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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in Asia-Pac Financial Investment Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or the transferee(s) or to the bank manager, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

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## Asia-Pac Financial Investment Company Limited

亞太金融投資有限公司

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

**(Stock code: 8193)**

### **(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND (2) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

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

**VINCO** 城高

**Vinco Capital Limited**

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

A letter from the Board is set out on pages 13 to 38 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 39 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 67 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Friday, 8 January 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 21 January 2021 to Thursday, 28 January 2021 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Thursday, 21 January 2021 to Thursday, 28 January 2021 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at Portion 2, 12th Floor, The Center, 99 Queen's Road, Central, Hong Kong at 11:00 a.m. on Wednesday, 6 January 2021 is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit it with Tricor Investor Services Limited, the branch share registrar of Asia-Pac Financial Investment Company Limited in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting (i.e. 11:00 a.m. on Monday, 4 January 2021, Hong Kong time) or any adjournment thereof.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that: (a) if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed; and (b) the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

15 December 2020

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meaning:*

“Announcement”	the announcement of the Company dated 5 November 2020 in relation to, among other things, the Increase in Authorised Share Capital and the Rights Issue
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Brilliant One”	Brilliant One Holdings Limited, a beneficial owner of the Company, which is wholly owned by GC Holdings Limited, and which is in turn wholly owned by Mr. Ip
“Business Day(s)”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or 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
“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the (i) the proposed consolidation of every two (2) issued and unissued existing shares of par value of HK\$0.10 each in the share capital of the Company into one (1) consolidated share of par value of HK\$0.20 each; (ii) the proposed reduction of the par value of each of the then issued consolidated shares from HK\$0.20 to HK\$0.02 by cancelling the paid-up capital to the extent of HK\$0.18 on each of the then issued consolidated shares; and (iii) the proposed sub-division of each of the authorised but unissued consolidated shares of par value of HK\$0.20 each into ten (10) new shares of par value of HK\$0.02 each
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“Company”	Asia-Pac Financial Investment Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM of the Stock Exchange (stock code: 8193)
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.26(2) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“COVID-19”	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$100 million divided into 5,000,000,000 Shares to HK\$1,000 million divided into 50,000,000,000 Shares
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser” or “Vinc Capital”	Vinc Capital Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	person(s) who is (are) third party(ies) independent of the Company and connected persons of the Company
“Laberie”	Laberie Holdings Limited, a substantial shareholder of the Company, which was wholly owned by SEEC Media Group Limited
“Last Trading Day”	5 November 2020, being the last trading day of the Shares on the Stock Exchange immediately prior to the publishing of the Announcement

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## DEFINITIONS

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“Latest Placing Date”	18 February 2021 or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares
“Latest Placing Time”	5:00 p.m. on the Latest Placing Date
“Latest Practicable Date”	9 December 2020, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 2 February 2021, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Long Stop Date”	Friday, 19 February 2021 or such later date as may be agreed between the Placing Agent and the Company in writing
“Mr. Ip”	Mr. Ip Kwok Kwong, an executive Director and the Managing Director of the Company
“Net Gain”	any premiums paid by the placees over the Subscription Price for the Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements
“No Action Shareholders”	Qualifying Shareholders (excluding Laberie) 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
“Optionholder’s Undertaking(s)”	the undertaking (s) executed on 5 November 2020 by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the Record Date
“Overseas Letter”	a letter from the Company to the Excluded Shareholders explaining the circumstances in which the Excluded Shareholders are not permitted to participate in the Rights Issue

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## DEFINITIONS

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“Overseas Shareholder(s)”	Shareholder(s) with registered address(es) (as shown on the register of members of the Company on the Record Date) which is(are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the Placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Sorrento Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.26(2) of the GEM Listing Rules
“Placing Agreement”	the placing agreement dated 5 November 2020 and entered into between the Company and the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis



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## DEFINITIONS

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“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as described in the section headed “The Placing Agreement” in this circular
“Placing Period”	a period commencing from the second Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Tuesday, 9 February 2021, and ending at the Latest Placing Time
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Promissory Notes 1”	the promissory notes issued by the Company with total principal amounts of HK\$110,000,000 to an independent third party as part of the consideration for an acquisition of 80% equity interest in Golden Vault Limited by the Group on 13 November 2014. On 31 March 2020, the Company renewed the promissory notes with the promissory note holder. The promissory notes are interest-bearing at 3% per annum. The maturity date is the date falling three months from 26 March 2021
“Promissory Notes 2”	the promissory notes issued by the Company in an aggregate principal amount of HK\$34,000,000 for the acquisition of additional 19% of the entire issued share capital of Boxin Holdings Limited from an independent third party on 22 October 2015. On 31 March 2020, the Company renewed the promissory notes with the promissory note holder. The promissory notes are interest-bearing at 3% per annum. The maturity date is the date falling 6 months from 3 November 2020
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	collectively, the Prospectus and PAL
“Qualifying Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)

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## DEFINITIONS

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“Record Date”	Monday, 18 January 2021 or such other date as may be determined by the Company, being the date for determining entitlements of Shareholders to participate in the Rights Issue
“Registrar”	Tricor Investor Services Limited
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 874,433,790 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.02 each in the share capital of the Company, after the Capital Reorganisation became effective
“Share Option Scheme”	the share option scheme of the Company adopted on 18 May 2011
“Share Options”	the share options granted by the Company pursuant to the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder Irrevocable Undertaking”	the irrevocable undertaking executed on 5 November 2020 by Laberie in favour of the Company for taking up all its entitlement to the Rights Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.050 per Rights Share

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## DEFINITIONS

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“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Arrangements”	the placement of Unsubscribed Rights Shares by the Placing Agent pursuant to the terms of the Placing Agreement, details of which are set out in the section headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares, and the Compensatory Arrangements” in this circular
“Unsubscribed Rights Shares”	Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

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## PRECAUTIONARY MEASURES FOR THE EGM

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In light of the COVID-19 pandemic, and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree celsius, or who has any flulike symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on relevant resolutions at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:*

**Event** **2020**

Latest time for lodging transfers of Shares to qualify  
for attendance and voting at the EGM . . . . . 4:30 p.m. on  
Wednesday, 30 December

Closure of register of members of the Company  
for attending the EGM (both days inclusive) . . . . . Thursday, 31 December 2020 to  
Wednesday, 6 January 2021

**2021**

Latest time for lodging forms of proxy  
for the purpose of the EGM . . . . . 11:00 a.m. on Monday, 4 January

Record date for determining attendance and  
voting at the EGM . . . . . Wednesday, 6 January

Expected date and time of the EGM . . . . . 11:00 a.m. on Wednesday, 6 January

Announcement of poll results of the EGM . . . . . Wednesday, 6 January

Last day of dealings in Shares on a cum-rights basis . . . . . Thursday, 7 January

First day of dealings in Shares on an ex-rights basis . . . . . Friday, 8 January

Latest time for the Shareholders to lodge transfer of  
Shares in order to qualify for the Rights Issue . . . . . 4:30 p.m. on Monday, 11 January

Closure of register of members of the Company  
for the Rights Issue (both dates inclusive) . . . . . Tuesday, 12 January to  
Monday, 18 January

Record Date for determining entitlements  
to the Rights Issue . . . . . Monday, 18 January

Register of members of the Company re-opens . . . . . Tuesday, 19 January

Despatch of Prospectus Documents . . . . . Tuesday, 19 January

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## EXPECTED TIMETABLE

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**2021**

First day of dealings in nil-paid Rights Shares . . . . .	9:00 a.m. on Thursday, 21 January
Latest time for splitting nil-paid Rights Shares . . . . .	4:00 p.m. on Monday, 25 January
Latest time of dealings in nil-paid Rights Shares . . . . .	4:00 p.m. on Thursday, 28 January
Latest time for acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Tuesday, 2 February
Announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares subject to the Compensatory Arrangement . . . . .	Monday, 8 February
Commencement of placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent . . . . .	Tuesday, 9 February
Latest time of placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent . . . . .	Thursday, 18 February
Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional . . . . .	Thursday, 18 February
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per ES Unsold Rights Share under the Compensatory Arrangements) . . . . .	Friday, 19 February
Refund cheques, if any, to be despatched (if the Rights Issue does not proceed) . . . . .	On or before Monday, 22 February
Certificates for fully paid Rights Shares to be despatched . . . . .	On or before Monday, 22 February
Commencement of dealings in fully-paid Rights Shares . . . .	9:00 a.m. on Tuesday, 23 February

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## EXPECTED TIMETABLE

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2021

Designated broker starts to stand in the market to  
provide matching services for odd lots of Shares . . . . . Tuesday, 23 February

Last day for the designated broker to provide  
matching services for odd lots of Shares . . . . . Tuesday, 16 March

Payment of Net Gain to relevant No Action  
Shareholders (if any) or Excluded Shareholders (if any). . . . . Wednesday, 17 March

All times and dates in this circular refer to Hong Kong local times and dates.

The expected timetable is subject to change, and any such change will be further announced by the Company as and when appropriate.

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

The latest time for acceptance of and payment for the Rights Shares will not take place if:

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

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates of the events subsequent to the Latest Time for Acceptance mentioned in this section above may be affected. Announcement will be made by the Company in such event.

