>0.330</b>	<b>0.341</b>

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Notes:*

1. Based on (a) the unaudited consolidated net tangible liabilities attributable to the Shareholders of approximately HK\$129.6 million as at 30 June 2020 and net proceeds of approximately HK\$22.96 million from the completion of placing of new Shares on 4 August 2020; (b) 1,119,260,640 Existing Shares (equivalent to 111,926,064 Consolidated Shares) in issue as at 30 June 2020 and the placing of 223,852,128 Existing Shares.
2. Based on (a) 402,933,828 Rights Shares (assuming there is no change in the number of Consolidated Shares in issue on or before the Record Date); (b) the Subscription Price of HK\$0.71 per Rights Share; and (c) the estimated professional fees and related expenses of approximately HK\$2 million as disclosed in the Circular.
3. Based on (a) 404,733,828 Rights Shares (assuming full exercise of the Share Options and conversion of the Other CB on or before the Record Date); (b) the Subscription Price of HK\$0.71 per Rights Share; (c) the estimated professional fees and related expenses of approximately HK\$2 million as disclosed in the Circular; and (d) HK\$5 million (assuming other CB holder convert the other CB as at 30 June 2020).
4. The placing of 223,852,128 Existing Shares completed on 4 August 2020 under the placing agreement dated 17 July 2020 with net proceeds of approximately HK\$22.96 million was taken into account.

As show in the table above, the Group would turn from a net tangible liabilities position as at 30 June 2020 to a net tangible assets position upon completion of the Rights Issue. The pro forma consolidated net tangible assets per Consolidated Share upon completion of the Rights Issue would be approximately HK\$0.330 (assuming there is no change in the number of Consolidated Shares in issue on or before the Record Date) or HK\$0.341 (assuming full exercise of the Share Options and conversion of the Other CB on or before the Record Date), turning around from the unaudited net tangible liabilities per Consolidated Share of approximately HK\$0.794 as at 30 June 2020.

### *(ii) Liquidity*

As at 30 June 2020, cash and cash equivalents of the Group amounted to approximately HK\$19.5 million. Coupled with the net proceeds of approximately HK\$22.96 million from the placing completed on 4 August 2020 under the placing agreement dated 17 July 2020, total cash and cash equivalents of the Group would amount to approximately HK\$42.5 million. Upon completion of the Rights Issue, cash and cash equivalents of the Group is expected to increase by the estimated net proceeds from the Right Issues. As such, the liquidity position of the Group would be improved upon completion of the Rights Issue.

### *(iii) Gearing*

As at 30 June 2020, the Group's gearing ratio, being the sum of convertible bonds, shareholder's loan and other loan less cash and cash equivalents and divided by total assets, was approximately 154.1%. The capital base of the Group would be enlarged and the cash and cash equivalents of the Group would increase upon completion of the Rights Issue. Accordingly, the gearing ratio would be improved as a result of the Rights Issue. As illustrated above, based on the Assumptions, Ng

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Concert Party Group would subscribe for an aggregate of 296,541,828 Consolidated Shares upon completion of the Rights Issue and the Subscription for a total gross amount of approximately HK\$210.5 million based on the Subscription Price. Such amount is expected to make the Company change from net tangible liabilities position to net tangible asset position.

### *(iv) Earnings*

Given that the net proceeds from the Rights Issue will be used to (a) repay the Group's outstanding liabilities, including the Convertible Bonds and the shareholder's loan from Mr. Ng which are interest bearing; and (b) develop the existing businesses of the Group, the reduction of finance costs arising from repayment of the Group's interest bearing debts and the potential additional revenue brought to the Group through injection of new funds from the Rights Issue to support and develop the Group's existing businesses are expected to have a positive impact to the earnings of the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company upon completion of the Rights Issue.

## **8. The Whitewash Waiver**

### *(i) Background*

As at the Latest Practicable Date, Ng Concert Party Group was interested in 265,980,000 Shares, representing approximately 19.8% of the issued share capital of the Company.

Upon completion of the Rights Issue and the Subscription, assuming (a) there is no other change in the shareholding structure of the Company before completion of the Rights Issue and the Subscription; and (b) not all the Qualifying Shareholders (other than Ng Concert Party Group) have taken up the entitled Rights Shares and none of the Rights Shares are placed to independent placees under the Compensatory Arrangements, the interests of Ng Concert Party Group in the voting rights of the Company may increase from approximately 19.8% to approximately 75%. Accordingly, Ng Concert Party Group would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by Ng Concert Party Group pursuant to Rule 26.1 of the Takeovers Code as such increase will have the effect of increasing Ng Concert Party Group's holding of voting rights of the Company to 30% or more, unless the Whitewash Waiver is obtained from the Executive.

An application has been made by Ng Concert Party Group to the Executive for the Whitewash Waiver. The Executive has indicated that the Whitewash Waiver will be granted and will be conditional upon, among other things, the approval of the Whitewash Waiver by at least 75% of the independent votes that are either in person or by proxy by the Independent Shareholders at the EGM. Ng Concert Party Group



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and their respective associates and concert parties and any other Shareholders who are involved in or interested in the Rights Issue, the Placing Agreement, the Irrevocable Undertaking, the Share Consolidation, the Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM the resolution(s) approving the Rights Issue, the Placing Agreement, the Subscription Agreement and the Whitewash Waiver.

*(ii) The Whitewash Waiver as a condition of the Rights Issue and the Subscription*

Shareholders should note that both the Rights Issue and the Subscription are conditional on, among other things, (a) the Independent Shareholders having approved the Whitewash Waiver at the EGM; and (b) the Executive having granted to Ng Concert Party Group the Whitewash Waiver, which cannot be waived. The approval of the Whitewash Waiver by the Independent Shareholders will be therefore necessary for the Rights Issue and the Subscription to proceed to completion and for the Group to raise critical capital to repay its outstanding liabilities and finance the development of its existing businesses. The Whitewash Waiver is needed to accommodate the amount of money to be raised under the Rights Issue and the Subscription.

Shareholders should note that if the Whitewash Waiver is not granted by the Executive or is not approved by the Independent Shareholders, the Company will not proceed with the Rights Issue and the Subscription. In other words, a general offer obligation on the part of Ng Concert Party Group will not arise if they fail to obtain the Whitewash Waiver.

### OPINION AND RECOMMENDATION

In arriving at our opinion and recommendation, we have considered the principal factors and reasons as discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the Group has financial difficulties in repaying its outstanding debts, among which approximately HK\$160 million was already overdue as at the Latest Practicable Date. As at 30 June 2020, the Group had net current liabilities and net liabilities of approximately HK\$147.3 million and HK\$129.6 million, respectively. There is an imminent need for the Group to raise critical funds primarily for repayment of its outstanding debts;
- the financial performance and position of the Group indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, as disclosed in the 2020 Interim Report;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- the Auditors have expressed the Disclaimer of Opinion on the consolidated financial statements of the Group for FY2019, which mainly arose from loss of control of certain PRC subsidiaries as well as limitation of scope on interest in an Associate, trading of security products and provision of security services business segment and impairment assessment of loan receivables and trade receivables;
- as at the Latest Practicable Date, the Group was no longer engaged in the credit guarantee and investment business and the trading of security product and provision of security services business, and did not intend to further develop these businesses;
- in FY2019 and 2020 H1, the financial performance of the Group's trading of party products business has been adversely affected by the keen competition in the party supplies market, the PRC-United States trade tension and the outbreak of the novel coronavirus since early 2020 whereas the growth of the securities brokerage and assets management business and the advancing business, which are capital intensive in nature, has been restrained by the suspension of relevant SFC licenses to carry out the securities brokerage and assets management business in the second half of 2019 due to shortage of fund to meet the relevant liquid capital requirement and the lack of capital to advance new loans in view of the current financial position of the Group. The funds to be raised from the Rights Issue and the Subscription will provide the Group with additional capital to support the trading of party products business in face of the current hardship and to develop the securities brokerage and assets management business as well as the advancing business with a view to generating additional revenue to the Group;
- the growth in the market capitalisation and turnover of the Stock Exchange, the number of active margin clients and the AUM of the asset and wealth management industry will provide a favourable environment for the development of the Group's financial services business as a whole and it is expected that the licenses for asset management and securities brokerage will be resumed in the second half of 2020 and the first half of 2021, respectively;
- given (i) improved internal control procedures, which involve clear segregation of duties of risk assessment, loan approval, drawdown arrangement and monitoring, have been contemplated to minimise the Group's credit risk, particularly the Group's credit risk assessment will include background due diligence and litigation search of the borrower, evaluation of the borrower's repayment ability, land and asset search on pledged assets and regular review of the repayment status of the borrower with proper documentation; and (ii) the Company will target individual personal loans or mortgage loans as well as corporate and institution borrowers with high credit rating and high-quality collateral to secure such loans, the additional fund available to the advancing business will strengthen the Group's capital base for expansion of the advancing business;
- the New Management did not involve in the risk assessment and approval process of current 11 loans and they have extensive experience in the financial industry;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Mr. Ng has confirmed his intention to provide continuing financial support to the Group. However, the Directors consider that it is not financially healthy for the Group to solely rely on Mr. Ng's financial support;
- the Rights Issue, coupled with the Subscription, is the most preferred option over other financing alternatives such as debt financing, placing of new Shares and open offer, as it will not result in a deterioration of the Group's gearing and allows all Qualifying Shareholders to participate in the fund-raising exercise for the future development of the Group with the flexibility of trading of rights entitlements in the market;
- the principal terms of the Rights Issue, in particular the Subscription Price, are fair and reasonable after considering the following:
  - it is a common market practice that the pricing of a rights issue represents a discount to the prevailing closing share prices prior to the announcement of the rights issue and to the theoretical ex-rights price of the shares;
  - the discount of the Subscription Price could enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue given the current financial difficulties of the Group;
  - the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares;
  - those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market; and
  - the discounts of the Subscription Price to the historical adjusted closing prices of the Consolidated Shares for various periods on or before the Last Trading Day and the theoretical ex-rights price of the Consolidated Shares on the Last Trading Day are within the ranges of those of the Comparable Transactions;
- the Irrevocable Undertaking, being the intention of Ng Concert Party Group in respect of its interests in the securities of the Company under the Rights Issue, was given by Ng Concert Party Group in favour of the Company, indicating its support for the Rights Issue and ensuring completion of the Rights Issue without the SFC Approval which may delay the process;
- the Compensatory Arrangements under the Placing Agreement, being part of the Rights Issue, are in compliance with the Listing Rules, which are managed by the Placing Agent who is an Independent Third Party. The Placing price will be not less than the Subscription Price which is fair and reasonable as mentioned above and the Placing Commission payable to the Placing Agent is in line with those charged in the Placing Comparables and the Share Placements;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- as a kind of supporting from Mr. Ng on the Group, Neo Tech Inc and the Company entered into the Subscription Agreement. The transactions contemplated under the Subscription Agreement is conditional on completion of the Rights Issue and is effectively an underwriting arrangement which, together with the Rights Issue, guarantees a minimum amount of fund that can be raised for the Company. The subscription price under the Subscription Agreement will equal to the Subscription Price which is fair and reasonable as mentioned above;
- the dilution effect on the shareholding interests of public Shareholders, which will be potentially diluted by up to a maximum of approximately 68.8% following completion of the Rights Issue and the Subscription, is considered to be acceptable given the current financial position of the Group, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable as mentioned above and the Rights Issue is not prejudicial to the Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue. Meanwhile, the Rights Issue does not result in a theoretical dilution effect of 25% or more on its own, which complies with the Listing Rules;
- the Rights Issue is expected to bring an overall positive financial impact on the Group, in particular turning the Group from net tangible liabilities to net tangible assets and improving the liquidity and gearing of the Group, and assisting the Company in maintaining the going concern, which is in line with the interests of Shareholders; and
- the granting and approval of the Whitewash Waiver, being a condition precedent to each of the Rights Issue and the Subscription, is needed to accommodate the amount of critical capital to be raised under the Rights Issue and the Subscription to repay the Group's outstanding debts and finance the development of the Group's existing businesses.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above, we consider that the terms of the Rights Issue, the Placing Agreement, the Irrevocable Undertaking, the Subscription Agreement and the Whitewash Waiver are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. We also consider that the Rights Issue, the transactions contemplated under the Placing Agreement, the Irrevocable Undertaking and the Subscription Agreement and the Whitewash Waiver, while not in the ordinary and usual course of business of the Group, are nevertheless in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Whitewash Independent Board Committee and the Connected Transaction Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, the Subscription Agreement and the Whitewash Waiver.

Yours faithfully,  
For and on behalf of  
**Rainbow Capital (HK) Limited**  
**Larry Choi**  
*Managing Director*

*Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 6 (advising on corporate finance) regulated activity under the SFO. He has over ten years of experience in the corporate finance industry.*

## 1. FINANCIAL SUMMARY

The financial information of the Group for each of the three financial years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2020 are set out in the following documents which have been published on both the website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.ahfh.com.hk](http://www.ahfh.com.hk):

- the annual report of the Company for the year ended 31 December 2017 published on 27 April 2018 (pages 38 to 121) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn201804271356.pdf>);
- the annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 46 to 159) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904292595.pdf>);
- the annual report of the Company for the year ended 31 December 2019 published on 10 July 2020 (pages 56 to 174) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0710/2020071000402.pdf>); and
- the interim report of the Company for the six months ended 30 June 2020 published on 24 September 2020 (pages 16 to 52) (hyperlink: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092400879.pdf>).

## 2. FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated financial information of the Group for the years ended 31 December 2019, 2018 and 2017 audited by CHENG & CHENG LIMITED and the unaudited consolidated financial information of the Group for the six months ended 30 June 2020.

	<i>Note</i>	For the	For the year ended 31 December		
		six months ended 30 June 2020 (unaudited) HK\$'000	2019 (audited) HK\$'000	2018 (audited) HK\$'000	2017 (audited) HK\$'000
<b>Revenue</b>		24,914	135,613	66,933	176,728
Cost of sales and services		<u>(10,484)</u>	<u>(105,104)</u>	<u>(50,556)</u>	<u>(155,059)</u>
<b>Gross profit</b>		14,430	30,509	16,377	21,669
Other revenue and other net gain/(loss)		1,456	6,625	(9,821)	(3,998)
Fair value gain on contingent consideration receivables		—	54,510	—	—
Operating expenses		<u>(19,241)</u>	<u>(79,193)</u>	<u>(86,657)</u>	<u>(113,030)</u>
<b>Profit/(Loss) from operations</b>		<u>(3,355)</u>	<u>12,451</u>	<u>(80,101)</u>	<u>(95,359)</u>
<b>Finance costs</b>	<i>1</i>	<u>(7,449)</u>	<u>(15,684)</u>	<u>(7,428)</u>	<u>(7,409)</u>
<b>Other non-operating expenses</b>					
Loss on deregistration of a subsidiary		—	(159)	—	—
Share of profit/(loss) of an associate		—	5,396	(4,984)	(3,813)
Loss on disposal of an associate		—	—	(5,086)	—
Loss on deconsolidation of subsidiaries	<i>*</i>	—	(120,156)	—	—
Gain/(loss) on disposal of subsidiaries		(4,257)	2,616	—	222
Provision for termination of profit guarantees and cancellation of convertible bonds		(11,367)	—	—	—
Others		<u>(645)</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>(16,269)</u>	<u>(112,303)</u>	<u>(10,070)</u>	<u>(3,591)</u>

	<i>Note</i>	For the six months ended 30 June 2020 (unaudited) <i>HK\$'000</i>	For the year ended 31 December		
		2019 (audited) <i>HK\$'000</i>	2018 (audited) <i>HK\$'000</i>	2017 (audited) <i>HK\$'000</i>	
<b>Loss before impairment and tax</b>		<u>(27,073)</u>	<u>(115,536)</u>	<u>(97,599)</u>	<u>(106,359)</u>
Impairment loss on goodwill	*	—	(43,235)	—	—
Impairment loss on intangible assets	*	—	(28,681)	—	—
Impairment loss on interest in an associate	*	—	(46,445)	—	—
Impairment loss on property, plant and equipment		—	(294)	—	—
Impairment loss on right-of- use assets		—	(1,912)	—	—
Impairment loss on loan receivables, net	*	—	(111,128)	(13,707)	—
Impairment loss on trade receivables, net	*	—	(18,245)	(1,308)	—
Impairment loss on deposit paid, net	*	—	(12,780)	—	—
(Impairment loss)/reversal of impairment loss on other receivables, net	*	<u>(10,350)</u>	<u>(5,570)</u>	<u>9,715</u>	<u>(34,774)</u>
		<u>(10,350)</u>	<u>(268,290)</u>	<u>(5,300)</u>	<u>(34,774)</u>
<b>Loss before tax</b>	2	(37,423)	(383,826)	(102,899)	(141,133)
<b>Income tax credit/(expense)</b>		<u>—</u>	<u>428</u>	<u>(432)</u>	<u>(1,827)</u>
<b>Loss for the year</b>		<u>(37,423)</u>	<u>(383,398)</u>	<u>(103,331)</u>	<u>(142,960)</u>



	For the six months ended		For the year ended 31 December	
	30 June	2019	2018	2017
	2020	2019	2018	2017
	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Loss for the year attributable to:</b>				
Equity shareholders of the Company	(37,423)	(380,376)	(103,031)	(141,274)
Non-controlling interests	—	(3,022)	(300)	(1,686)
	<u>(37,423)</u>	<u>(383,398)</u>	<u>(103,331)</u>	<u>(142,960)</u>
<b>Loss per share</b>				
— Basic	<u>HK3.71 cents</u>	<u>HK40.68 cents</u>	<u>HK11.05 cents</u>	<u>HK1.51 cents</u> (Remark)
— Diluted	<u>HK3.71 cents</u>	<u>HK40.68 cents</u>	<u>HK11.05 cents</u>	<u>HK1.51 cents</u> (Remark)
Dividends per share	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

Remark:

Not being restated as a result of the capital reorganisation of the Company with effect from 24 July 2019.

Notes:

#### 1. FINANCE COSTS

	For the six months ended		For the year ended 31 December	
	30 June	2019	2018	2017
	2020	2019	2018	2017
	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on convertible bonds	6,558	14,000	6,513	6,485
Interest on shareholders loan	321	—	—	—
Interest on lease liabilities	13	762	—	—
Interest on other borrowings	<u>557</u>	<u>922</u>	<u>915</u>	<u>924</u>
	<u>7,449</u>	<u>15,684</u>	<u>7,428</u>	<u>7,409</u>

## 2. LOSS BEFORE TAX

Loss before tax is arrived at after charging/(crediting) the following:

	<b>For the six months ended 30 June 2020</b>	<b>For the year ended 31 December</b>		
	(unaudited) <i>HK\$'000</i>	<b>2019</b> (audited) <i>HK\$'000</i>	<b>2018</b> (audited) <i>HK\$'000</i>	<b>2017</b> (audited) <i>HK\$'000</i>
Auditor's remuneration				
— Audit service	515	1,870	1,200	930
— Non-audit service	200	584	250	130
Cost of inventories included in cost of sales and services	8,977	105,104	50,422	155,048
Cost of service included in cost of sales and services	—	—	134	—
Amortisation of intangible assets	—	5,411	—	—
Depreciation				
— Owned property, plant and equipment	1,407	5,630	6,275	6,494
— Right-of-use assets*	—	11,083	—	—
Loss on disposal of property, plant and equipment	3	—	—	343
Staff costs (including directors' emoluments):				
— Salaries, wages and other benefits	5,847	20,712	25,435	42,773
— Contributions to defined contribution retirement plans	59	1,454	399	517
— Equity settled share-based payment expenses	—	1,060	14,756	6,370
Total minimum lease payments for leases previously classified as operating leases under HKAS 17*	—	—	18,825	23,594
Equity settled share-based payment expenses to non-employees	—	—	392	2,600

\* The group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(e) of 2019 annual report for further details.

	For the six months ended 30 June 2020 (unaudited) HK\$'000	For the year ended 31 December		
		2019 (audited) HK\$'000	2018 (audited) HK\$'000	2017 (audited) HK\$'000
<b>ASSETS, LIABILITIES AND NON- CONTROLLING INTERESTS</b>				
Total assets	129,832	151,022	522,279	525,575
Total liabilities	259,467	252,340	229,661	167,841
Total equity	(129,635)	(101,318)	292,618	357,734
— Equity attributable to owners of the Company	(129,565)	(110,147)	265,920	343,799
— Non-controlling interests	<u>(70)</u>	<u>8,829</u>	<u>26,698</u>	<u>13,935</u>

The management discussion and analysis of the Company for the six months ended 30 June 2020 and for each of the financial years ended 31 December 2017, 2018 and 2019 are disclosed in the interim report for the six months ended 30 June 2020 and in the annual reports of the Company for the financial years ended 31 December 2017, 2018 and 2019, respectively. Save as certain non-recurring losses marked with \* on pages 2 and 3 of this appendix, there were no material items of income or expense for the six months ended 30 June 2020 and for each of the three years ended 31 December 2017, 2018 and 2019.

Set out below is the details of disclaimer of opinion made by CHENG & CHENG LIMITED, the auditors of the Company, as extracted from the annual report of the Company for the year ended 31 December 2019:

#### DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Amber Hill Financial Holdings Limited (formerly known as China Cloud Copper Company Limited and Asia Investment Finance Group Limited) (the “**Company**”) and its subsidiaries (“**the Group**”) set out on pages 61 to 174, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements

and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance (Cap. 622 of laws of Hong Kong).

## **BASIS FOR DISCLAIMER OF OPINION**

### **Deconsolidation of subsidiaries**

As disclosed in notes 2(d) and 18 to the consolidated financial statements, the directors of the Company (the “**Board**”) were unable to obtain cooperation from the legal representative, directors and key management of a subsidiary, namely, Harmonic Strait Credit Guarantee Company Limited (“**Harmonic Strait**” or the “**Deconsolidated Subsidiary**”) and the wholly owned subsidiaries of Harmonic Strait namely Shenzhen Hanhong SCM Co., Ltd. and Shenzhen Sunnyway International Trading Company Limited (together with Harmonic Strait, collectively known as the “**Deconsolidated Subsidiaries**”). Therefore, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries. In the opinion of the Board, the consolidated financial statements of the Group for the year ended December 31, 2019, which were prepared on the basis that the deconsolidation of the Deconsolidated Subsidiaries was deemed to be effective on January 1, 2019 (the “**Deconsolidation**”), presented more fairly the results, state of affairs and cashflows of the Group as a whole in light of incomplete books and records of the Deconsolidated Subsidiaries. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of Deconsolidated Subsidiaries since January 1, 2019. Therefore, the Deconsolidation was not in compliance with the requirements of Hong Kong Financial Reporting Standard (“**HKFRS**”) 10 “Consolidated Financial Statements”. Had the Deconsolidated Subsidiaries been consolidated up to the date when the control over the Deconsolidated Subsidiaries was lost, many elements in the consolidated financial statements would have been materially affected.

### *Loss on Deconsolidation of the Deconsolidated Subsidiaries*

Due to lack of complete books and records of the Deconsolidated Subsidiaries mentioned above, we are unable to obtain sufficient appropriate audit evidence to determine whether the loss on the Deconsolidation amounting to approximately HK\$120,156,000 was free from material misstatement. Accordingly, we are unable to ascertain the impact of the Deconsolidation.

### *Amount due to a Deconsolidated Subsidiary*

As disclosed in note 38 to the consolidated financial statements, the Group recorded amount due to a Deconsolidated Subsidiary of approximately HK\$8,467,000 as at December 31, 2019. As further disclosed in notes 2(d) and 18 to the consolidated financial statements, the Board has been unable to gain access to the books and records of the Deconsolidated Subsidiary and has been unable to obtain information and explanations from management of the Deconsolidated Subsidiary on matters concerning the books and records of the Deconsolidated Subsidiary. There were no other satisfactory alternative audit procedures that we could perform to satisfy ourselves as to whether the amount due

to a Deconsolidated Subsidiary was free from material misstatement. Due to these factors, we have not been able to obtain sufficient appropriate audit evidence to determine the validity and completeness of the amount due to a Deconsolidated Subsidiary as at December 31, 2019 and whether there were unrecorded transactions entered into with the Deconsolidated Subsidiary during the year ended December 31, 2019 which had been accounted for and in compliance with the requirements of applicable HKFRSs and the Listing Rules. Any adjustments found to be the required may have consequential significant effects on the balances of the amount due to a Deconsolidated Subsidiary, the recorded amounts and description of the relevant transactions with the Deconsolidated Subsidiary as at and for the year ended December 31, 2019 and other elements in the consolidated financial statements for the year ended December 31, 2019 and hence on the net liabilities of the Group as at December 31, 2019 and loss and other comprehensive income and cash flows of the Group for the year then ended and related disclosures thereof in the consolidated financial statements.