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## LETTER FROM THE BOARD

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### Asia-Pac Financial Investment Company Limited

### 亞太金融投資有限公司

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

**(Stock code: 8193)**

*Executive Directors:*

Mr. Ip Kwok Kwong

Mr. Wu Di

*Independent non-executive Directors:*

Mr. Sek Wai Kit

Mr. So Kwok Yun

Mr. Tang Wai Kee

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

*Principal place of business in Hong Kong:*

Room 2709, 27th Floor

Shui On Centre, 6-8 Harbour Road

Wanchai, Hong Kong

15 December 2020

*To: the Qualifying Shareholders and, for information purpose only,  
the Excluded Shareholders and holders of Share Options*

Dear Sir or Madam,

**(1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL; AND  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE**

#### INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Increase in Authorised Share Capital and the Rights Issue. On 5 November 2020, the Company proposed that the authorised share capital of the Company be increased to HK\$1,000 million and divided into 50,000,000,000 Shares and proposed to raise up to approximately HK\$43.7 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 874,433,790 Rights Shares at the Subscription Price of HK\$0.050 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Subscription Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.



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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among others, further details on the Increase in Authorised Share Capital and the Rights Issue, certain financial information and other general information on the Group.

### PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the Rights Issue, to accommodate the future expansion and growth of the Group and to provide the Company with greater flexibility for future expansion in the share capital of the Company, the Company proposes that the authorised share capital of the Company be increased to HK\$1,000 million and divided into 50,000,000,000 Shares. The Board is of the view that the Increase in Authorised Share Capital will provide flexibility to the Company for future fundraising and expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders as a whole.

The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

### PROPOSED RIGHTS ISSUE

The Board proposed to raise up to approximately HK\$43.7 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 874,433,790 Rights Shares at the Subscription Price of HK\$0.050 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

Further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price	:	HK\$0.050 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	291,477,930 Shares
Number of Rights Shares	:	Up to 874,433,790 Rights Shares with an aggregate nominal value of approximately HK\$17.5 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date

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## LETTER FROM THE BOARD

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Number of issued shares of the Company upon completion of the Rights Issue : Up to 1,165,911,720 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date

Amount to be raised : Up to approximately HK\$43.7 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date

As at the Latest Practicable Date, there are 52,469,190 outstanding Share Options, details of the outstanding Share Options are set out below:

<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price</b>	<b>Number of outstanding Share Options as at the Latest Practicable Date</b>
6 January 2012	30 January 2012 to 17 May 2021	3.252	3,690
18 April 2019	18 April 2019 to 17 April 2022	0.558	26,232,750
31 March 2020	31 March 2020 to 30 March 2023	0.228	26,232,750

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 300.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 75% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.

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## LETTER FROM THE BOARD

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### **Non-underwritten basis**

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders, which do not include any Rights Shares to be provisionally allotted to Laberie for which subscription of Rights Shares will be subject to the Shareholder Irrevocable Undertaking as set out in the section headed “The Shareholder Irrevocable Undertaking” in this circular, will be placed to independent places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

### **The Shareholder Irrevocable Undertaking**

As at the Latest Practicable Date, Laberie is beneficially interested in 70,000,000 Shares, representing approximately 24.02% of the existing issued share capital of the Company. Pursuant to the Shareholder Irrevocable Undertaking, Laberie has provided an irrevocable undertakings to the Company, among other things, (i) to take up all of the assured entitlements to the Rights Shares in respect of Shares beneficially owned by Laberie as at the date of the Shareholder Irrevocable Undertaking pursuant to the terms of the Rights Issue provided that the total number of Rights Shares to be subscribed by Laberie under the Rights Issue will be scaled down to the extent that Laberie will not trigger a general offer obligation in accordance to the note to Rule 10.26(2) of the GEM Listing Rules; and (ii) Laberie will not dispose of or transfer any interests in the Company (including Shares) from the date of the Shareholder Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Save for the Shareholder Irrevocable Undertaking, the Board has not received any information or irrevocable undertaking from any substantial shareholders of the Company of their intention in relation to the Rights Shares to be allotted to them as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### **The Optionholder's Undertakings**

As at 5 November 2020, being the date of the Placing Agreement, each of the holders of the Share Options (including four Directors) has signed an Optionholder's Undertaking for not exercising the Share Options granted to him/her on or before the Record Date.

### **Subscription Price**

The Subscription Price for the Rights Shares is HK\$0.050 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 15.3% to the closing price of HK\$0.0590 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 10.7% to the closing price of HK\$0.0560 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 2.9% to the theoretical ex-rights price of approximately HK\$0.0515 per Share based on the closing price of HK\$0.0560 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 13.2% to the average of the closing prices of approximately HK\$0.0576 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 13.5% to the average of the closing prices of approximately HK\$0.0578 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (f) a discount of approximately 88.2% to the adjusted consolidated net asset value per consolidated share of approximately HK\$0.4237 (based on the consolidated net asset value of the Company as at 31 March 2020 of approximately HK\$123,502,000 and the number of issued consolidated shares after the Capital Reorganisation, which is 291,477,930).

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## LETTER FROM THE BOARD

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The Subscription Price was determined by the Company with reference to, among other things, the recent market price of the Shares since October 2020 and up to the Last Trading Day which were generally approximately HK\$0.063 per Share and a discount with reference to the recently completed rights issue exercises announced by companies listed on the Stock Exchange, the prevailing market conditions, the loss attributable to owners of the Company of approximately HK\$126.5 million for the financial year ended 31 March 2020, the amount of funds and capital needs and the reasons for the Rights Issue as set out in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS” in this circular. All Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date so as to maintain their proportionate interests in the Company and participate in the future growth of the Group.

The Directors noted that the Subscription Price represents a discount of approximately 88.2% to the audited net asset value per Share as at 31 March 2020. Given that (i) the Shares were traded at a deep discount to the audited net asset value per Share for the last year and up to the Last Trading Day; and (ii) the recent market price of the Shares have already reflected the expectation of the investors to the Company (such as its financial results and corporate actions) and the recent market sentiment, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the audited net asset value per Share, in determining the Subscription Price and that the discount of the Subscription Price to the audited net asset value per Share is justifiable.

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. The possible maximum dilution to shareholdings of those Qualifying Shareholders who do not subscribe to the Rights Issue is approximately 75.0%. The theoretical dilution effect of the Rights Issue is approximately 10.3% which is below 25% as required under Rule 10.44A of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the circular of the Company after having been advised by the Independent Financial Adviser) are of the view that the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders, and that all Qualifying Shareholders are treated equally. The net price per Rights Share (i.e. the Subscription Price less cost and expenses incurred in the Rights Issue) is estimated to be approximately HK\$0.0483, if fully subscribed.

### **Basis of provisional allotments**

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and 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.

### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

In order to be registered as members of the Company at the close of business on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (together with the relevant share certificates) 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 Monday, 11 January 2021.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company.

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents 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 Monday, 11 January 2021.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience any dilution to their interests in the Company. **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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## LETTER FROM THE BOARD

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### **Rights of Overseas Shareholders (if any)**

As at the Latest Practicable Date, there are four Shareholders with registered address in the PRC (as shown on the register of members of the Company).

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

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only, but will not send any PAL to them.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form during the period from 9:00 a.m. on Thursday, 21 January 2021 to 4:00 p.m. on Thursday, 28 January 2021 if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK\$100 will be paid on pro-rata basis to the relevant Excluded Shareholders.

In view of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

Any unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares 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.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

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## LETTER FROM THE BOARD

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**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.**

### **Status of Rights Shares**

The Rights Shares, when allotted 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 are declared, made or paid, on or after the record date of which is after the date of allotment of the Rights Shares in their fully-paid form. Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

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

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

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

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance 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 the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on Thursday, 18 February 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares at a price not less than the Subscription Price.



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## LETTER FROM THE BOARD

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Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and ES Unsold Rights Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above which is in an amount of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

### THE PLACING AGREEMENT

On 5 November 2020 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date	:	5 November 2020 (after trading hours)
Issuer	:	the Company
Placing Agent	:	Sorrento Securities Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected persons or any of their respective associates.

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## LETTER FROM THE BOARD

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- Placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares : The placing price of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares shall be not less than the Subscription Price.
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares during the process of placement.
- Commission : 2.5% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.
- The commission is not payable by the Company to the Placing Agent if the Placing Agreement has not become unconditional or is otherwise terminated in accordance with its terms.
- Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case maybe) : The placing price of each of the Unsubscribed Rights Shares and/or the ES Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price.
- The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the ES Unsold Rights Shares during the process of placement.
- Placees : The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies).
- Ranking of Unsubscribed Rights Shares and the ES Unsold Rights Shares : Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.

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## LETTER FROM THE BOARD

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Conditions Precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):

(i) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;

(ii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and

(iii) the Placing Agreement not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions precedent to the Placing Agreement (other than those set out in paragraph (i) above) by notice in writing to the Company.

Termination : The Placing Arrangement shall end on Thursday, 18 February 2021 or any other date by mutual written agreement between the Placing Agent and the Company.