#### **Limitation of scope on interest in an associate**

As stated in note 17 to the consolidated financial statements, the Group has accounted for its interest in an associate using the equity method. As at December 31, 2019, the carrying amount of the interest in an associate was approximately HK\$586,000, and the Group's share of profit of an associate and impairment loss on interest in an associate for the year ended December 31, 2019 were approximately HK\$5,396,000 and HK\$46,445,000 respectively. However, during the course of our audit, we have not been able to obtain sufficient information and explanations from the management of the associate that we considered necessary in order to enable us to satisfy ourselves as to whether the Group's share of associate's result and impairment loss on interest in an associate for the year and thus the carrying amount of the interest in an associate included in the Group's consolidated statement of financial position as at December 31, 2019 are fairly stated and whether the summarised financial information of an associate as shown in the consolidated financial statements are properly disclosed. In addition, the impairment assessment on the recoverable amount of interest in an associate was based on asset approach determined by the Board. The key assumptions on asset approach are those regarding, discount on lack of marketability and discount on lack of control. However, the Board could not provide sufficient appropriate audit evidence to substantiate the appropriateness of adopting asset approach, the reasonableness of the above assumptions and financial data used in the asset approach and thus the carrying amount of the interest in an associate included in the Group's consolidated statement of financial position as at December 31, 2019 are fairly stated and whether the summarised financial information of an associate as shown in the consolidated financial statements are properly disclosed. There were no other satisfactory alternative audit procedures that we could adopt to obtain sufficient appropriate audit evidence in this regard.

Any adjustment to the amount of the above interest in an associate found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

**Limitation of scope on trading of security products and provision of security services business segment***Limitation of scope on revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests of trading of security products business*

As disclosed in notes 46(a) and (c) to the consolidated financial statements, subsequent to the loss of control in 2020 for trading of security products and provision of security services business segment, the Board was unable to obtain cooperation from the new management of trading of security products business segment. We were unable to obtain sufficient appropriate audit evidence to determine whether the revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests amounting to approximately HK\$79,502,000, HK\$64,044,000, HK\$5,449,000, HK\$5,749,000, HK\$3,044,000, HK\$2,961,000 and HK\$8,872,000 respectively were free from material misstatement for the year ended December 31, 2019.

There were no other satisfactory alternative audit procedures that we could carry out to determine whether revenue and cost of sales for the year ended December 31, 2019 and trade receivables, other receivables, trade payables, tax payables and non-controlling interests as at December 31, 2019 were fairly stated.

Any adjustment to revenue, cost of sales, trade receivables, other receivables, trade payables, tax payables and non-controlling interests found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss and cash flows for the year then ended and related disclosures to the consolidated financial statements.

*Limitation of scope on impairment on intangible assets and goodwill*

As stated in notes 14 and 16 to the consolidated financial statements, the intangible assets and goodwill arising from trading of security products and provision of security services business segment were approximately HK\$11,188,000 and HK\$489,000 respectively as at December 31, 2019. The Board carried out a full scope assessment of the recoverable amount of the cash generating units ("CGUs") of trading of security products and provision of security services business segment to which intangible assets and goodwill have been allocated. As a result of the impairment assessment, the Board considered that impairment loss of approximately HK\$10,293,000 and HK\$40,235,000 respectively on the intangible assets and goodwill arising from trading of security products and provision of security services business segment were provided for the year ended December 31, 2019. The impairment assessment on the recoverable amount of the CGUs performed by the Group were based on value-in-use calculations by reference to valuation reports prepared by an independent external valuer. The key assumptions for the value-in-use calculations are those regarding growth rates, the projected revenue and related costs used in the cash flow forecasts. However, the Board could not provide sufficient audit evidence to substantiate the reasonableness of the above assumptions used in the cash flow forecasts.

Any adjustment to the amount of the above intangible assets and goodwill of trading of security products and provision of security services business segment found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

*Limitation of scope on the fair value change of contingent consideration receivables*

As stated in note 32 to the consolidated financial statements, the carrying amount of contingent consideration receivables arising from the acquisition of trading of security products and provision of security services business segment was approximately HK\$60,340,000 as at December 31, 2019. The amount of contingent consideration receivables is calculated with reference to the net loss after tax and forecast net loss after tax of trading of security products and provision of security services business segment for years ended December 31, 2019 and 2020 respectively.

The fair value of contingent consideration receivables was determined by the Board by reference to a valuation report prepared by an independent external valuer. The valuation report was based on the expected discounted cash flow method including the net loss after tax and forecast net loss after tax of trading of security products and provision of security services business segment for the years ended December 31, 2019 and 2020 respectively prepared by the Board (the "**Profit Forecast**"). The key assumption for the expected discounted cash flow method are those regarding the discount rates, financial performance for the year ended December 31, 2019 and the projected revenue and related costs used in the Profit Forecast. However, the Board could not provide sufficient audit evidence to substantiate the reasonableness of the above assumptions used in the Profit Forecast.

Any adjustment to the amount of the above fair value change of contingent consideration receivables found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and related disclosures to the consolidated financial statements.

**Limitation of scope on Impairment assessment of loan receivables and trade receivables**

As stated in notes 22, 23 and 44(a) to the consolidated financial statements, as at December 31, 2019, the net carrying amounts of the loan receivables and trade receivables of the Group arising from its advancing business both amounted to HK\$Nil. As at the reporting date, the Board has performed impairment assessment on its outstanding loan receivables, including the accrued interest balances. As a result of the assessment, impairment loss on loan receivables and trade receivables of approximately HK\$111,128,000 and HK\$11,525,000 respectively, have been provided for the year ended December 31, 2019. The Board has informed us that the impairment assessment has been performed based on credit reviews of the outstanding loan and interest balances, taking into account the ageing analysis, historical payment records and the assessment on the recoverable amount of pledged assets.

The new Board members appointed since December 2019 has assessed the recoverability of loan receivables and trade receivables and considered that the collectability was doubtful, however, we have not been able to obtain sufficient appropriate audit evidence regarding the impairment assessments of the outstanding loan receivables and trade receivables. The limitations included but not limited to (i) sufficiently documented credit risk assessments, basis and supporting documentation for the results of the credit reviews and (ii) assessment on the recoverable amount of pledged assets. Due to insufficient documentary evidence concerning the credit reviews and assessment on the recoverable amount of pledged assets made available to us, there were no other satisfactory alternative audit procedures we could perform to satisfy ourselves as to the recoverability of the net carrying amounts of the loan receivables, the recoverable amount of pledged assets and the adequacy of the allowance for impairment of the loan receivables and trade receivables and hence as to whether the carrying amount of the loan receivables and trade receivables for the year ended December 31, 2019 were free from material misstatements. Any adjustments to above matters found to be necessary would affect the Group's net liabilities as at December 31, 2019 and the Group's loss for the year then ended and the related disclosures to the consolidated financial statements.

#### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

As disclosed in note 2(c) to the consolidated financial statements under the 2019 annual report of the Company, the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$380,376,000 for the year ended 31 December 2019 and, as of that date, the Group had net current liabilities and net liabilities attributable to Shareholders of the Company of approximately HK\$109,704,000 and HK\$110,147,000 respectively. These matters, along with other matters as described in note 46(c) to the consolidated financial statements under the 2019 annual report of the Company, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

The auditors of the Company for each of the two years ended 31 December 2017 and 2018, CHENG & CHENG LIMITED, did not issue any qualified or modified opinion or emphasis of matter or material uncertainty related to going concern on the financial statements of the Group for each of the two years ended 31 December 2017 and 2018.



**DIVIDENDS**

The Company did not recommend any final dividend for each of the years ended 31 December 2017, 2018 and 2019 and the Company did not recommend any interim dividend for the six months ended 30 June 2020.

**3. STATEMENT OF INDEBTEDNESS**

At the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following outstanding indebtedness:

	<i>HK\$'000</i>
Shareholder's loan ( <i>Note 1</i> )	39,063
Other loan ( <i>Note 2</i> )	73,340
Convertible bonds ( <i>Note 3</i> )	<u>112,012</u>
	<u><u>224,415</u></u>

*Notes:*

1. The shareholder's loan in principal of HK\$38,500,000 represents advances from Mr. Ng Yu, the chairman of the Board and an executive Director, which was unsecured, non-guaranteed, carrying interest rate at 2.5% per annum, and repayable on demand.
2. The other loan represents:
  - (i) total outstanding principal and accrued interest (including penalty interest related to overdue repayment) amount owing to a Company listed on the main board of the Stock Exchange (the "**Creditor**") (it and its substantial shareholders are independent third parties and did not hold any shareholding interest in the Company as at 30 September 2020) pursuant to the agreement dated 26 June 2018 entered into by a wholly-owned subsidiary of the Company and the Creditor relating to the subscription by the Creditor of the bond in the principal amount of HK\$13 million issued by the subsidiary of the Company (as supplemented by a supplemental agreement entered into between the parties on 30 December 2018) of approximately HK\$14.47 million, which was unsecured, non-guaranteed, carrying interest rate at 5% per annum and overdue since 15 April 2019 and the Company received repayment demand on 4 March 2020. As disclosed in the interim report for the six months ended 30 June 2019 and annual report for the year ended 31 December 2019 of the Company, the loan was obtained by the Group on 26 June 2018 for financing the Group's operation; and
  - (ii) approximately HK\$58.87 million, representing the carrying amount of the liabilities portion of the convertible bonds in the total principal amount of HK\$70 million, which would be surrendered for cancellation by end of 2020 (The equity portion and liability portion of the convertible bonds of HK\$70 million were HK\$24.40 million and HK\$45.60 million respectively immediately upon issue of the convertible bonds, and such initial liabilities portion HK\$45.60 million and the interest on the outstanding amount of the convertible bonds give rise to the carrying amount of the liabilities portion of the convertible bonds as at 30 September 2020 of HK\$58.87 million).

It was announced by the Company on 17 December 2018 that it had issued convertible bonds in the principal amount of HK\$70 million as consideration for the acquisition of Dewe Kexin (Beijing) Technology Co., Limited and International Security Net Co., Limited (the "**Acquired Group**") according to the details set out in the Company's announcement dated 5 December 2019 (the "**2019 Acquisition Announcement**"). As set out in the 2019 Acquisition Announcement, the convertible bonds include three tranches of respective principal amounts of HK\$8.75 million (the "**1st Tranche CB**"), HK\$26.25 million (the "**2nd Tranche CB**") and HK\$35 million (the "**3rd Tranche CB**") which should become convertible from the respective dates of settlement of the

compensation by the vendors of the Acquired Group (the “**Vendors**”) regarding any shortfall of the combined audited consolidated net profits of the Acquired Group as guaranteed by the Vendors (the “**Profit Guarantee**”) for each of the years ended/ending 31 December 2018, 2019 and 2020 until maturity date.

The Company announced on 30 June 2020 that the Group and one of the Vendors had entered into sale and purchase agreement to dispose of the entire issued share capital of International Security Net Co., Limited and other receivable for a total consideration of HK\$8.75 million by way of surrendering by the Vendors of the 1st Tranche CB for cancellation upon completion of conditions as stipulated in the sale and purchase agreement by end of 2020. As at the Latest Practicable Date, the 1st Tranche CB was yet to be cancelled by the Company.

The Company also announced on 30 June 2020 that (a) Dewe Kexin (Beijing) Technology Co. Limited had ceased to be a subsidiary of the Company, (b) the Group and the Vendors had acknowledged that Profit Guarantee provided by the Vendors for the financial year ended 31 December 2019 could not be fulfilled given the Acquired Group recorded a net loss for that financial year, and (c) the Group and the Vendors had entered into a supplemental deed, pursuant to which the Vendors should settle the compensation relating to the non-fulfilment of the Profit Guarantee for the year ended 31 December 2019 by surrendering the 2nd Tranche CB to the Company for cancellation, and the parties had also agreed that the Profit Guarantee for the year ending 31 December 2020 should be terminated and the 3rd Tranche CB should be surrendered by the Vendors for cancellation by end of 2020. As at the Latest Practicable Date, the 2nd Tranche CB and the 3rd Tranche CB were yet to be cancelled by the Company.

The convertible bonds were classified as other loan as it is no longer convertible pursuant to the relevant supplemental deed and sale and purchase agreement as mentioned above and detailed in the Company’s announcements dated 30 June 2020.