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## LETTER FROM THE BOARD

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The engagement of the Placing Agent may also be terminated by Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

Placing Completion : Completion is expected to take place within six Business Days after publication of an announcement by the Company of the number of the Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements and upon fulfilment or waiver (as the case may be) of the conditions precedent to the Placing Agreement or such other date as the Company and the Placing Agent may agree in writing.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by the Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

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## LETTER FROM THE BOARD

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The engagement between the Company and the Placing Agent for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) was determined after arm's length negotiation between the Company and the Placing Agent 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 condition. The Directors consider that the terms of Placing Agreement for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders; and (iii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors consider that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid Rights Shares shall have the same board lot size as the Shares, i.e. 10,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any stock exchange other than the Stock Exchange.

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

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, 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 their respective commencement dates of dealings on the Stock Exchange or such other dates as determined by HKSCC.

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

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## LETTER FROM THE BOARD

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### **Stamp duty and other applicable fees**

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

### **Taxation**

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

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

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be posted on or before Monday, 22 February 2021 by ordinary post to the allottees, at their own risk, to their registered addresses. Each Shareholder will receive one share certificate for all allotted Shares.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (a) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (b) the Capital Reorganisation having become effective;

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## LETTER FROM THE BOARD

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- (c) the Increase in Authorised Share Capital of the Company having become effective;
- (d) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (e) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively all documents relating to the Rights Issue which are required to be filed or registered in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules;
- (f) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus and the Overseas Letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by the Prospectus Posting Date; and
- (g) compliance with and performance of all undertakings and obligations of Laberie under the Shareholder Irrevocable Undertaking in all material respects.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. As at the Latest Practicable Date, condition (b) as stated above has been satisfied.

**As the proposed Rights Issue is subject to the above conditions, it may or may not proceed.**

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

In order to facilitate the trading of odd lots (if any), the Company will arrange odd lot matching services during Tuesday, 23 February 2021 to Tuesday, 16 March 2021 (both dates inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Shares is on a best effort basis and successful matching of the sale and purchase of such odd lots is not guaranteed.

## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the Company has 291,477,930 Shares in issue. On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts, for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		Immediately upon completion of the Rights Issue Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)	Number of Shares	Approx.% (note)
Brilliant One	15,542,500	5.33	62,170,000	5.33	15,542,500	4.91	15,542,500	1.33
Laberie	70,000,000	24.02	280,000,000	24.02	94,890,000	29.99	280,000,000	24.02
Public Shareholders	205,935,430	70.65	823,741,720	70.65	205,935,430	65.09	205,935,430	17.66
Independent places	-	-	-	-	-	-	664,433,790	56.99
<b>Total</b>	<b>291,477,930</b>	<b>100.00</b>	<b>1,165,911,720</b>	<b>100.00</b>	<b>316,367,930</b>	<b>100.00</b>	<b>1,165,911,720</b>	<b>100.00</b>

*Notes:*

The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

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



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## LETTER FROM THE BOARD

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

The Company is an investment holding company. The Group is principally engaged in the asset appraisal related businesses. The Company operates through four business segments. The asset advisory services and asset appraisal segment is engaged in the provision of asset appraisal and asset advisory services, including real estate and fixed asset appraisal, mineral property appraisal, business and intangible asset valuation, financial instrument valuation and advisory services. The corporate services and consultancy segment is engaged in the provision of company secretarial services, human resources management, accounting and tax services, corporate communication and marketing services, corporate governance, internal control, enterprise risk management services and management consultancy services. The media advertising segment is engaged in the provision of media advertising business services through in-elevator poster frames network and liquid-crystal displays network inside elevators or lobbies of middle to high-end residential community. The financial services segment is engaged in the provision of (i) financial credit services such as personal loans and commercial loans to individuals and corporations; and (ii) securities broking and trading of securities.

For the three years ended 31 March 2020, the Group recorded (i) revenue of approximately HK\$59.3 million, HK\$52.6 million and HK\$45.9 million respectively; and (ii) loss from operation of approximately HK\$116.9 million, HK\$26.6 million and HK\$75.6 million respectively. As a result, the Group recorded loss for the year of approximately HK\$176.2 million, HK\$65.0 million and HK\$129.0 million respectively for the corresponding years. During the six months ended 30 September 2020, the Group recorded (i) unaudited revenue of approximately HK\$22.0 million as compared to approximately HK\$25.5 million for the same period in 2019; and (ii) unaudited profit for the period of approximately HK\$4.0 million as compared to unaudited loss of approximately HK\$42.2 million for the same period in 2019. As mentioned in the annual report of the Company for the year ended 31 March 2020 (the “**2020 Annual Report**”), although the outbreak of COVID-19 in early 2020 severely affected the economic activities in PRC and even the whole world, most of the projects performed by the Group were obtained before the outbreak and the Group has taken effective measures to ensure the implementation of the projects. As a result, the Group’s operating performance was not significantly affected by the epidemic. The Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

As set out in the 2020 Annual Report, the Group recorded bank balances and cash of approximately HK\$10.3 million, total borrowings (comprising borrowings and promissory notes) of approximately HK\$65.9 million, and a net gearing ratio, which is defined as net debt (total borrowings net of cash and bank balances) over total equity, of 0.51 as at 31 March 2020. As at 31 March 2020, the borrowings represented bank loan of approximately HK\$1.4 million, bank overdrafts of approximately HK\$3.3 million, other loan payable within 1 year of approximately HK\$4.0 million, and promissory notes comprising of Promissory Notes 1 of approximately HK\$21.2 million and Promissory Notes 2 of approximately HK\$36.0 million.

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## LETTER FROM THE BOARD

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The Board considers that the Rights Issue represents an opportunity for the Company to repay the borrowings from the independent third parties to be due so as to relieve its financial burden and reduce future financing costs.

It is estimated that the Company will raise up to approximately HK\$43.7 million from the Rights Issue and the relevant expenses would be up to approximately HK\$1.5 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The estimated net proceeds from the Rights Issue will accordingly be up to approximately HK\$42.2 million (equivalent to a net price of approximately HK\$0.0483 per Rights Share). In line with the aforesaid business objectives, the Company intends to utilise the net proceeds from the Rights Issue as follows:-

- (i) approximately HK\$37.2 million towards repayment of the Promissory Notes 2; and
- (ii) the remaining amount towards general working capital of the Group.

### Repayment of the Promissory Notes 2

The Directors intend to apply approximately HK\$37.2 million towards repayment of the Promissory Notes 2 as below:

Creditors	Principal amount	Maturity Date	Interest Rate ( <i>p.a.</i> )	Accrued interest as at the maturity date	Total Outstanding amount as at the maturity date
Nowry Holdings Limited	HK\$34,000,000	2 May 2021	3.00%	HK\$3,230,000	HK\$37,230,000

*Note:*

- (1) As disclosed in the announcements of the Company dated 22 July 2015 and 22 October 2015 respectively, Zhong Nan Investments Limited, a wholly-owned subsidiary of the Company acquired additional 19% of issued share capital of Boxin Holdings Limited for the consideration of HK\$34,000,000, which was settled by the issuance of the promissory notes by the Company to the Mr. Choi Kee Yuen, a 45% legal and beneficial owner of Boxin Holdings Limited.
- (2) In March 2018, Mr. Choi Kee Yuen transferred its entire interest in the Promissory Note 2 to Nowry Holdings Limited.
- (3) On 31 March 2020, the Company renewed the Promissory Notes 2 with the promissory notes holder. The Promissory Notes 2 are interest-bearing at 3% per annum. The maturity date is the date falling 6 months from 3 November 2020.

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## LETTER FROM THE BOARD

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As set out in the 2020 Annual Report, the finance cost of the Group was approximately HK\$2.3 million for the year ended 31 March 2019 and approximately HK\$4.0 million for the year ended 31 March 2020. There is an increasing trend of the finance cost of the Group. The gearing ratio of the Group as at 31 March 2020 was 0.51 (2019: 0.23).

Having considered the above, the Group intends to use approximately HK\$37.2 million, or approximately 88.2% of the net proceeds from the Rights Issue to settle the Promissory Notes 2 and the accrued interest up to the maturity date. As Promissory Note 2 is interest-bearing and forms part of the Group's total liabilities, the Company's interest expenses and liabilities will be reduced by repayment of the Promissory Note 2 through the application of the proceeds from the Rights Issue. This allows the Group to (i) significantly improves the Group's liquidity; and (ii) reduce future financing cost of the Group.

### **General working capital**

Compared with other types of assets, working capital provides necessary liquidity guarantees for the Company to maintain daily operations such as covering rental, utilities, salaries and remuneration, and other legal and professional expenses, etc. It is crucial for the Company to have the ability and flexibility to respond to the changing market conditions in a timely manner and to have readily available cash resources at reasonable cost as assessed by the Directors from time to time. Therefore, the Directors consider it is necessary to apply certain proceeds from the Rights Issue towards general working capital.

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

If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is less than HK\$37.2 million, all of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of the Promissory Notes 2. If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is more than HK\$37.2 million, HK\$37.2 million of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of the Promissory Notes 2 and the remaining net proceeds will be utilised for general working capital of the Group. As at the Latest Practicable Date, the Company has no intention to conduct further fundraising activities in near future.

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## LETTER FROM THE BOARD

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### **Alternative fund-raising methods considered**

The Directors have considered other financing alternatives including (i) other debt financing, and (ii) equity fund raising such as placement of new Shares and open offer. The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole, for the reasons as follows:

- a) As for other debt financing, as at the Latest Practicable Date, the Board has attempted to obtain loan financing from its principal bankers, and was advised that the Group does not have any material assets which the Group can charge to the banks as security, therefore, the credit line granted by the banks (if any) will not be sufficient for the Group to replace any of the borrowings. In addition, the Group has also attempted to obtain other loan financing from independent third parties, but the interest rate offered is generally over 10% per annum.
- b) As for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company.
- c) As for open offer, similar to a right issue, it also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

As such, the Board considers that equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities.