3. This represents outstanding Convertible Bonds (being the Neo CB and the Other CB) in the principal amount of HK\$105 million in aggregate, and interest amount of HK\$7.01 million as at 30 September 2020, which have already fallen due on 18 February 2020. There is default interest at the rate of 10% per annum under the terms of the Convertible Bonds. Neo Tech Inc. agreed to the Company that it would only charge the Company default interest at the rate of 2.5% per annum on the outstanding principal until the date of actual repayment by the Company of the total outstanding amount under the Neo CB. The Other CB would bear the default interest at the rate of 10% per annum on the outstanding principal and accrued interest until the actual repayment by the Company of the total outstanding amount under the Other CB. The Company intends to apply part of the net proceeds from the Rights Issue in repaying all outstanding amounts due under the Convertible Bonds. As at 30 September 2020, the outstanding interest amounts for the Neo CB and the Other CB amounted to HK\$6.54 million and HK\$0.47 million respectively.

### Disclaimers

Save as intra-group liabilities, amount due to a deconsolidated subsidiary, namely 和協海峽融資擔保有限公司 (for transliteration purpose only, Harmonic Strait Credit Guarantee Co., Ltd.) in the amount of approximately HK\$8,467,000 and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding or agreed to be issued but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 30 September 2020.

The Directors confirm that there has been no material change in indebtedness or contingent liabilities of the Group since 30 September 2020 and up to the Latest Practicable Date.

#### 4. WORKING CAPITAL

As at the Latest Practicable Date, the Directors, after due and careful consideration, are of the opinion that, taking into account the estimated net proceeds from the Rights Issue and the present financial resources available to the Group including but not limited to the internally generated funds from operation, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve (12) months from the date of publication of this circular in the absence of unforeseeable circumstances.

#### 5. MATERIAL CHANGE

The Directors confirm that save for the followings, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2019 (being the date to which the latest published audited financial statements of the Group have been made up) and up to and including the Latest Practicable Date:

- (i) the outbreak of the novel coronavirus since early 2020 has been adversely affecting the business performance of the Group due to the worsened economic atmosphere in the PRC and globally;
- (ii) as disclosed in the announcements of the Company dated 26 February 2020 and 20 April 2020, the Company completed a placing of an aggregate of 181,463,440 Shares under general mandate on 20 April 2020 for the net proceeds of approximately HK\$17.97 million as general working capital of the Group;
- (iii) as disclosed in the announcement of the Company dated 30 June 2020:
  - (a) in respect of the Group's acquisition (the "**Acquisition**") of the entire issued share capital of International Security Net Co., Limited (國際安全網有限公司) ("**International Security Net**") and 51% equity interest in 德威可信(北京)科技有限公司 (Dewe Kexin (Beijing) Technology Co., Ltd\*) ("**Dewe Kexin**") in December 2018, the vendors (the "**Vendors**") to the Acquisition had provided profit guarantees of International Security Net and Dewe Kexin for the two years ending 31 December 2020 (the "**2019 Profit Guarantee**" and the "**2020 Profit Guarantee**" respectively. As a result of the non-fulfillment of the 2019 Profit Guarantee and the termination of the 2020 Profit Guarantee, the Vendors agreed to surrender the 2nd Tranche CB and 3rd Tranche CB issued by the Company (as consideration for the Acquisition) in an aggregate principal amount of HK\$61.25 million to the Company for cancellation, pursuant to a supplemental deed dated 30 June 2020. International Security Net is principally engaged in provision of security services whereas Dewe Kexin is principally engaged in trading of security products; and
  - (b) the share pledge over 51% equity interest in Dewe Kexin created in favour of 蘇州鑫元啟網絡信息有限公司 (Suzhou Xinyuanqi Network Information Co., Ltd.\*), which was registered on 14 January 2020 as security for a loan in the principal amount of RMB5 million, was enforced on 17 February 2020 and as a result, Dewe Kexin ceased to be a subsidiary of the Company;

- (iv) as disclosed in the announcement of the Company dated 30 June 2020, on 30 June 2020, the Group entered into a sale and purchase agreement with a purchaser, pursuant to which the Group agreed to dispose of the entire issued share capital of International Security Net and other receivables to the purchaser for a total consideration of HK\$8.75 million, which shall be settled by the purchaser and its wholly-owned subsidiary surrendering the convertible bonds issued by the Company (as consideration for the Acquisition) in the principal amount of HK\$8.75 million to the Company for cancellation;
- (v) as disclosed in the announcement of the Company dated 7 July 2020, as a result of being unable to gain access to the books and records of the three subsidiaries of the Company, namely 和協海峽融資擔保有限公司 (Harmonic Strait Credit Guarantee Co., Ltd.\*), 深圳瀚宏供應鏈管理有限公司 (Shenzhen Hanhong SCM Co., Ltd.\*) and 深圳薩尼威國際貿易有限公司 (Shenzhen Sunnyway International Trade Company Limited\*) (collectively, the “**Deconsolidated Subsidiaries**”), the Board resolved on 7 July 2020 that the Company no longer had control over the Deconsolidated Subsidiaries and the results of the Deconsolidated Subsidiaries would be deconsolidated from the financial statements of the Group for the year ended 31 December 2019 (the “**Deconsolidation**”). The Deconsolidated Subsidiaries are principally engaged in the credit guarantee and investment business. It is expected that the Group will initiate legal actions in the second half of 2020 with an aim to regain control over, and obtain the books and records of, the Deconsolidated Subsidiaries;
- (vi) as a result of the Deconsolidation as well as the limitation of scopes on interest in an associate, trading of security products and provision of security services business segment and impairment assessment of loan receivables and trade receivables, the auditors of the Company expressed a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2019;
- (vii) as disclosed in the announcements of the Company dated 17 July 2020 and 4 August 2020, the Company completed a placing of an aggregate of 223,852,128 Shares under general mandate on 4 August 2020 for the net proceeds of approximately HK\$22.96 million as general working capital of the Group;
- (viii) as disclosed in the interim results announcement of the Company for the six months ended 30 June 2020:
- (a) revenue of the Group decreased by approximately 66% to approximately HK\$24.91 million for the six months ended 30 June 2020 (“**2020 H1**”) from approximately HK\$74.25 million for the six months ended 30 June 2019 (“**2019 H1**”), primarily attributable to (1) the decrease in sales of party products affected by the outbreak of the novel coronavirus and the China-US trade tension; (2) the slowdown of the advancing business as the Group maintained its conservative approach given the uncertain economic conditions, and as a result, no new loan was granted in 2020 H1; and (3) minimal revenue from provision of security services (through International Security Net) in 2020 H1

and the cessation of trading of security products as Dewe Kexin ceased to be a subsidiary of the Company in early 2020, which was partially offset by the increase in revenue from securities brokerage and assets management;

- (b) despite the significant decrease in revenue, gross profit of the Group increased from approximately HK\$9.58 million in 2019 H1 to approximately HK\$14.43 million in 2020 H1, mainly due to the increase in revenue from securities brokerage and assets management. Accordingly, loss from operations decreased from approximately HK\$19.18 million in 2019 H1 to approximately HK\$3.36 million in 2020 H1;
- (c) loss attributable to the Shareholders increased by approximately 42.7% from approximately HK\$26.23 million in 2019 H1 to approximately HK\$37.42 million in 2020 H1, mainly attributable to (1) a loss of approximately HK\$15.62 million included in other non-operating expenses arising from (i) the cessation of control over Dewe Kexin in February 2020; (ii) the non-fulfillment of the 2019 Profit Guarantee and termination of the 2020 Profit Guarantee in June 2020 and cancellation of the corresponding convertible bonds issued by the Company as the consideration for the Acquisition; and (iii) the expected loss on disposal of International Security Net and other receivables in June 2020; and (2) the impairment loss on certain long outstanding prepayment, deposits and other receivables of approximately HK\$10.35 million in 2020 H1, which was partially offset by the increase in gross profit;
- (d) as a result of (1) the Deconsolidation; (2) the impairment loss on goodwill, intangible assets, interest in an associate, loan receivables, trade receivables, deposit paid and other receivables for the year ended 31 December 2019; (3) the cessation of control over Dewe Kexin in early 2020 and (4) the impairment loss of net prepayment, deposits and other receivables in 2020 H1, total assets of the Group decreased significantly to approximately HK\$129.83 million as at 30 June 2020 from approximately HK\$522.28 million as at 31 December 2018;
- (e) the Convertible Bonds (including the Neo CB and the Other CB) with the principal amount of HK\$105 million was overdue with outstanding interest of approximately HK\$6.26 million and approximately HK\$7.26 million as at 30 June 2020 and the Latest Practicable Date respectively (as set out in the Circular, the default interests under the Neo CB and the Other CB are 2.5% and 10% per annum, respectively); and
- (f) the Group had net current liabilities and net liabilities attributable to Shareholders of the Company of approximately HK\$147.26 million and HK\$129.57 million as at 30 June 2020, deteriorating from approximately HK\$109.70 million and HK\$110.15 million as at 31 December 2019, respectively. Coupled with the loss attributable to the Shareholders of approximately HK\$37.42 million in 2020 H1, these conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability

to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business; and

- (ix) given the financial performance and financial position of the Group set out in paragraph (viii) above, the Company proposed to conduct the Rights Issue and the Subscription to raise the required fund to repay the Group's outstanding liabilities and develop its existing businesses.

## 6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in trading of party products, securities and commodities brokerage and assets management, advancing business and trading of metals and minerals.

It was set out on page 4 of the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Period**”) that the Group recorded revenue of HK\$24.91 million during the 2020 Interim Period, representing a year-on-year decrease of revenue of 66% mainly due to the cessation of trading of security products in early 2020. During the 2020 Interim Period, the gross profit of the Group was HK\$14.4 million, representing a year-on-year increase of 51%, and the loss from operation was HK\$3.4 million, representing a year-on-year decrease of 83%.

It was set out on page 4 of the interim report of the Company for the six months ended 30 June 2020 that during the 2020 Interim Period, the Group's net loss attributable to equity shareholders of the Company was HK\$37.42 million (corresponding period in 2019: HK\$26.23 million). The Company has put in place cost streamlining measures after the management takeover in December 2019 and the operating costs of the Group decreased to HK\$19.24 million during the 2020 Interim Period, from HK\$33.56 million during the corresponding period in 2019. However, the Group's results for the Interim Period was affected by (a) a loss of HK\$15.62 million arising from (i) cessation of control over a then 51% owned subsidiary of the Company (the “**Ex-subsiary 1**”); (ii) expected termination of profit guarantees and cancellation of the corresponding convertible bonds (previously issued by the Company relating to the acquisition of the Ex-subsiary 1 and a then 100% owned subsidiary of the Company (the “**Ex-subsiary 2**”) by the Group in December 2018); and (iii) expected loss on disposal of the Ex-subsiary 2 and other receivables as disclosed in the announcements of the Company dated 30 June 2020; and (b) impairment on certain long outstanding deposit paid and other receivables of HK\$10.35 million.

The Group trades party products including party accessories, decorations, cutlery and disposable tableware. The products are mainly sold to customers in Hong Kong and North America. The ongoing COVID-19 pandemic has impacted the trading business of party products. The revenue generated from this segment decreased to HK\$9.31 million (corresponding period in 2019: HK\$15.8 million) during the 2020 Interim Period.

The Company's licenses necessary for the conduct of the regulated activities under the SFO has been suspended since second half of 2019 due to insufficient liquid capital to meet the minimum statutory requirements. During the 2020 Interim Period, the relevant licenses remained under suspension, but the liquid capital has been restored to a level which satisfies

the minimum statutory requirements. The Group has applied to the Securities and Futures Commission for resumption of licenses, and it is expected that barring unforeseen circumstances, the license for asset management will be resumed in the second half of 2020 while the licenses for securities brokerage will be resumed by the first half of 2021.

The Group has been reviewing its internal controls to ensure strict compliance with the relevant rules and regulations, building model portfolio for its asset management business, and planning for further strengthening of the liquid capital and developing the electronic trading platform for its securities brokerage business. The Group will continue to work closely with the regulators to resume the asset management and securities brokerage businesses as soon as practicable.

During the 2020 Interim Period, the Group maintained its conservative approach in view of the uncertain economic conditions in carrying out its advancing business, hence no new loan was granted and no revenue was recorded from this segment. Although the existing loan portfolio was fully impaired in 2019 as the recoverability of the relevant receivables was considered as doubtful, the Group has been actively seeking opportunities to dispose of the impaired loan receivables and/or the pledged assets as distressed assets to distressed asset management companies. The Group will also consider taking any necessary legal actions before any disposal materialises.

During the 2020 Interim Period, the Group's trading of metals and minerals was suspended after departure of the former management in 2019 and did not generate any revenue from such segment. The Group has completed the business review and will resume such business in the second half of 2020.

Since January 2020, the new management of the Group has conducted a detailed business review and restructuring of the operations with a view to restoring the businesses back to the normal condition, improving the financial situation, strengthening the internal controls, streamlining the operating costs and efficiency. The Board believes that the businesses and operations of the Group will be back to the normal condition after the legacy problems carried forward from year 2019 have been fixed. Despite the challenges and uncertainties from the US-China trade tension and COVID-19 pandemic, the role of Hong Kong as the international financial centre and gateway to China continues to provide tremendous business opportunities, as evidenced by the resilience of the stock market, recent and upcoming listings of giant companies and no significant outflow of fund in the midst of local and global uncertainties. After the restructuring of the business and operations, the Group will be in the advantageous position to reap the opportunities ahead.

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

The 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 to illustrate the effects of the Share Consolidation and the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Share Consolidation and the Rights Issue had taken place on 30 June 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purpose only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 or at any future dates immediately after the completion of the Share Consolidation and the Rights Issue.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020, as extracted and derived from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2020 included in the published interim report of the Group, and is adjusted for the effects of the Share Consolidation and the Rights Issue described below.



Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020	Net proceeds from the Completion of Placing of new Shares on 4 August 2020	Estimated net proceeds from the Rights Issue	Other CB conversion	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company upon completion of the Rights Issue	Prior to Completion of Rights Issue		After Completion of Rights Issue
					Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2020	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2020	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 June 2020
HK\$ (Note 1)	HK\$ (Note 2)	HK\$ (Note 3)	HK\$	HK\$	HK\$ (Note 4)	HK\$ (Note 5)	HK\$ (Note 6)

Assuming no change in the number of Consolidated Shares in issue on or before the Record Date

Based on 402,933,828

Right Shares to be issued at subscription price of HK\$0.71 per Rights Share

(129,565,000)	22,960,000	284,083,000	—	177,478,000	(0.079)	(0.794)	0.330
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Assuming no change in the number of Consolidated Shares in issue on or before the Record Date other than the full exercise of outstanding exercisable Share Options and conversion of the Other CB

(Note 1) (Note 2) (Note 7) (Note 10) (Note 4) (Note 8) (Note 9)

Based on 404,733,828

Right Shares to be issued at subscription price of HK\$0.71 per Right Share

(129,565,000)	22,960,000	285,361,000	5,000,000	183,756,000	(0.079)	(0.790)	0.341
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Notes:

- The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 is based on the unaudited consolidated net liabilities of the Group attributable to owners of the Company as at 30 June 2020 of approximately HK\$129,565,000 as set out in the published interim report of the Company for the six months ended 30 June 2020.
- The net proceeds from the completion of placing of new Shares under general mandate (which took place on 4 August 2020 and announced by the Company on the same date) of approximately HK\$22,960,000 are based on 223,852,128 placing Shares at the subscription price of HK\$0.105 each after deduction of commission and other expenses of the placing by the Company of approximately HK\$540,000.

3. The estimated net proceeds from the Rights Issue of approximately HK\$284,083,000 are based on 402,933,828 Rights Shares at the subscription price of HK\$0.71 each after deduction of the estimated professional fees and other share issue related expenses payable by the Company of approximately HK\$2,000,000.
4. The calculation of unaudited consolidated net tangible assets per Share prior to the completion of the Rights Issue is based on 1,119,260,640 Shares in issue as at 30 June 2020 after taking into account the completion of placing of 223,852,128 new Shares of the Company took place on 4 August 2020.
5. The calculation is determined based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 after taking into account of the placing of 223,852,128 new Shares of the Company completed on 4 August 2020, divided by the number of Shares in issue of 134,311,276 Consolidated Shares as at the Latest Practicable Date and immediately before completion of the Rights Issue, as if the Share Consolidation had been completed on 30 June 2020.
6. The calculation of unaudited consolidated net tangible assets per Share after the completion of the Rights Issue is based on 537,245,104 Shares, including (i) 134,311,276 Shares based on the number of Shares in issue as at 30 June 2020 after taking into account the placing of new Shares completed on 4 August 2020 and the Share Consolidation but without taking into account the Placing; and (ii) 402,933,828 Rights Shares after taking into account the Share Consolidation (as if the Share Consolidation had been completed on 30 June 2020).
7. The estimated net proceeds from the Rights Issue of approximately HK\$285,361,000 are based on 404,733,828 Rights Shares at the subscription price of HK\$0.71 each after deduction of the estimated professional fees and other share issue related expenses payable by the Company of approximately HK\$2,000,000.
8. The calculation is determined based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 after taking into account of the placing of 223,852,128 new Shares of the Company completed on 4 August 2020 divided by the number of Shares in issue of 134,911,276 Consolidated Shares as at the Latest Practicable Date and immediately before completion of the Rights Issue, as if the Share Consolidation had been completed on 30 June 2020.
9. The calculation of unaudited consolidated net tangible assets per Share after the Completion of the Rights Issue is based on 539,645,104 Shares, including (i) 134,911,276 Shares based on the number of Shares in issue as at 30 June 2020 after taking into account the placing of new Shares of the Company completed on 4 August 2020 and the Share Consolidation but without taking into account the Placing; and (ii) 404,733,828 Rights Shares after taking into account the Share Consolidation (as if the Consolidation had been completed on 30 June 2020).
10. The amount is determined assuming the Other CB holder has converted the Other CB as at 30 June 2020.
11. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

*The following is the text of the independent reporting accountants' assurance report received from CHENG & CHENG LIMITED, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*

**CHENG & CHENG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

鄭 鄭 會 計 師 事 務 所 有 限 公 司

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

### **To the Directors of Amber Hill Financial Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Amber Hill Financial Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 and related notes as set out on pages II-1 to II-3 of Appendix II to the circular issued by the Company dated 4 November 2020 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Consolidation and the Rights Issue of the Company (the “**Transaction**”) on the Group's financial position as at 30 June 2020 as if the Transaction had taken place at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim report for the six-month period ended 30 June 2020, on which no review report has been published.

### ***Directors' Responsibilities 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 requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

***Reporting Accountants’ 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 accountants 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 the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 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 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 accountants' judgment, having regard to the reporting accountants' 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 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.

**CHENG & CHENG LIMITED**  
*Certified Public Accountants*

Hong Kong, 4 November 2020

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and the Takeovers Code 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 circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this circular (other than information relating to Ng Concert Party Group and parties acting in concert with it) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director and ultimate beneficial owner of Neo Tech Inc., namely Mr. Ng, accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirm, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

## 2. SHARE CAPITAL

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

Authorised share capital:	<i>HK\$</i>
<u>10,000,000,000,000</u> Existing Shares of HK\$0.001 each	<u>10,000,000,000</u>
Issued and fully paid:	
<u>1,343,112,768</u> Existing Shares of HK\$0.001 each	<u>1,343,112.768</u>

### (b) The Shares in issue immediately following the Share Consolidation but before the completion of the Rights Issue (assuming no further issue and/or repurchase of Existing Shares from the Latest Practicable Date to the effective date of the Share Consolidation) will be as follows:

Authorised share capital:	<i>HK\$</i>
<u>1,000,000,000,000</u> Consolidated Shares of HK\$0.01 each	<u>10,000,000,000</u>
Issued and fully paid:	
<u>134,311,276</u> Consolidated Shares of HK\$0.01 each	<u>1,343,112.76</u>

- (c) The Shares in issue immediately following the Share Consolidation and completion of the Rights Issue (assuming no further issue and/or repurchase of the Existing Shares and/or Consolidated Shares from the Latest Practicable Date to the completion of the Rights Issue) will be as follows:

Authorised share capital:		<i>HK\$</i>
<u>1,000,000,000,000</u>	Consolidated Shares of HK\$0.01 each	<u>10,000,000,000</u>
Issued and fully paid:		
134,311,276	Consolidated Shares of HK\$0.01 each	1,343,112.76
402,933,828	Rights Shares to be allotted and issued under the Rights Issue	4,029,338.28
<u>537,245,104</u>	Total	<u>5,372,451.04</u>

- (d) The Shares in issue immediately following the Share Consolidation and completion of the Rights Issue (assuming full exercise of all outstanding Share Options and full conversion of the Other CB) will be as follows:

Authorised share capital:		<i>HK\$</i>
<u>1,000,000,000,000</u>	Consolidated Shares of HK\$0.01 each	<u>10,000,000,000</u>
Issued and fully paid:		
134,311,276	Consolidated Shares of HK\$0.01 each	1,343,112.76
100,000	Consolidated Shares to be allotted and issued under the outstanding Share Options	1,000
500,000	Consolidated Shares to be allotted and issued after full conversion of the Other CB	5,000
404,733,828	Rights Shares to be allotted and issued under the Rights Issue	4,047,338.28
<u>539,645,104</u>	Total	<u>5,396,451.04</u>

All the Existing Shares, Consolidated Shares and the Rights Shares in issue and to be issued (when fully paid) rank and will rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Existing Shares, Consolidated Shares and the Rights Shares in issue and to be issued are or will be listed on the Stock Exchange.

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 Existing Shares, the Consolidated Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save for the allotment and issue of 181,463,440 and 223,852,128 new Shares upon completion of the placing of Shares on 20 April 2020 and 4 August 2020 respectively, the Company had not issued any Existing Shares since 31 December 2019, being the end of the last financial year of the Company, and up to the Latest Practicable Date.

Save for the outstanding Share Options and the Convertible Bonds, as at the Latest Practicable Date, (i) the Company had no outstanding warrants, options or convertible securities in issue or other similar rights which confer any right to convert or exchange into or subscribe for Shares; (ii) there was no share or loan capital of any member of the Group which was under option, or agreed conditionally or unconditionally to be put under option; and (iii) there were no arrangements under which future dividends were waived or agreed to be waived.

## MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange on (i) the last trading day of the Stock Exchange for each calendar month during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share HK\$
31 March 2020	0.093
29 April 2020	0.123
29 May 2020	0.168
30 June 2020	0.150
31 July 2020 (being the Last Trading Day)	0.093
31 August 2020 ( <i>Note</i> )	Nil
30 September 2020	0.063
Latest Practicable Date	0.077

*Note:* Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on Monday, 3 August 2020 and was resumed with effect from 9:00 a.m. on Monday, 14 September 2020.



The highest and lowest closing prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK\$0.209 on 20 May 2020 and HK\$0.056 on 22 September 2020 respectively.

### 3. DISCLOSURE OF INTERESTS

#### (a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

#### *Long positions in the Shares and the underlying Shares*

Name	Capacity	Nature of interest	Number of Shares of HK\$0.001 each in the share capital of the Company	Percentage to the total issued share capital of the Company (Note iv)
Mr. Ng	Beneficial owner	Personal	612,000	0.05%
		Interest controlled corporation (Note (i))	265,368,000	19.75%
	Corporate (Note (ii)) Unlisted derivatives (Note (iii))	3,321,212,220	247.28%	
		<u>100,000,000</u>	<u>7.45%</u>	
	Sub-total	<u><u>3,687,192,220</u></u>	<u><u>274.53%</u></u>	

#### *Notes:*

- (i) Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng. Mr. Ng is therefore deemed to be interested in all such Shares and unlisted derivative held by Neo Tech Inc. for the purpose of Part XV of the SFO.
- (ii) According to the Subscription Agreement, Neo Tech Inc. has conditionally agreed to subscribe for a maximum of 332,121,222 subscription shares of the Company (subject to completion of the Share Consolidation), which are equivalent to 3,321,212,220 Existing Shares with a par value of HK\$0.001 each, and such 3,321,212,220 Existing Shares has been applied in the above table for illustrating the interest of Neo Tech Inc.

- (iii) The unlisted derivatives referred to the 100,000,000 Shares (conversion shares) issuable to Neo Tech Inc. in the event of exercise in full of the conversion rights attaching to the outstanding Neo CB.
- (iv) The total number of issued share capital of the Company as at the Latest Practicable Date was 1,343,112,768 Shares.