In addition, the Board considers that the terms of the Rights Issue and Placing Arrangement are fair and reasonable and in the best interest of the Company and Shareholders as a whole since (i) under the Rights Issue, all the Qualifying Shareholders will be offered the same opportunity to maintain their proportionate interests in the Company and to participate in the growth and development of the Group and the Qualifying Shareholders have the first right to decide whether to accept their entitlements of the Rights Shares; and (ii) the Shareholders who do not want to participate in the Rights Issue can dispose of the nil-paid Rights Shares in the secondary market for their own economic benefit. Although the Rights Issue on a non-underwritten basis may not raise sufficient funds to satisfy the funding needs as aforementioned, taking into account that (i) the placing obligation of the Placing Agent are more or less similar to an underwriter of the Rights Issue (except that the Placing Agent is on best effort basis) and therefore adopting the Placing Arrangement simultaneously would help to maximise the funds to be raised; (ii) the Company will raise certain funds from the Rights Issue under the Shareholder Irrevocable Undertaking; (iii) the Company was not able to secure any underwriter who was willing to underwrite the Rights Shares; (iv) the recent rights issue exercises conducted by companies listed on the Stock Exchange whereby the Unsubscribed Rights Shares and ES Unsold Right Shares have been more or less fully placed by the placing agents; and (v) the implied cost of the Rights Issue of approximately 3.4% (being the percentage of total estimated expenses to

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## LETTER FROM THE BOARD

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the gross proceeds of the Rights Issue, assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent) is lower than the interest rates of the other loan financing from independent third parties, which range from approximately 2.5% to 36% per annum, the Board considers that the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

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

The Company has not conducted any fund raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

### **RISK FACTORS**

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the Shareholders' attention. The Directors believe that there are certain risks involved in the operations of the Group which includes, but is not limited to, the following:

#### **Risks relating to asset advisory services and asset appraisal business**

The asset advisory services and asset appraisal business of the Group is based in Hong Kong and the PRC. The Group's success relies, to a significant extent, on the experience and knowledge of the Group's professional staff and senior management. The Group cannot prevent staff from terminating their respective contracts in accordance with the relevant agreed conditions nor can the Group prevent staff from leaving and setting up business in competition with the Group. The loss of the services of one or more members of the Group's key personnel due to their departure or other reasons, if the Group fails to replace any vacancy by recruiting new competent personnel with relevant experience and knowledge in the market, and/or employees leaving and setting up business in competition with the Group could adversely and significantly affect the Group's operation and financial position.

#### **Risks relating to financial services business**

The Group's financial services segment is engaged in the provision of (i) financial credit services such as personal loans and commercial loans to individuals and corporations; and (ii) securities broking and trading of securities. Any sudden downturn in the global economic and sudden change in political environment, which are beyond the control of the Group, may adversely affect the financial market sentiment. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn incur adverse impact on the business and operating performance of the Group. As such, the revenue and profitability of the Group may fluctuate and there is no assurance that the Group will be able to maintain our historical financial results under difficult or unstable economic conditions.

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## LETTER FROM THE BOARD

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In addition, the Hong Kong financial market in which the Group operate is highly regulated. There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial services industry, including but not limited to, the SFO, the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time, the GEM Listing Rules, the trading rules of the Stock Exchange and the Takeovers Code. Any such changes might result in an increase in the cost of compliance, or might restrict the business activities of the Group. In case the Group fails to comply with the applicable rules and regulations from time to time, it might result in fines, restrictions on the Group's activities or even suspension or revocation of some or all of the licences for carrying on the business activities of the Group. Accordingly, the business operation and financial results might be materially and adversely affected.

Regarding the Group's financial services segment which is subject to risks that a customer or counterparty may fail to perform its contractual obligations or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material non-payment or non-performance by a customer or counterparty could adversely affect the Group's financial position, results of operations and cash flows. In addition, both businesses are highly pegged with the fluctuation of interest rates and change of monetary policies, which may be affected due to the economic, political and social conditions both locally and globally and are beyond the Group's control.

### **POSSIBLE ADJUSTMENTS RELATING TO THE SHARE OPTIONS**

As at the Latest Practicable Date, there were 52,469,190 outstanding Share Options.

Pursuant to the terms of the Share Option Scheme, the terms, the exercise prices and/or number of new Shares to be issued upon exercise of the Share Options may be adjusted in accordance with the Share Option Scheme, if any, upon the Rights Issue becoming unconditional. The Company will notify the holders of the Share Options the adjustments upon the Rights Issue becoming unconditional by further announcement, if necessary.

### **GEM LISTING RULES IMPLICATIONS**

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on, amongst other things, the approval by the Independent Shareholders at which any controlling shareholders and their respective associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue.

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## LETTER FROM THE BOARD

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Mr. Ip, who is the Managing Director and an executive Director of the Company, has abstained from voting in the Board meeting for approving the proposed Rights Issue. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the proposed Rights Issue who are required to abstain from voting in the Board meeting in respect of the proposed Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period. The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

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

The register of members of the Company will be closed from Thursday, 31 December 2020 to Wednesday, 6 January 2021 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Tuesday, 12 January 2021 to Monday, 18 January 2021 (both dates inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure periods.

### **GENERAL**

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Increase in Authorised Share Capital, the Rights Issue, and the transactions contemplated hereunder.

The Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The notice convening the EGM to be held at Portion 2, 12th Floor, The Center, 99 Queen's Road, Central, Hong Kong, Hong Kong on Wednesday, 6 January 2021 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (i.e. 11:00 a.m. on Monday, 4 January 2021, Hong Kong time) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

Subject to the approval of the Increase in Authorised Share Capital by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, a Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Tuesday, 19 January 2021.

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

**The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.**

**The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Pursuant to the Company's constitutional documents and the Companies Act, there are no requirements for minimum levels of subscription in respect of the Rights Issue. Subject to fulfillment of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. In the event the Rights Issue is undersubscribed, any subscribed Rights Shares will be placed to independent places under the Unsubscribed Arrangements. Any Unsubscribed Rights Shares not placed under the Unsubscribed Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.**

**Any dealings in the Shares up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.**



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## LETTER FROM THE BOARD

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### RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Sek Wai Kit, Mr. So Kwok Yun and Mr. Tang Wai Kee, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Vinco Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Vinco Capital set out on pages 40 to 67 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the transactions contemplated thereunder 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, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

### ADDITIONAL INFORMATION

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

For and on behalf of the Board  
**Asia-Pac Financial Investment Company Limited**  
**Ip Kwok Kwong**  
*Executive Director and Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.*

### **Asia-Pac Financial Investment Company Limited**

**亞太金融投資有限公司**

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

**(Stock code: 8193)**

15 December 2020

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 15 December 2020 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned.

Vinco Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue, and the advice from Vinco Capital, we are of the opinion that the terms of the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

**Mr. Sek Wai Kit**

**Mr. So Kwok Yun**

**Mr. Tang Wai Kee**

*Independent non-executive Directors*

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## LETTER FROM VINCO CAPITAL

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*The following is the text of a letter of advice from Vinco Capital to the Independent Board Committee and the Independent Shareholders in connection with the proposed Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:*



**Vinco Capital Limited**  
Unit 2610, 26/F., The Center  
99 Queen's Road Central, Hong Kong

15 December 2020

*To the Independent Board Committee and the Independent Shareholders of  
Asia-Pac Financial Investment Company Limited*

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE**

#### **A. INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in fairness and reasonableness of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the "Letter from the Board" in the circular (the "**Circular**") issued by the Company to the Shareholders dated 15 December 2020 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to, among other matters, the Increase in Authorised Share Capital and the Rights Issue. On 5 November 2020, the Company proposed to raise up to approximately HK\$43.7 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 874,433,790 Rights Shares at the Subscription Price of HK\$0.050 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date). The Subscription Price is payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

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## LETTER FROM VINCO CAPITAL

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In accordance with Rule 10.29 (1) of the GEM Listing Rules, since the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. Mr. Ip, who is the Managing Director and an executive Director of the Company, has abstained from voting in the Board meeting for approving the proposed Rights Issue.

An Independent Board Committee, comprising Mr. Sek Wai Kit, Mr. So Kwok Yun and Mr. Tang Wai Kee, all being the independent non-executive Directors, has been appointed to make recommendations to the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder. We have been appointed and approved as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of Rights Issue and the transactions contemplated thereunder. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purposes of the GEM Listing Rules, our role is to give you an independent opinion as to whether the terms of the Rights Issue and the transactions contemplated thereunder is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole and whether the Independent Shareholders should vote in favour of the resolution to be proposed at the EGM to approve the Right Issue.

As the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. We have not acted as the independent financial adviser for the Company's other transactions in the past two years. Also we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

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## LETTER FROM VINCO CAPITAL

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### **B. BASIS OF OUR OPINION AND RECOMMENDATION**

In forming our opinion and recommendation, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading.