**(b) Interests of substantial Shareholders**

So far as known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

*Long positions in the Shares and the underlying shares*

Name	Capacity	Nature of interest	Number of Shares of HK\$0.001 each in the share capital of the Company	Percentage to the total issued share capital of the Company (Note iv)
Neo Tech Inc. (Note (i))	Beneficial owner	Corporate	265,368,000	19.75%
		Corporate (Note (ii))	3,321,212,220	247.28%
		Unlisted derivatives (Note (iii))	<u>100,000,000</u>	<u>7.45%</u>
		Sub-total	<u><u>3,686,580,220</u></u>	<u><u>274.48%</u></u>

*Notes:*

- (i) Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng. Mr. Ng, the chairman of the Board and an executive Director, is therefore deemed to be interested in all such Shares and unlisted derivative held by Neo Tech Inc. for the purpose of Part XV of the SFO and such interests have also been disclosed as part of Mr. Ng's interests under the paragraph headed "(a) Interests of Directors and chief executive of the Company" above.
- (ii) According to the Subscription Agreement, Neo Tech Inc. has conditionally agreed to subscribe for a maximum of 332,121,222 subscription shares of the Company (subject to completion of the Share Consolidation), which are equivalent to 3,321,212,220 Existing Shares with a par value of HK\$0.001 each, and such 3,321,212,220 Existing Shares has been applied in the above table for illustrating the interest of Neo Tech Inc.
- (iii) The unlisted derivatives referred to the 100,000,000 Shares (conversion shares) issuable to Neo Tech Inc. in the event of exercise in full of the conversion rights attaching to the outstanding Neo CB.

- (iv) The total number of issued share capital of the Company as at the Latest Practicable Date was 1,343,112,768 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

### **ADDITIONAL DISCLOSURE OF SHAREHOLDING AND DEALINGS PURSUANT TO THE TAKEOVERS CODE**

The shareholding of Ng Concert Party Group and the parties acting in concert with them in the Company as at the Latest Practicable Date are set out in the letter from the Board. The business address of Mr. Ng is at 19/F, One Hennessy, 1 Hennessy Road, Wanchai, Hong Kong and the registered office address of Neo Tech Inc. is at Vistra Corporation Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

Save as set out in the paragraphs headed “Disclosure of interests” above, as at the Latest Practicable Date, none of the Ng Concert Party Group and the parties acting in concert with them owned or controlled any Shares or other securities of the Company. Save for the entering into of the Irrevocable Undertaking and the Subscription Agreement, none of the Ng Concert Party Group and the parties acting in concert with them had dealt for value in relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

As at the Latest Practicable Date, none of the Ng Concert Party Group and the parties acting in concert with them had any arrangement of the kind described in Note 8 to Rule 22 of the Takeovers Code with any person.

As at the Latest Practicable Date, save for the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the transactions contemplated thereunder or the Whitewash Waiver, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Ng Concert Party Group and the parties acting in concert with them and any Director, recent Director, shareholder or recent shareholder of the Company which had any connection with or dependence upon the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and the transactions contemplated thereunder or the Whitewash Wavier.

As at the Latest Practicable Date, save as disclosed in the paragraphs headed “Disclosure of interests” above, none of the Directors was interested in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company. During the Relevant Period, save for the Subscription Shares, none of the Directors had dealt for value in any Shares or relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company and in any shares or other securities of Neo Tech Inc..

As at the Latest Practicable Date, no shareholding in the Company was owned or controlled by a subsidiary of the Company or by a pension fund of any member of the Group or by the Independent Financial Adviser or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert under the Takeovers Code and who is an associate of the Company by virtue of class (2) of the definition of associate in the Takeovers Code owned or had any interest in any Shares or other securities of the Company.

As at the Latest Practicable Date, Neo Tech Inc. was wholly and beneficially owned by Mr. Ng and Mr. Ng was the sole director of Neo Tech Inc..

As at the Latest Practicable Date, no person had any arrangement of the kind as described to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of class (2), (3) and (4) of the definition of associate under the Takeovers Code.

As at the Latest Practicable Date, no shareholding in the Company was managed on a discretionary basis by fund managers connected with the Company.

As at the Latest Practicable Date, no benefit would be given to any Director as compensation for loss of office or otherwise in connection with the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, save for the Irrevocable Undertaking, the Subscription Agreement and the transactions contemplated thereunder, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription, the Whitewash Waiver or otherwise connected with any of them.

As at the Latest Practicable Date, save for the Subscription Agreement, there was no material contracts which have been entered into by the Ng Concert Party Group and the parties acting in concert with them in which any Director has any a material personal interest.

No Shares acquired by the Ng Concert Party Group and the parties acting in concert with them in pursuance of the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription will be transferred, charged or pledged to any other persons.

Save for the entering into of the Subscription Agreement, none of the Ng Concert Party Group and the parties acting in concert with them has acquired any Shares or had any dealings in the relevant securities of the Company (as defined under Note 4 to Rule 22 of the Takeovers Code) during the Relevant Period.

As at the Latest Practicable Date, there was no shareholding in the Company which the Ng Concert Party Group and the parties acting in concert with them has borrowed or lent.

As at the Latest Practicable Date, there was no shareholding in the Company which the Company or the Directors has/have borrowed or lent.

Ng Concert Party Group and the parties acting in concert with them and any other Shareholders who are involved or interested in the Share Consolidation, the Rights Issue, the Placing, the Irrevocable Undertaking, the Subscription Agreement and/or the Whitewash Waiver and shall abstain from voting on the resolutions approving the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver at the EGM.

As at the Latest Practicable Date, there was no shareholding in the Company owned or controlled by any person who, prior to the posting of this circular, have irrevocably committed themselves to vote for or against the Share Consolidation, the Rights Issue, the Placing, the Subscription, Whitewash Waiver and the transactions contemplated thereunder.

#### 4. DIRECTORS' SERVICE CONTRACTS

The Company has entered into (i) a continuous service agreement with no fixed term with Mr. Lin Feng (“**Mr. Lin**”) on 1 July 2020, pursuant to which he was appointed with a director’s fee of HK\$600,000 per annum, which may be terminated by the Company by giving three months’ notice in writing to Mr. Lin or a sum equivalent to three months’ salary in lieu of notice; (ii) a service agreement with Anthony Espina (“**Mr. Espina**”) on 1 July 2020, pursuant to which he was appointed for a term of two years with a director’s fee of HK\$20,000 per month and the service agreement will expire on 30 June 2022; (iii) a service agreement with Mr. Wang Jun Sheng (“**Mr. Wang**”) on 1 July 2020, pursuant to which he was appointed for a term of two years with a director’s fee of HK\$20,000 per month and the service agreement will expire on 30 June 2022; and (iv) a service agreement with Mr. Lo Hang Fong (“**Mr. Lo**”) on 19 March 2020, pursuant to which he was appointed for a term of two years with a director’s fee of HK\$20,000 per month and the service agreement will expire on 18 March 2022. There is no variable remuneration payable by the Company under the above service agreements entered into by the Company with Mr. Espina, Mr. Wang, Mr. Lo and Mr. Lin. Mr. Espina, Mr. Wang, Mr. Lo and Mr. Lin are subject to retirement by rotation and re-election at general meeting of the Company in accordance with the memorandum and articles of association of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which: (i) has been entered into or amended within 6 months before the date of the Announcement, or (ii) is continuous contract with a notice period of 12 months or more, or (iii) is fixed term contract with more than 12 months to run irrespective of the notice period, or (iv) is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholder or any of their respective close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

## 6. LITIGATION

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

## 7. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, the date to which the latest published audited accounts of the Group were made up.

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding 11 September 2020 up to and including the Latest Practicable Date which are or may be material:

- (a) the memorandum in writing setting out the principal terms of the subscription agreement dated 29 October 2018 entered into between the Company and Jaeger International Co., Limited in respect of the subscription of 500,000,000 new Shares in the consideration of HK\$50 million;
- (b) the subscription agreement dated 29 October 2018 entered into between the Company and Atlantis China Star Fund Limited in respect of the subscription of the convertible bonds in the aggregate principal amount of HK\$50 million;
- (c) the sale and purchase agreement dated 5 December 2018 entered into between Hongkong Dewe Security Services Co., Limited and 北京德威保安服務有限公司 (for transliteration purpose only, Beijing Dewe Security Services Co., Ltd.) as vendors and B&R Security International Company Limited, a wholly owned subsidiary of the Company as purchaser in respect of the acquisition of 100% equity interest in International Security Net Co., Limited and 51% equity interest in 德威可信(北京)科技有限公司 (for transliteration purpose only, Dewe Kexin (Beijing) Technology Co., Ltd.) in the total consideration of HK\$70 million;
- (d) the deed of variation dated 18 February 2019 entered into between the Company and the bondholder in relation to certain amendments of the deed poll dated 18 February 2016 executed by the Company for the zero coupon convertible bonds due 2018 in the principal amount of HK\$100 million (as amended by the deed of variation dated 10 January 2018) and the terms and conditions of the outstanding convertible bonds;

- (e) the subscription agreement dated 18 March 2019 entered into between the Company and 廣州富興華倫置業投資有限公司 (for transliteration purpose only, Guangzhou Fuxing Hualun Property Investment Co. Ltd.) in respect of the subscription of 100 million new Shares in the consideration of HK\$10 million;
- (f) the subscription agreement dated 18 March 2019 entered into between the Company and Mr. Pi Shesheng in respect of the subscription of 100 million new Shares in the consideration of HK\$10 million (as supplemented by the supplemental agreement dated 15 July 2019);
- (g) the subscription agreement dated 18 March 2019 entered into between the Company and Mr. Guan Guozhao in respect of the subscription of 50 million new Shares in the consideration of HK\$5 million (as supplemented by the supplemental agreement dated 15 July 2019);
- (h) the subscription agreement dated 18 March 2019 entered into between the Company and Mr. Yan Yixiang in respect of the subscription of 50 million new Shares in the consideration of HK\$5 million (as supplemented by the supplemental agreement dated 15 July 2019);
- (i) the placing agreement dated 13 September 2019 entered into between the Company and Yue Xiu Securities Company Limited as placing agent in relation to the placing on a best effort basis of up to 180 million new Shares at a price of HK\$0.18 per Share;
- (j) the placing agreement dated 5 November 2019 entered into between the Company and Yue Xiu Securities Company Limited as placing agent in relation to the placing on a best effort basis of up to 130 million new Shares at a price of HK\$0.12 per Share;
- (k) the subscription agreement dated 6 November 2019 entered into between the Company and Best Smart Asia Corporation in respect of the subscription of 50 million new Shares in the consideration of HK\$5.9 million;
- (l) the subscription agreement dated 26 November 2019 entered into between the Company and Yixin Enterprises Limited in respect of the subscription of 130 million new Shares in the consideration of HK\$14.25 million;
- (m) the placing agreement dated 26 February 2020 entered into between the Company and Nerico Brothers Limited as placing agent in relation to the placing on a best effort basis of up to 181,463,440 new Shares at a price of HK\$0.1 per Share;
- (n) the sale and purchase agreement dated 30 June 2020 entered into among B&R Security International Company Limited as first vendor, 亞投匯金(北京)資產管理有限公司 (for transliteration purpose only, Asia Investment Huijing (Beijing) Assets Management Co., Ltd.) as second vendor and 北京德威保安服務有限公司 (for transliteration purpose only, Beijing Dewe Security Services Co., Limited) as

purchaser in relation to the disposal of the entire issued share capital of International Security Net Co., Limited and the other receivables arising from the loan agreement in the amount of RMB5 million in the total consideration of HK\$8.75 million;

- (o) the placing agreement dated 17 July 2020 entered into between the Company and Nerico Brothers Limited as placing agent in relation to the placing on a best effort basis of up to 223,852,128 new Shares at a price of HK\$0.105 per Share;
- (p) the Subscription Agreement; and
- (q) the Placing Agreement.

#### **Application for consent from strict Compliance with Note 1 to Rule 8 of the Takeovers Code**

Pursuant to Note 1 to Rule 8 of the Takeovers Code, except with the consent of the Executive, copy of the above material contracts must be made available for inspection, on the website (which may be a transaction specific website) of the issuer of the offer document or offeree board circular, as appropriate, from the time the offer document or offeree board circular, as appropriate, is published until the end of the offer period. The Executive must be consulted immediately if there is any difficulty in complying with this Note.

Despite using its best efforts to search for books and records of the Company kept at the Company's current principal place of business in Hong Kong, the Company is not able to locate the above item (a) of the material contracts (but only a copy of the draft and unsigned document). It is due to all of the existing executive directors of the Company only joined the Company in or after December 2019 and there was no proper hand over of documents of the Company from the ex-management of the Company. As the contract was entered into by the Company back in 2018, it should have been kept by the ex-management of the Company at the then Company's principal place of business in Hong Kong. For more details of the transactions contemplated under the material contract (a), please refer to the announcement of the Company dated 29 October 2018 and the announcement of the Company dated 16 November 2018 disclosing the lapse of the material contract (a) on 16 November 2018 due to the conditions precedent set out in the material contract (a) had not been fulfilled.

Based on the information available to the Company relating to the material contract (a) (i.e. a copy of the draft and unsigned document), there is no indication as to who arranged for the drafting of the document and the Company could not ascertain if the document was prepared by the Company itself or by its legal advisers. It is also not possible for the Company to ascertain which law firm represented it (if any) to prepare for and keep a record of the document and hence the Company would not be able to locate the material contract (a) through its legal advisers.

Based on the contact details of the counterparty set out in the draft and unsigned document, the Company has instructed its legal advisers to send a letter to the counterparty to the material contract (a) to request for a copy of the duly signed document. However, there has been no reply from the counterparty up to and including the Latest Practicable Date.



Due to the reasons above, the Directors confirmed that they are satisfied that the Company has exhausted all its reasonable means to try to locate and repossess the material contract (a) but failed to obtain a copy of the document.

In this circumstance, the Company has consulted the Executive and applied to the Executive for a waiver from strict compliance with Note 1 to Rule 8 of the Takeovers Code and the Executive is minded to grant a waiver from strict compliance with Note 1 to Rule 8 of the Takeovers Code on the condition, among others, that the Company should make available a memorandum in writing giving particulars of the principal terms of the material contract (a) for inspection.

## 9. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion, letter or advice contained in this circular (the “**Experts**”):

<b>Name</b>	<b>Qualification</b>
CHENG & CHENG LIMITED	certified public accountants
Rainbow Capital (HK) Limited	a corporation licensed to carry out Type 6 regulated activity under the SFO

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

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

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

## 10. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including Independent Financial Adviser fees, placing commission (if any), printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$2 million.

**11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE****Board of Directors***Executive Directors*Mr. Ng Yu (*Chairman*)

Mr. Wei Weicheng

Mr. Lin Feng

Mr. Chan Chi Ming

*Non-executive Director*

Mr. Huang Shao Long

*Independent non-executive Directors*

Mr. Anthony Espina

Mr. Wang Jun Sheng

Mr. Lo Hang Fong

**Audit committee**Mr. Anthony Espina (*Chairman*)

Mr. Wang Jun Sheng

Mr. Huang Shao Long

Mr. Lo Hang Fong

**Nomination committee**Mr. Wang Jun Sheng (*Chairman*)

Mr. Anthony Espina

Mr. Wei Weicheng

**Remuneration committee**Mr. Wang Jun Sheng (*Chairman*)

Mr. Ng Yu

Mr. Anthony Espina

**Executive committee**Mr. Ng Yu (*Chairman*)

Mr. Wei Weicheng

Mr. Chan Chi Ming

**Risk Management committee**Mr. Wei Weicheng (*Chairman*)

Mr. Anthony Espina

Mr. Wang Jun Sheng

**Registered office**

94 Solaris Avenue, Camana Bay

PO Box 1348

Grand Cayman, KY1-1108

Cayman Islands

**Principal place of business**

Unit A, 5/F Chungking Commercial Building

62–63 Connaught Road Central

Central

Hong Kong

<b>Authorised representatives</b>	Mr. Wei Weicheng 19/F, One Hennessy 1 Hennessy Road Wanchai, Hong Kong
	Mr. Tsang King Sun 19/F, One Hennessy 1 Hennessy Road Wanchai, Hong Kong
<b>Company secretary</b>	Mr. Tsang King Sun
<b>Share registrar in Hong Kong</b>	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal banker</b>	Bank of China (Hong Kong) Limited 9/F, BOC Mongkok Commercial Centre 589 Nathan Road, Mongkok, Kowloon
<b>Auditors and reporting accountants</b>	CHENG & CHENG LIMITED <i>Certified Public Accountants</i> Level 35, Tower 1, Enterprise Square Five 38 Wang Chiu Road, Kowloon Bay Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws</b>	Michael Li & Co. 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong
<b>Independent Financial Adviser to the Connected Transaction Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders</b>	Rainbow Capital (HK) Limited Room 5B, 12/F., Tung Ning Building No. 2 Hillier Street, Sheung Wan Hong Kong
<b>Placing Agent</b>	Nerico Brothers Limited Rooms 2206–2210, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong

## 12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Ng Yu (“Mr. Ng”)**, aged 30, is the chairman of the Board and an executive Director. He is also the chairman of the board of directors of Amber Hill Holdings Limited and the founder and chairman of Smile Charity Foundation. Mr. Ng has broad business connection in Hong Kong, Mainland China, Europe and America and has extensive experience in financial innovation, internet technology, assets and wealth management.

Mr. Ng was graduated from King’s College in Hong Kong and later studied in the United States. He obtained an advanced technology leadership professional certificate from the Massachusetts Institute of Technology and a family wealth inheritance program certificate from the Harvard Law School.

The group companies of Amber Hill Holdings Limited, under the management of Mr. Ng, is principally engaged in various licensed regulated activities, including financial services such as life insurance, asset management, wealth management, family trusts, securities trading and futures trading.

Founded by Mr. Ng, the Smile Charity Foundation is dedicated to solving the problems of survival and learning of poor children in Greater China by donating daily necessities, school supplies, scholarships and school buses and providing funds to build and repair school buildings, etc. in different regions.

**Mr. Wei Weicheng (“Mr. Wei”)**, aged 36, was appointed as an executive Director on 23 December 2019. Mr. Wei has extensive experience in wealth management, company fundraising and mergers and acquisitions. Prior to joining the Company, Mr. Wei had served renowned global high-tech company and international banking group. Mr. Wei, particularly, is familiar with the financial industry and the technology industry in mainland China and has a vision for the strategic development of the Greater Bay Area. Mr. Wei is also devoted to charity. He is patron and an active member of civil and arts charities. Mr. Wei holds a Bachelor Degree in Computer Engineering from Jilin University and a Master Degree in Environmental and Public Health Management from Hong Kong Baptist University.

**Mr. Lin Feng (“Mr. Lin”)**, aged 32, was appointed as an executive Director on 10 January 2020. Mr. Lin has extensive experience in corporate finance, franchising and scale development. Mr. Lin founded MyCharm, a franchised retail brand in 2011 and Guangzhou Baikong Biotechnology Limited in 2015, focusing on research vector control technology. His innovative research achievement and intellectual property rights have contributed to the development of biotechnology market in Mainland China. In the same year, Mr. Lin established Shenzhen Qianhai Water & Wood Fund Management Limited, principally engaged in the algorithmic trading & private equity, and introduced one of the five most significant overseas hedge funds into China market. Mr. Lin obtained his Bachelor Degree in 2012 and currently pursuing further studies in a Doctor Degree in Southern Medical University.

Mr. Lin has entered into a continuous director's service contract with no fixed term with the Company. Mr. Lin will be subject to retirement by rotation and re-election at general meeting of the Company in accordance with the Memorandum and Articles of Association. Mr. Lin is entitled to an emolument of HK\$600,000 per annum.

**Mr. Chan Chi Ming (“Mr. Chan”)**, aged 53, was appointed as an executive Director and the chief executive officer of the Company on 6 April 2020. Mr. Chan has gained extensive experience in investment banking, asset and wealth management, FinTech application, securities and commodities trading. Prior to joining the Company, Mr. Chan held senior positions with various well known international listed conglomerates, financial services, technology and professional firms. His significant achievement in FinTech development and innovation includes the set up of the first high frequency trading firm and the first cryptocurrency trading platform in Hong Kong. Mr. Chan was also the Vice Chairman of Hong Kong Securities Association and the Committee Member of the Clearing Panel of Hong Kong Exchange and Clearing Limited. Mr. Chan was an executive director and chief executive officer of CASH Financial Services Group Limited (a company listed on the Stock Exchange (stock code: 510)) and an executive director and deputy chief executive officer of Celestial Asia Securities Holdings Limited (a company listed on the Stock Exchange (stock code: 1049)). Mr. Chan is a certified public accountant of Hong Kong Institute of Certified Public Accountants, a Fellow Member of Association of Chartered Certified Accountants and a member of Hong Kong Securities Institute. Mr. Chan holds a Master's Degree in Accounting (with Distinction) from the University of Cambridge, a Master of Business Administration from The Hong Kong University of Science and Technology, a Master of Arts in Psychology from The Chinese University of Hong Kong and Professional Certificate in Innovation and Entrepreneurship from Graduate School of Business, Stanford University. Mr. Chan has entered into an employment contract with the Company with an annual salary of HK\$1.44 million and a discretionary bonus in respect of each financial year of the Company.

#### **Non-executive Director**

**Mr. Huang Shao Long (“Mr. Huang”)**, aged 37, was appointed as an executive Director on 10 January 2020 and later re-designated as a non-executive Director on 20 March 2020. He is a valuer and obtained qualifications in China in regard to securities foundation, securities trading, securities issue and underwriting, futures investment analysis, fund laws and regulations. From July 2010 to August 2015, Mr. Huang served various positions in GF Futures Co., Ltd. (廣發期貨有限公司) as assistant manager to vice general manager where he was responsible for strategic research, management of operations in the investment advisory department and the asset management department. From August 2015 to June 2017 where Mr. Huang was a manager at ES Fund Management Co. Ltd. (廣東逸信基金管理有限公司). From June 2017 to December 2018, Mr. Huang was a director and chairman of Guangdong Amber Hill ES Holdings Co., Ltd. Mr. Huang is a director and managing director of Amber Hill International Holdings (Guangdong) Co., Ltd. (安山國際控股(廣東)有限公司) since December 2018. He was

graduated in 2007 from Minzu University of China (中央民族大學) with an undergraduate degree in economics and in 2010 obtained a master's degree in asset valuation from Xiamen University in China.

#### **Independent non-executive Directors**

**Mr. Anthony Espina (“Mr. Espina”)**, aged 72, was appointed as an independent non-executive Director on 6 June 2007. Mr. Espina has over 50 years of experience in the IT, accounting and finance industries. From May 2013 until his retirement in April 2019, Mr. Espina was the chief executive officer and chairman of the management board and an executive director of supervisory board of ATF Bank in Kazakhstan and of the subsidiary Optima Bank in Kyrgyzstan. He is currently a non-executive director of the supervisory board of ATF Bank. He was appointed advisor to the chief executive officer and chairman of the management board of Samruk Kazyna, the sovereign wealth fund and national holding company of Kazakhstan in February 2018. In May 2019, he was appointed as a non-executive director of KazMunayGas the national oil company of Kazakhstan. From July 2014 to May 2017, Mr. Espina was an independent non-executive Director of the “Single Accumulative Pension Fund”, a wholly-owned subsidiary of the National Bank of Kazakhstan administering the pension assets of all employees in Kazakhstan. He was chairman of the Hong Kong Securities Association from 2005 to 2007, and is Permanent Hon. President of the Association. He was the president of the Hong Kong Computer Society from 1978 to 1979. Mr. Espina was a partner of Arthur Anderson & Co. from 1982 to 1986 and of Deloitte Touche Tohmatsu from 1986 to 1990. He is the founder and managing director of Goldride Securities Limited. In addition, Mr. Espina was appointed as an independent non-executive director and a member of the audit committee of Target Insurance (Holdings) Limited (stock code: 06161) with effect from 1 May 2020, of which Mr. Ng will become a substantial shareholder upon completion of the acquisition of the shares thereof by a company which is solely owned by Mr. Ng pursuant to a conditional sales and purchase agreement dated 13 January 2020 (as supplemented by a supplemental agreement dated 24 July 2020). He graduated from the University of Southern Queensland with a bachelor degree in business and is an associate member of CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Directors. Mr. Espina holds an Executive Master in Digital Transformation and Innovation Leadership from the IE University in Spain.

Mr. Espina has entered into a director's service contract with the Company with a term of two years. Mr. Espina will be subject to retirement by rotation and re-election at general meeting of the Company in accordance with the Memorandum and Articles of Association. Mr. Espina is entitled to an emolument of HK\$20,000 per month subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Espina.

**Mr. Wang Jun Sheng (“Mr. Wang”)**, aged 60, was appointed as an independent non-executive Director of the Company on 16 October 2018. Mr. Wang received a Ph.D. from Huazhong University of Science & Technology. Mr. Wang has more than twenty years of experience in equity investment, asset management and banking industry. Mr.

Wang is currently a researcher of China Economic and Technological Research Consulting Company Limited. He served as an independent non-executive director of Shenzhen Nanshan Power Co. Ltd. (Stock code: 000037 & 2000037) and China Merchants Shekou Industrial Zone Holdings Co., Ltd. (CMSK, stock code: 001979).

Mr. Wang has entered into a director's service contract with the Company with a term of two years. Mr. Wang will be subject to retirement by rotation and re-election at general meeting of the Company in accordance with the Memorandum and Articles of Association. Mr. Wang is entitled to an emolument of HK\$20,000 per month subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Wang.