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true, accurate and complete as at the date of the Circular and that all expectations and intentions of the Directors, management of the Company and its subsidiaries, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors, management of the Company and its subsidiaries. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors, management of the Company and its subsidiaries.

We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed. We have relied on such information and opinions and have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospect.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

In formulating our opinion, we have not considered the taxation implications on Independent Shareholders in relation to the subscription for, holding or disposal of the Rights Shares, since these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effects on, or liabilities of any person resulting from the subscription for, holding or disposal of the Rights Shares. In particular, Independent Shareholders subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

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## LETTER FROM VINCO CAPITAL

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We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement; (ii) the Promissory Notes 2; (iii) annual report of the Company for the year ended 31 March 2020 (the “**Annual Report 2020**”); (iv) the interim report of the Company for the six months ended 30 September 2020 (the “**Interim Report 2020**”); and (v) market comparables listed on Stock Exchange in relation to rights issue, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

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

### **C. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue and the transactions contemplated thereunder, we have considered the principal factors and reasons set out below:

#### **1. Background Information**

##### **Business of the Group**

The Group is principally engaged in the asset appraisal related businesses including real estate and fixed asset appraisal, mineral property appraisal, business and intangible asset valuation, financial instrument valuation and advisory services. The Group also operates through three other business segments which include corporate services and consultancy, media advertising and financial services.

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## LETTER FROM VINCO CAPITAL

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### Historical financial information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2020 and the unaudited consolidated financial information of the Group for six months ended 30 September 2019 and 2020, as extracted from the relevant annual and interim reports of the Company respectively:

	For the year ended		For the six months ended	
	31 March		30 September	
	2019	2020	2019	2020
	(audited)	(audited)	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	52,647	45,963	25,524	22,020
Profit/(Loss) for the year/period attributable to owners of the Company	(64,178)	(126,468)	(42,042)	3,811
			<b>As at</b>	
			<b>As at 31 March</b>	<b>30 September</b>
			<b>2019</b>	<b>2020</b>
			(audited)	(audited)
			<i>HK\$'000</i>	<i>HK\$'000</i>
Total Asset		378,281	250,475	251,509
Total Liabilities		121,984	126,973	123,062
Equity attributable to owners of the Company		247,833	118,294	123,050

With reference to the Annual Report 2020, the revenue of the Group decreased by approximately 12.7% from approximately HK\$52.6 million for the year ended 31 March 2019 to approximately HK\$46.0 million for the year ended 31 March 2020. The decrease in revenue of approximately HK\$6.7 million was mainly attributable to the decrease in revenue arising from the asset advisory and asset appraisal services due to the trade dispute in the industry and impact of the COVID-19 epidemic.

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## LETTER FROM VINCO CAPITAL

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The Group recorded an increase in loss attributable to owners of the Company of approximately 97.1% from approximately HK\$64.2 million for the year ended 31 March 2019 to approximately HK\$126.5 million for the year ended 31 March 2020. The increase in loss was mainly attributable to the impairment loss on receivables which collectively amounted to approximately HK\$32.2 million and total net loss on fair value loss on financial assets at fair value through profit or loss (“FVTPL”) and loss on disposal of financial assets at FVTPL, which collectively amounted to approximately HK\$25.5 million for the year ended 31 March 2020.

With reference to the Group’s Interim Report 2020, the Group’s revenue for the six months ended 30 September 2020 was approximately HK\$22.0 million, representing a decrease of approximately 13.7% from the six months ended 30 September 2019 contributed by the decrease in the income from asset advisory and asset appraisal services due to related projects under the impact of the COVID-19 epidemic.

The Group recorded a profit attributable to owners of the Company of approximately HK\$3.8 million for the six months ended 30 September 2020 compared to a loss at approximately HK\$42.0 million for the corresponding period of 2019. The gain was mainly attributable to (i) the one-off non-cash expenses for share-based payments of approximately HK\$9.0 million during the six months ended 30 September 2019; and (ii) turnaround of the total net fair value loss on financial assets at FVTPL of approximately HK\$26.0 million for the six months ended 30 September 2019 to total net fair value gain on financial assets at FVTPL of approximately HK\$5.1 million for the six months ended 30 September 2020.

The total assets of the Group amounted to approximately HK\$251.5 million as at 30 September 2020, remaining relatively stable as compared to that as at 31 March 2020. The total liabilities amounted to approximately HK\$123.1 million, representing a slight decrease of approximately 3.1% as compared to that as at 31 March 2020. As understood from the Interim Report 2020, the slight decrease in total liabilities as at 30 September 2020 was mainly attributable to the decrease in bank and other borrowings from approximately HK\$8.7 million as at 31 March 2020 to approximately HK\$5.7 million as at 30 September 2020.



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## LETTER FROM VINCO CAPITAL

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### 2. Reasons for the Rights Issue and proposed use of proceeds

As stated in the Letter from the Board, the Group is principally engaged in asset appraisal related businesses together with three other business segments as below:

<b>Asset advisory services and asset appraisal</b>	Provision of asset appraisal and asset advisory services, including real estate and fixed asset appraisal, mineral property appraisal, business and intangible asset valuation, financial instrument valuation and advisory services
<b>Corporate services and consultancy</b>	Provision of company secretarial services, human resources management, accounting and tax services, corporate communication and marketing services, corporate governance, internal control, enterprise risk management services and management consultancy services
<b>Media advertising</b>	Provision of media advertising business services through in-elevator poster frames network and liquid-crystal displays network inside elevators or lobbies of middle to high-end residential community
<b>Financial services</b>	Provision of (i) financial credit services such as personal loans and commercial loans to individuals and corporations; and (ii) securities broking and trading of securities

With reference to the Letter from the Board, as at 31 March 2020, the borrowings represented bank loan of approximately HK\$1.4 million, bank overdrafts of approximately HK\$3.3 million, other loan payable within 1 year of approximately HK\$4.0 million, and promissory notes comprising of Promissory Notes 1 of approximately HK\$21.2 million and Promissory Notes 2 of approximately HK\$36.0 million. The Directors consider that the Rights Issue represents an opportunity for the Company to repay the borrowings from the independent third parties to be due so as to relieve its financial burden and reduce future financing costs.

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## LETTER FROM VINCO CAPITAL

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The gross proceeds from the Rights Issue is estimated to be approximately HK\$43.7 million, while the net proceeds from the Rights Issue after deducting the relevant expenses are estimated to be up to approximately HK\$42.2 million (equivalent to a net price of approximately HK\$0.0483 per Rights Share). As discussed with the Directors, the Company intends to utilise the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$37.2 million towards repayment of the Promissory Notes 2; and
- (ii) the remaining amount towards general working capital of the Group.

### Repayment of the Promissory Notes 2

Creditors	Principal amount	Maturity Date	Interest Rate (p.a.)	Accrued interest as at the maturity date	Total Outstanding amount as at the maturity date
Nowry Holdings Limited	HK\$34,000,000	2 May 2021	3.00%	HK\$3,230,000	HK\$37,230,000

*Note:*

- (1) As disclosed in the announcements of the Company dated 22 July 2015 and 22 October 2015 respectively, Zhong Nan Investments Limited, a wholly-owned subsidiary of the Company acquired additional 19% of issued share capital of Boxin Holdings Limited for the consideration of HK\$34,000,000, which was settled by the issuance of the promissory notes by the Company to the Mr. Choi Kee Yuen, a 45% legal and beneficial owner of Boxin Holdings Limited.
- (2) In March 2018, Mr. Choi Kee Yuen transferred its entire interest in the Promissory Note 2 to Nowry Holdings Limited.
- (3) On 31 March 2020, the Company renewed the Promissory Notes 2 with the promissory notes holder. The Promissory Notes 2 are interest-bearing at 3% per annum. The maturity date is the date falling 6 months from 3 November 2020.

With reference to the Annual Report 2020, the finance cost of the Group was approximately HK\$4.0 million for the year ended 31 March 2020. As discussed with the Directors, we understood that approximately HK\$1.0 million of the finance cost was comprised by the interest on Promissory Notes 2 as at 31 March 2020. For our due diligence purpose, we have obtained and reviewed the conditions set out under Promissory Notes 2 and ascertained the disclosure as set out above.

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## LETTER FROM VINCO CAPITAL

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Other than the details in relation to Promissory Notes 2, we have obtained and reviewed the key conditions set out under Promissory Notes 1, loan agreements representing other loans repayable within 1 year (the “**Loan Agreement 1**” and “**Loan Agreement 2**”), and bank facility letters representing the bank loan and bank overdrafts (together, the “**Remaining Borrowings**”) as mentioned in the Letter from the Board. Our review in relation to each respective interest rate per annum, repayment amount and maturity date are set out below:

	Outstanding amount as at 31 October 2020	Maturity Date	Interest Rate (p.a.)	Accrued interest as at the maturity date	Total Outstanding amount as at the maturity date
Promissory Notes 1	HK\$21,550,000	25 June 2021	3.0%	HK\$1,950,000	HK\$21,950,000
Bank loan	HK\$1,227,192	19 July 2024	2.5%	HK\$58,370	HK\$1,285,562
Bank overdrafts	HK\$1,273,742	31 May 2021 (Note 1)	4.5%	HK\$25,215 (Note 1)	HK\$1,298,957 (Note 1)
Loan Agreement 1	HK\$2,500,000	18 June 2021	15.0%	HK\$250,000	HK\$2,750,000
Loan Agreement 2	HK\$1,000,000	18 January 2021	36.0%	HK\$105,000	HK\$1,105,000

*Note:*

1. Based on the assumption that no renewal and full repayment of the bank overdraft is made before the bank review date.

With reference to the table above, we noted that although the Loan Agreement 1 and Loan Agreement 2 consist greater interest rates per annum set out at 15.0% and 36.0% respectively, the accrued interest as at their respective maturity dates are significantly low due to their comparatively low outstanding amounts as at 31 October 2020. Further to our discussion with the Directors, we understood that if the Company alternatively utilised the net proceeds from the Rights Issue for full repayment of the Promissory Notes 1, bank loans, bank overdrafts and other loans repayable in aggregate of approximately HK\$28.4 million as at its respective maturity date, the Company would be obliged to renew Promissory Notes 2 of approximately HK\$37.2 million on 2 May 2021. Assuming the Company renewed Promissory Notes 2 at the same 3% interest-bearing per annum agreed with the promissory notes holder, the Company estimate that it would accumulate more unnecessary finance cost subject to the accrued interest reaching approximately HK\$4.3 million for the year ending 31 March 2022.