**Mr. Lo Hang Fong (“Mr. Lo”)**, aged 57, was appointed as an independent non-executive director of the Company on 19 March 2020. He is currently a partner of a law firm, Stevenson, Wong & Co. Mr. Lo has been admitted as a solicitor to the High Court of Hong Kong since 1989. He was also admitted as a solicitor to the Supreme Court of Singapore in 1995 and the Supreme Court of England and Wales in 1996. Mr. Lo was an independent non-executive director of Bonjour Holdings Limited (Stock Code: 653), a company listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lo does not on the date hereof hold, and has not in the last three years held, any directorship in other public listed companies in Hong Kong or overseas. He was graduated from the University of Bristol with a bachelor of law degree in 1986.

Mr. Lo has entered into a director's service contract with the Company with a term of two years. Mr. Lo will be subject to retirement by rotation and re-election at general meeting of the Company in accordance with the Memorandum and Articles of Association. Mr. Lo is entitled to an emolument of HK\$20,000 per month subject to annual adjustment to be determined by the Board with recommendation from the remuneration committee of the Board by reference to the performance of the Company and Mr. Lo.

### **Senior management**

**Mr. Tsang King Sun (“Mr. Tsang”)**, aged 36, was appointed as the company secretary of the Company with effect from 19 December 2019. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants. He holds a Degree on Juris Doctor from The Chinese University of Hong Kong and a Bachelor of Business Administration (Hons) degree in Accounting from The Hong Kong Polytechnic University. Mr. Tsang has worked in several international audit firms and gained extensive experience in accounting, auditing practices and financial management. Mr. Tsang worked as an executive director (from July 2011 to November 2013) and the company secretary (from July 2011 to March 2014) of China Household Holdings Limited (Stock Code: 692), and an executive director and the company secretary (from December 2014 to August 2017) and the chief financial officer (from April 2015 to August 2017) of China Finance Investment Holdings Limited (Stock Code: 875). Mr. Tsang worked as the chief financial officer (from November 2017 to December 2018) and company secretary

and authorized representative (from November 2017 to July 2019) of the Company. Mr. Tsang has also worked as the chief financial officer (from January 2019 to February 2020) and the executive director (from July 2019 to February 2020) of Code Agriculture (Holdings) Limited (Stock Code: 8153).

The business address of the Directors and the senior management is the same as the Company's principal place of business at Room A, 5/F, Chunging Commercial Building, 62–63 Connaught Road Central, Central, Hong Kong.

### 13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprises four members, namely Mr. Anthony Espina (chairman of the audit committee), Mr. Wang Jun Sheng, Mr. Huang Shao Long and Mr. Lo Hang Fong, being all the non-executive Directors. The primary duties of the audit committee include the review of the Group's financial reporting process and the internal control systems as well as risk management of the Group.

### 14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at (i) the office of the Company's legal adviser, namely Michael Li & Co., at 19th Floor, Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong; (ii) on the website of the SFC (<http://www.sfc.hk>); and (iii) on the website of the Company (<http://www.ahfh.com.hk>) during normal business hours on any business day from the date of this circular up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 December 2017, 2018 and 2019;
- (c) the interim report of the Company for the six months ended 30 June 2020;
- (d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (e) the letter of recommendation from the Connected Transaction Independent Board Committee, the text of which is set out on pages 53 to 54 of this circular;
- (f) the letter of recommendation from the Whitewash Independent Board Committee, the text of which is set out on pages 55 to 56 of this circular;
- (g) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 57 to 113 of this circular;
- (h) the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (i) the material contracts referred to in the paragraph headed "8. Material Contracts" of this appendix;



- (j) the service contracts referred to in the paragraph headed “4. Directors’ Service Contracts” of this appendix;
- (k) the written consent referred to in paragraph headed “9. Qualification and consent of Experts” of this appendix;
- (l) the Irrevocable Undertaking; and
- (m) this circular.

#### **Application for consent from strict Compliance with Note 1 to Rule 8 of the Takeovers Code**

Pursuant to Note 1 to Rule 8 of the Takeovers Code, except with the consent of the Executive, copy of the material contracts referred to in the paragraph headed “8. Material Contracts” of this appendix must be made available for inspection, on the website (which may be a transaction specific website) of the issuer of the offer document or offeree board circular, as appropriate, from the time the offer document or offeree board circular, as appropriate, is published until the end of the offer period. The Executive must be consulted immediately if there is any difficulty in complying with this Note.

Despite using its best efforts to search for books and records of the Company kept at the Company’s current principal place of business in Hong Kong, the Company is not able to locate item (a) of the material contracts (but only a copy of the draft and unsigned document). It is due to all of the existing executive directors of the Company only joined the Company in or after December 2019 and there was no proper hand over of documents of the Company from the ex-management of the Company. As the material contract (a) was entered into by the Company back in 2018, it should have been kept by the ex-management of the Company at the then Company’s principal place of business in Hong Kong. For more details of the transactions contemplated under the material contract (a), please refer to the announcement of the Company dated 29 October 2018 and the announcement of the Company dated 16 November 2018 disclosing the lapse of the material contract (a) on 16 November 2018 due to the conditions precedent set out in the material contract (a) had not been fulfilled.

Based on the information available to the Company relating to the material contract (a) (i.e. a copy of the draft and unsigned document), there is no indication as to who arranged for the drafting of the document and the Company could not ascertain if the document was prepared by the Company itself or by its legal advisers. It is also not possible for the Company to ascertain which law firm represented it (if any) to prepare for and keep a record of the document and hence the Company would not be able to locate the material contract (a) through its legal advisers.

Based on the contact details of the counterparty set out in the draft and unsigned document, the Company has instructed its legal advisers to send a letter to the counterparty to the material contract (a) to request for a copy of the duly signed document. However, there has been no reply from the counterparty up to and including the Latest Practicable Date.

Due to the reasons above, the Directors confirmed that they are satisfied that the Company has exhausted all its reasonable means to try to locate and repossess the material contract (a) but failed to obtain a copy of the document.

In this circumstance, the Company has consulted the Executive and applied to the Executive for a waiver from strict compliance with Note 1 to Rule 8 of the Takeovers Code and the Executive is minded to grant a waiver from strict compliance with Note 1 to Rule 8 of the Takeovers Code on the condition, among others, that the Company should make available a memorandum in writing giving particulars of the principal terms of the material contract (a) for inspection.

#### **15. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

## NOTICE OF EGM



### AMBER HILL FINANCIAL HOLDINGS LIMITED

### 安山金控股份有限公司

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

**(Stock Code: 33)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Amber Hill Financial Holdings Limited (the “**Company**”) will be held at 19/F One Hennessy, 1 Hennessy Road, Wanchai, Hong Kong on 27 November 2020 at 12:00 noon for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon, among other things, the Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
  - (i) every ten (10) issued shares in the share capital of the Company be consolidated into one (1) share (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
  - (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (each a “**Director**”) of the Company may think fit; and
  - (iii) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

## NOTICE OF EGM

### 2. “THAT

- (i) subject to and conditional upon the passing of the resolution numbered 1, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved;
- (ii) the allotment and issue of not less than 402,933,828 new Consolidated Shares (assuming no further issue and repurchase of shares of the Company up to the Record Date (as defined below)) and not more than 404,733,828 new Consolidated Shares (assuming full exercise of all outstanding share options and full conversion of the convertible bonds issued by the Company in the principal amount of HK\$5 million which have already fallen due on 18 February 2020 and the holder of which is not a shareholder of the Company) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.71 per Rights Share (the “**Subscription Price**”) on the basis of three (3) Rights Shares for every one (1) Consolidated Share held by the Shareholders (“**Qualifying Shareholders**”) whose names appear on the register of members of the Company on 10 December 2020, or such other date as may be agreed by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in a circular issued by the Company dated 4 November 2020 (the “**Circular**”) (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (“**Non-Qualifying Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;
- (iii) the placing agreement dated 11 September 2020 (the “**Placing Agreement**”) and entered into between the Company and Nerico Brothers Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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- (iv) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and
- (v) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/she/they may in his/her/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

### 3. “THAT

- (i) the subscription agreement (the “**Subscription Agreement**”) entered into between the Company and Neo Tech Inc. (the “**Subscriber**”) dated 31 July 2020 in relation to the subscription (the “**Subscription**”) of a maximum of 332,121,222 Consolidated Shares at the subscription price of HK\$0.71 per Consolidated Share (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) the grant of specific mandate for the allotment and issue of a maximum of 332,121,222 (the “**Subscription Shares**”) new Consolidated Shares in the capital of the Company to the Subscriber, credited as fully paid, be and are hereby approved; and
- (iii) any one or more Directors be and are hereby authorised to allot and issue the Subscription Shares in accordance with the terms of the Subscription Agreement and to do all such acts and things as he/she/they consider(s) necessary or expedient for the purpose of giving effect to the Subscription Agreement and completing the transactions contemplated thereby.”

## SPECIAL RESOLUTION

### 4. “THAT

- (i) conditional upon the passing of resolutions no. 2 and 3 above, the waiver (“**Whitewash Waiver**”) granted or to be granted by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission to Ng Concert Party Group (as defined in the Circular) pursuant to Note 1 on Dispensations from Rule 26 of the Code on Takeovers and Mergers of Hong Kong from its obligations to make a general offer for all the Shares not already

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owned or agreed to be acquired by Mr. Ng (as defined in the Circular) and parties acting in concert with him as a result of the Irrevocable Undertaking (as defined in the Circular) and the subscription of the Subscription Shares pursuant to the Subscription Agreement be and are hereby approved; and

- (ii) any one or more Directors be and are hereby authorised to do all such acts and things as he/she/they consider(s) necessary or expedient for the purpose of giving effect to the Whitewash Waiver.”

By order of the Board  
**Amber Hill Financial Holdings Limited**  
**Ng Yu**  
*Chairman and Executive Director*

Hong Kong, 4 November 2020

*Registered office:*

94 Solaris Avenue, Camana Bay  
PO Box 1348  
Grand Cayman, KY1-1108  
Cayman Islands

*Principal place of business:*

Room A, 5/F Chunghing Commercial Building  
62–63 Connaught Road Central  
Central  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the Meeting (i.e. 12:00 noon on 25 November 2020) or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from 23 November 2020 to 27 November 2020 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s), must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on 20 November 2020.

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4. A form of proxy for use at the Meeting is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.ahfh.com.hk](http://www.ahfh.com.hk)).
5. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will post an announcement on the websites of the Company at [www.ahfh.com.hk](http://www.ahfh.com.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify members of the date, time and place of the rescheduled meeting.

### PRECAUTIONARY MEASURES FOR THE EGM

At the time of publishing this notice the coronavirus (COVID-19) situation in Hong Kong is still developing and the situation at the time of the EGM is difficult to predict. The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong Government in relation to COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong Government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends shareholders to appoint the chairman of the EGM as their proxy and submit their form of proxy as early as possible.

Should the coronavirus continue to affect Hong Kong at or around the time of the EGM, the Company may implement precautionary measures at the EGM in the interests of the health and safety of the attendees of the EGM which include without limitation:

1. All attendees will be required to wear surgical face masks before they are permitted to attend, and during their attendance of, the EGM. Attendees are advised to observe good personal hygiene and maintain appropriate social distance with each other at all times when attending the EGM.
2. There will be compulsory body temperature screening for all persons before entering the EGM venue. Should anyone seeking to attend the EGM decline to submit to temperature testing or be found to be suffering from a fever with a body temperature of 37.3 degrees Celsius or above or otherwise unwell, the Company will request such persons to stay in an isolated place for completing the voting procedures.
3. Attendees may be asked if (i) he/she has travelled outside of Hong Kong within 14 days immediately before the EGM; (ii) he/she is subject to any HKSAR Government prescribed quarantine requirement; and (iii) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Any person who responds positively to any of these questions will be requested to stay in an isolated place for completing the voting procedures.
4. Appropriate distancing and spacing in line with the guidance from the HKSAR Government will be maintained and as such, the Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding.

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5. Each attendee will be assigned a designated seat to facilitate contact tracing and to ensure appropriate social distancing.
6. No gifts, food or beverages will be provided at the EGM.
7. Company staff and representatives at the EGM venue will assist with crowd control and queue management to ensure appropriate social distancing.
8. Attendees will be accommodated in separate partitioned rooms or areas of not more than 20 persons (or such number as may be allowed under the Prevention and Control of Disease (Prohibition or Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong)) each.
9. Due to the constantly evolving COVID-19 pandemic situation, the Company may implement further changes and precautionary measures in relation to the EGM arrangements at short notice. Shareholders should check the Company's website.