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## LETTER FROM VINCO CAPITAL

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Considering that (i) the Promissory Notes 2 is comprised of a greater outstanding amount than the aggregate outstanding amount of the Remaining Borrowings as at their respective maturity or renewal dates; and (ii) the accrued interest rate of Promissory Notes 2 could potentially accumulate more finance cost than the repayment of the Remaining Borrowings if Promissory Notes 2 were to be renewed on 2 May 2021, we concur with the Directors that the repayment of the Promissory Note 2 through the application of proceeds from the Rights Issue would improve the Group's liquidity and reduce future financing cost of the Group.

### **General working capital**

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

As mentioned in the Letter from the Board, if the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is less than HK\$37.2 million, all of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of the Promissory Notes 2. If the Rights Issue is undersubscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is more than HK\$37.2 million, HK\$37.2 million of the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of the Promissory Notes 2 and the remaining net proceeds will be utilised for general working capital of the Group.

As discussed with the Directors, the Company intends to utilise any remaining proceeds for its asset advisory services and asset appraisal segment. With reference to the Interim Report 2020, we noted that the Group recorded a positive segment result with a profit of approximately HK\$1.3 million in its asset advisory services and asset appraisal segment for the six months ended 30 September 2020. Further to our discussion with the Directors, we understood that the Company accumulated a total of 130 clients as at 30 September 2020 and completed 131 asset appraisal projects for the nine months ended 30 September 2020.

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## LETTER FROM VINCO CAPITAL

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Considering that (i) any remaining proceeds for general working capital may result in a further expansion of the Company's project opportunity and client base for its asset advisory services and asset appraisal segment; (ii) the asset advisory services and asset appraisal segment comprised approximately 62.6% of the Group's revenue for the six months ended 30 September 2020; and (iii) the asset advisory services and asset appraisal segment recorded a positive segment result with a profit of approximately HK\$1.3 million for the six months ended 30 September 2020, we are of the view that the potential use of general working capital is in the ordinary and usual course of business of the Group as well as in the interests of the Company and the Shareholders as a whole.

### **Alternative fund-raising methods considered**

As mentioned in the Letter from the Board, the Directors have considered other financing alternatives including (i) other debt financing, and (ii) equity fund raising such as placement of new Shares and open offer. After discussing with the management of the Group, we are given to understand that the Board had resolved to Rights Issue in meeting its funding needs as disclosed in the reasons as follows:

#### ***Debt Financing***

As at the Latest Practicable Date, the Board has attempted to obtain loan financing from its principal bankers, and was advised that the Group does not have any material assets which the Group can charge to the banks as security, therefore, the credit line granted by the banks (if any) will not be sufficient for the Group to replace any of the borrowings. In addition, the Group has also attempted to obtain other loan financing from independent third parties, but the interest rate offered is generally over 10% per annum.

As discussed with the Directors, we understood that debt or bank loan financing would result in additional interest burden and higher gearing ratio for the Group and subject the Group to repayment obligations. Given that the Group does not have any significant assets which is satisfactory to serve as collaterals for bank loan, we understood that the relevant financial institutions indicated that it was unlikely for the Group to obtain its proposed bank loan financing without the pledge of liquid assets, such as bank balances and/or time deposits, which will only allow the Group to obtain bank loan financing for an amount equivalent to the pledged liquid assets. Moreover, the Directors considered debt financing would normally subject to lengthy due diligence and negotiations with banks and this option would be undesirable as the additional borrowings would potentially increase the Group's finance cost in the long run, adding to the increasing trend in the Group's gearing ratio as a whole.

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## LETTER FROM VINCO CAPITAL

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During the past few months, the Group has attempted to obtain loan financing from financial institutions and commercial banks for financing its repayment. We understood from the Directors that unfavourable conditions and interest rates were offered by the financial institutions and concur with the Directors' view that the Group has made their respective efforts in exploring alternative financing methods as mentioned above, and to reach its decision that the Rights Issue would be at the best interest of its Shareholders.

### ***Placing of new Shares***

Placing of new Shares would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the capital base of the Company.

As discussed with the Directors, we understood that it would be less favourable than the proposed Rights Issue having considered that (i) it would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders; (ii) it would be unfair to the existing Shareholders who had held Shares for a considerable time; (iii) it would be difficult at this time to attract new investors while the Company is reducing its future finance cost. Further to our discussion with the Directors, we concur that placing of new shares would not allow the Qualifying Shareholders the respective rights to participate in the fund raising exercise and their shareholdings in the Company would be diluted without being offered an opportunity to maintain proportionate interests in the Company.

### ***Open offer***

Similar to a rights issue, open offer also offers qualifying shareholders to participate, but it does not allow the trading of rights entitlements in the open market.

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 the opportunity to increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement or reducing their respective rights entitlements in the open market. Rights Issue is also preferred over an open offer as it allows trading of the nil-paid rights in the market for economic benefits.

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## LETTER FROM VINCO CAPITAL

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As such, having considered that (i) debt financing would potentially increase the finance cost and gearing ratio of the Company in the long run; (ii) placing of new shares would dilute the shareholding of the existing Shareholders; and (iii) rights issue would allow Qualifying Shareholders to maintain their respective shareholding through their participation, we are of the view that the Rights Issue is a suitable source of fundraising over the aforementioned alternatives.

### 3. Principal terms of the Rights Issue

The Company proposes to raise up to approximately HK\$43.7 million on the basis of three (3) Rights Shares for every one (1) Share held on the Record Date by issuing 874,433,790 Rights Shares at the Subscription Price of HK\$0.050 per Rights Share (assuming no further issue of new Share(s) and no repurchase of Share(s) by the Company on or before the Record Date).

Further details of the Rights Issue are set out below:

#### Issue statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every one (1) Share held at the close of business on the Record Date
Subscription Price:	HK\$0.050 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	291,477,930 Shares
Number of Rights Shares:	Up to 874,433,790 Rights Shares with an aggregate nominal value of approximately HK\$17.5 million, assuming no further issue of new Share(s) and no repurchase of Share(s) on or before the Record Date
Number of issued shares of the Company upon completion of the Rights Issue:	Up to 1,165,911,720 Shares, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date
Amount to be raised:	Up to approximately HK\$43.7 million before expenses, assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before the Record Date

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## LETTER FROM VINCO CAPITAL

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As at the Latest Practicable Date, there are 52,469,190 outstanding Share Options, details of the outstanding Share Options are set out below:

<b>Date of grant</b>	<b>Exercisable period</b>	<b>Exercise price</b>	<b>Number of outstanding Share Options as at the Latest Practicable Date</b>
6 January 2012	30 January 2012 to 17 May 2021	3.252	3,690
18 April 2019	18 April 2019 to 17 April 2022	0.558	26,232,750
31 March 2020	31 March 2020 to 30 March 2023	0.228	26,232,750

Save for the aforesaid, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The nil-paid Rights Shares proposed to be provisionally allotted pursuant to the terms of the Rights Issue represents 300.00% of the Company's issued share capital as at the Latest Practicable Date and approximately 75% of the Company's issued share capital as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue assuming no further issue of new Share(s) other than the Rights Shares and no repurchase of Share(s) on or before completion of the Rights Issue.



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## LETTER FROM VINCO CAPITAL

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### Subscription Price

The Subscription Price for the Rights Shares is HK\$0.050 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, when a renounee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (a) a discount of approximately 15.3% to the closing price of HK\$0.0590 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 10.7% to the closing price of HK\$0.0560 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 2.9% to the theoretical ex-rights price of approximately HK\$0.0515 per Share based on the closing price of HK\$0.0560 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (d) a discount of approximately 13.2% to the average of the closing prices of approximately HK\$0.0576 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 13.5% to the average of the closing prices of approximately HK\$0.0578 per Share based on the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day; and
- (f) a discount of approximately 88.2% to the adjusted consolidated net asset value per consolidated share of approximately HK\$0.4237 (based on the consolidated net asset value of the Company as at 31 March 2020 of approximately HK\$123,502,000 and the number of issued consolidated shares after the Capital Reorganisation, which is 291,477,930).

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## LETTER FROM VINCO CAPITAL

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As stated in the Letter from the Board, the Subscription Price was determined by the Company with reference to, among other things, the recent market price of the Shares since October 2020 and up to the Last Trading Day which were generally approximately HK\$0.063 per Share and a discount with reference to the recently completed rights issue exercises announced by companies listed on the Stock Exchange, the prevailing market conditions, recent rights issue exercises in the market, the loss attributable to owners of the Company of approximately HK\$126.5 million for the financial year ended 31 March 2020 and the amount of funds and capital needs and the reasons for the Rights Issue as set out in the section headed “Reasons for the Rights Issue and use of proceeds” in the Letter from the Board.

The Directors noted that the Subscription Price represents a discount of approximately 88.2% to the audited net asset value per Share as at 31 March 2020. Given that (i) the Shares were traded at a deep discount to the audited net asset value per Share since October 2020 and up to the Last Trading Day; and (ii) the recent market price of the Shares have already reflected the expectation of the investors to the Company (such as its financial results and corporate actions) and the recent market sentiment, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the audited net asset value per Share, in determining the Subscription Price and that the discount of the Subscription Price to the audited net asset value per Share is justifiable.

The Directors consider that, despite any potential dilution impact of the Rights Issue on the shareholding interests of the Shareholders, the terms and structure of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account the following factors: (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil paid rights in the market; (ii) the Qualifying Shareholders who choose to accept their provisional entitlements in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; and (iii) the Rights Issue allows the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the recent market price of the Shares.

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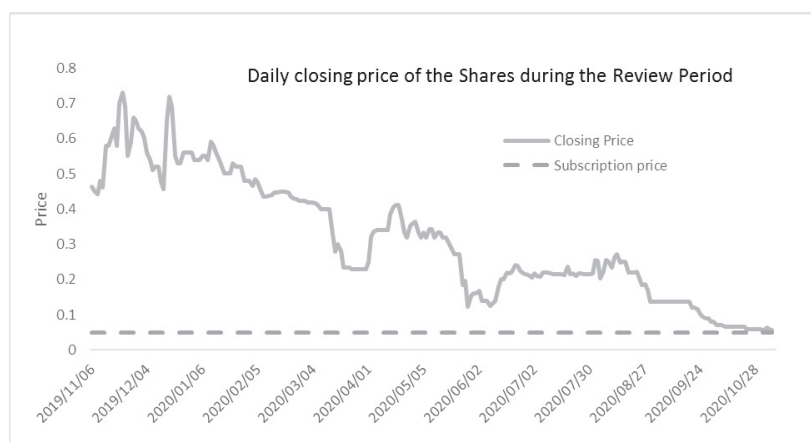
## LETTER FROM VINCO CAPITAL

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In order to assess the fairness and reasonableness of the Subscription Price and its subscription ratio, we compared with reference to (i) the recent price performance of the Shares and trading liquidity of the Company; and (ii) the market comparables analysis, as follows:

### ***Share prices and trading liquidity of the Company***

We have reviewed the closing prices and the trading liquidity of the Shares during the twelve-month period from 6 November 2019, up to and including 5 November 2020, being the Last Trading Day, (the “**Review Period**”). We consider that a period of twelve months is adequate to illustrate the recent price movements of the Shares for conducting a reasonable comparison between the closing price of the Shares and the Subscription Price.



Source: The Stock Exchange

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## LETTER FROM VINCO CAPITAL

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	Total volume of the Shares traded	Number of trading days	Average Daily Volume (Shares)	Number of issued Shares as at end of the period/ month (Shares)	Approximate % of average daily trading volume to the then total number of issued Shares as at end of the period/ month (Note 3)
<b>2019</b>					
November <i>(Note 1)</i>	8,569,250	18	476,069	582,955,860	0.08%
December	25,996,750	20	1,299,838	582,955,860	0.22%
<b>2020</b>					
January	1,013,500	20	50,675	582,955,860	0.01%
February	484,250	20	24,213	582,955,860	0.00%
March	6,096,500	22	277,114	582,955,860	0.05%
April	13,434,000	19	707,053	582,955,860	0.12%
May	4,772,500	20	238,625	582,955,860	0.04%
June	7,345,250	21	349,774	582,955,860	0.06%
July	2,163,500	22	98,341	582,955,860	0.02%
August	10,175,000	22	462,500	291,477,930	0.16%
September	555,750	22	25,261	291,477,930	0.01%
October	232,250	18	12,903	291,477,930	0.00%
November <i>(Note 2)</i>	1,686,500	4	421,625	291,477,930	0.14%

*Source: The Stock Exchange*

*Notes:*

1. The Review Period commenced on 6 November 2019.
2. The Review Period ended on 5 November 2020.
3. Based on the total number of issued Shares as at end of the period/month.

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## LETTER FROM VINCO CAPITAL

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As shown in the chart above, the daily closing price of the Shares during the Review Period ranged from the lowest of HK\$0.053 per Share on 2 November 2020 to the highest of HK\$0.73 per Share, after adjustments, on 21 November 2019. The average closing price of Shares within the Review Period was approximately HK\$0.31 per Share, and the Subscription Price represents a discount of approximately 83.9% to the average closing price of Shares within the Review Period. The Subscription Price represents a discount to the closing price of the Shares throughout the Review Period and to the average closing price of Shares. We noted that the Share price showed a decreasing trend during the Review Period. The Share price decreased significantly in June 2020 before the publication of profit warning announcement in relation to recording a loss for the year ended 31 March 2020.

Regarding the liquidity of the Shares, as shown in the table above, the highest average daily volume was approximately 1.3 million Shares in December 2020, representing approximately 0.22% of the total number of Shares as at Latest Practicable Date. We also notice that during the Review Period, the average daily trading liquidity of the Shares were very thin during the Review Period, with all months less than 1% to the then total number of issued Shares as at the end of their respective period/month.

We noted that it is a common market practice that, in order to enhance the attractiveness of rights issue to existing shareholders, the subscription price represents a discount to the prevailing market prices of the relevant shares. As discussed with the Directors, we understood that the Subscription Price represents a discount of approximately 88.2% to the audited net asset value per Share as at 31 March 2020. With reference to the decreasing trend in market price of the Shares during the period from 31 March 2020 to the Last Trading Day, we noted that the daily closing price of the Shares ranged from HK\$0.412 per Share on 17 April 2020 to HK\$0.053 per Share on 2 November 2020, representing a decrease of approximately 87.1%. Subject to the decline in market price since 31 March 2020 and the Shares traded at a deep discount to the audited net asset value per Share for the last year and up to the Last Trading Day, we concur with the Director's view that the discount of the Subscription Price to the net asset value per Share as at 31 March 2020 is justifiable. We also concur with the Director's view that it would be more reasonable to make reference to the recent market price of the Share, rather than the audited net asset value per Share as at 31 March 2020, in determining the Subscription Price. We also consider that the setting of the Subscription Price at a discount to the closing price of the Shares at the Last Trading Date is in line with general market practice.

## LETTER FROM VINCO CAPITAL

### Comparison with other rights issues

To further assess the fairness and reasonableness of the Rights Issue, we have reviewed all rights issue announced by companies listed on the Stock Exchange for the five months period from 6 June 2020 up to 5 November 2020 (the “Comparable Period”). We identified an exhaustive list of 19 rights issues announced by the listed companies during the Comparable Period (the “Comparables”). Although we noted that the business activities of the Comparables are not directly comparable to those carried out by the Group and the terms of the rights issue of the Comparables may vary from companies with different financial standings, business performance and future prospects, we consider our selection to include all rights issue announced by the Comparables during the five-month period would provide a more meaningful representation of the recent trend of the rights issue transactions in the prevailing market condition and could provide a general reference for the terms of the Rights Issue. Subject to drastic and rapid changes in market conditions during 2020, we also consider that the Comparable Period comprised of five months would reflect the most recent market sentiment and the rights issue transactions conducted by companies listed on the Stock Exchange, and would represent a reasonable and adequate sample to be taken for the Shareholders’ reference. Our relevant findings are summarised in the table below:

Date of Announcement	Company	Stock Code	Basis of provisional allotment	Premium/(Discount) of subscription price to/over the closing price on the last trading date prior to the release of the rights issue announcement (Approximate %)	Premium/(Discount) of subscription price to/over the theoretical ex-rights price on the last trading date prior to the release of the rights issue announcement (Approximate %)	Premium/(Discount) of subscription price to the net asset value (Approximate %)	Maximum dilution (Note 1) (%)	Commission (Note 2) (%)	Excess application (Y/N)
04-Nov-20	TOP FORM INTERNATIONAL LIMITED	333	2 for 5	(21.88)	(16.67)	(74.75)	28.57	0 (Note 3)	N
27-Oct-20	LONGHUI INTERNATIONAL HOLDINGS LIMITED	1007	1 for 1	(29.00)	(16.96)	N/A	50.00	HKS100,000 or 1.5% (Note 4)	Y
19-Oct-20	CHK OIL LIMITED	652	3 for 8	26.58	17.99	(50.54)	27.27	N/A (Note 5)	Y
16-Oct-20	THE HONG KONG BUILDING AND LOAN AGENCY LIMITED	145	1 for 3	(13.90)	(10.90)	(41.90)	25.00	1.5	Y
25-Sep-20	GREEN INTERNATIONAL HOLDINGS LIMITED	2700	1 for 1	(17.81)	(9.77)	77.30	50.00	2.5	Y
18-Sep-20	WAN CHENG METAL PACKAGING COMPANY LIMITED	8291	3 for 1	(19.40)	(5.70)	(89.60)	75.00	2.5	N
11-Sep-20	AMBER HILL FINANCIAL HOLDINGS LIMITED	33	3 for 1	(23.66)	(7.79)	N/A	75.00	2	N
03-Sep-20	AESO HOLDING LIMITED	8341	3 for 1	(16.70)	(4.80)	N/A	75.00	2.5	N
28-Aug-20	ROYAL CENTURY RESOURCES HOLDINGS LIMITED	8125	2 for 1	(25.00)	(10.00)	(81.10)	66.67	2	N
28-Aug-20	MILAN STATION HOLDINGS LIMITED	1150	5 for 2	(10.57)	(3.51)	N/A	71.43	2	Y
24-Aug-20	WEALTH GLORY HOLDINGS LIMITED	8269	5 for 2	(11.10)	(3.60)	(82.50)	71.43	2.5	Y
10-Aug-20	BEAVER GROUP (HOLDING) COMPANY LIMITED	8275	1 for 2	(28.95)	(20.59)	N/A	33.33	5	Y
05-Aug-20	GREATWALLE INC.	8315	1 for 3	(27.54)	(21.88)	N/A	25.00	HKS200,000	Y
30-Jul-20	LARRY JEWELRY INTERNATIONAL COMPANY LIMITED	8351	5 for 1	(29.17)	(6.59)	(60.47)	83.33	5	Y
16-Jul-20	LANGHAM HOSPITALITY INVESTMENTS LIMITED	1270	1 for 2	(13.60)	(9.50)	(79.70)	33.33	N/A (Note 5)	Y
07-Jul-20	NATIONAL INVESTMENTS FUND LIMITED	1227	5 for 1	(28.57)	(6.25)	N/A	83.33	3.5	Y
06-Jul-20	CHINA MERCHANTS SECURITIES CO LTD	6099	3 for 10	(41.79)	(20.33)	N/A	23.08	Undisclosed	Y
02-Jul-20	LUXEY INTERNATIONAL (HOLDINGS) LIMITED	8041	1 for 2	(58.30)	(48.20)	(16.70)	33.33	N/A (Note 5)	Y
09-Jun-20	CATHAY PACIFIC AIRWAYS LIMITED	293	7 for 11	(46.90)	(35.00)	(70.70)	38.89	2	Y
			Maximum	26.58	17.99	77.30	83.33	5	
			Minimum	(44.70)	(51.30)	(89.60)	23.08	0	
			Average	(23.01)	(12.63)	(51.88)	51.00	2.5 (Note 6)	
	The Company	8193	3 for 1	(10.70)	(2.9)	(88.20)	75.00	2.5	

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## LETTER FROM VINCO CAPITAL

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*Source: The Stock Exchange*

*Notes:*

1. The maximum dilution represents the dilution effect on the shareholding interests assuming the rights shares were not taken by the respective qualifying shareholders.
2. The commission represents the underwriting commission payable to underwriters or commission payable to placing agents under each respective rights issues.
3. High Union Holdings Inc. and Triple Gains Ventures Limited will not receive any underwriting commission in respect of the underwritten shares pursuant to the underwriting agreement.
4. Merdeka Securities Limited to receive the higher of HK\$100,000 or 1.5% of the aggregate subscription price in respect of such number of respective rights shares pursuant to the underwriting agreement.
5. The rights issue will proceed on a non-underwritten basis without engagement of any underwriter or placing agent.
6. The average commission percentage calculated excludes commission disclosed as lump sum amount or undisclosed.

Based on the above table, we noted that:

- (i) the subscription prices to the closing price on the last trading day prior to the rights issue announcement of the Comparables ranged from a premium of approximately 26.6% to a discount of approximately 44.70%, with the average at discount of approximately 23.0%. The discount of the Subscription Price of the Rights Issue to the closing price on the Last Trading Day is 10.7%, which is within the range of the Comparables;
- (ii) the subscription prices to the theoretical ex-rights prices per share based on the last trading day prior to the rights issue announcement of the Comparables ranged from a premium of approximately 18.0% to a discount of approximately 51.3%, with the average at a discount of approximately 12.6%. The discount of the Subscription Price of the Rights Issue to the theoretical ex-rights price per Share is 2.9%, which is within the range of the Comparables;

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## LETTER FROM VINCO CAPITAL

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- (iii) the dilution effect should the Shareholders choose not to subscribe for the Rights Issue of approximately 75.0% also falls within the range of the potential dilution effect of the Comparables; and
- (iv) the subscription prices to the net asset value per share prior to the rights issue of the Comparables ranged from a premium of approximately 77.3% to a discount of approximately 89.6%, with the average at a discount of approximately 51.9%. The discount of the Subscription Price of the Rights Issue to the net asset value per share prior to the Rights Issue is approximately 88.2%, which is also within the range and higher than the average discount of the Comparables.

Having considered (i) the reason for the Rights Issue and proposed use of proceeds as set out above; (ii) the discount represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the relevant range of the Comparables; (iii) the discount represented by the Subscription Price to the theoretical ex-right price of the Shares on the Last Trading Day falls within the relevant range of the Comparables; (iv) the common practice by the Comparables to set their rights issue at a discount to the prevailing market prices of the relevant shares before the relevant announcements; (v) the maximum dilution effect of the Rights Issue falls within the range of the potential maximum dilution effect of the Comparables; (vi) the discount represented by the Subscription Price to the net asset value per share prior to the Rights Issue falls within the relevant range of the Comparables; (vii) all Qualifying Shareholders allows to maintain their respective pro rata shareholding in the Company and to participate in any future development of the Group; and (viii) it is common for the listed issuers in Hong Kong to offer large discount on the subscription prices to the shareholders in order to increase the attractiveness of a rights issue exercise, we are of the view that the discount of the Subscription Price is fair and reasonable, and thus is in the interests of the Company and the Shareholders as a whole.

#### **4. The Placing Agreement**

With reference to the Letter from the Board, the Company will pay the Placing Agent a commission of 2.5% of the amount which is equal to the Placing Price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement. The commission rate was determined after arm's length negotiation between the Company and the Placing Agent 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 condition.

We have reviewed the conditions under the Placing Agreement and noted that the maximum commission amount based on 2.5% commission rate, assuming all Unsubscribed Rights Shares and ES Unsold Rights Shares were placed at the Subscription Price of HK\$0.050, would amount to approximately HK\$0.8 million. Unless the Rights Shares are not fully placed, the Company would still be able to fully repay the total outstanding amount of Promissory Notes 2 after deducting the relevant expenses in connection with the Rights Issue.



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## LETTER FROM VINCO CAPITAL

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With reference to the above section headed “Comparison with other rights issue”, the commission of the Comparables ranged from 0% to 5%, with the average at approximately 2.5%. On this basis, we noted the commission under the Placing Agreement falls within the range and at the same amount as the average of the commission of the Comparables. As such, we are of the view that the terms of the Placing Agreement and commission charged by the Placing Agent are under normal commercial terms and is fair and reasonable so far as the Company and the Shareholders are concerned.

### **5. Termination of the Placing Agreement**

It should also be noted that the Rights Issue would not proceed if the Placing Agent exercises their termination rights under the Placing Agreement. Details of the provisions granting the Placing Agent such termination rights are included in the Termination section under “The Placing Agreement” from the Letter from the Board. After reviewing the announcement and/or the circulars (where available) of the Comparables, we consider such provisions are on normal commercial terms and in line with the market practice.

### **6. No excess application for Rights Shares**

As stated in the Letter from the Board, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance 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 the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 5:00 p.m., on Thursday, 18 February 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares at a price not less than the Subscription Price.

Please refer to the section headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares, and the Compensatory Arrangements” of the Letter from the Board for more details.

Based on our review, we are not aware of any unusual arrangement as compared to the Comparables which do not offer excess application. We therefore consider that such arrangement is consistent with normal market practice.

## LETTER FROM VINCO CAPITAL

### 7. Dilution effects of the Rights Issue on shareholding interests

On the assumption that there is no change in the shareholding structure of the Company from the Latest Practicable Date to completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, the table below depicts for illustrative purposes only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Capital Reorganisation but before completion of the Rights Issue; (iii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (v) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue			
	Number of Shares	Approx. % (note)	Number of Shares	Approx. % (note)	Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and none of any of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	Approx. % (note)	Assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie who has provided the Shareholder Irrevocable Undertaking and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	Approx. % (note)
Brilliant One	15,542,500	5.33	62,170,000	5.33	15,542,500	4.91	15,542,500	1.33
Laberie	70,000,000	24.02	280,000,000	24.02	94,890,000	29.99	280,000,000	24.02
Public Shareholders	205,935,430	70.65	823,741,720	70.65	205,935,430	65.09	205,935,430	17.66
Independent placees	-	-	-	-	-	-	664,433,790	56.99
<b>Total</b>	<b>291,477,930</b>	<b>100.00</b>	<b>1,165,911,720</b>	<b>100.00</b>	<b>316,367,930</b>	<b>100.00</b>	<b>1,165,911,720</b>	<b>100.00</b>

*Notes:*

The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.

As at the Latest Practicable Date, Laberie is interested in 70,000,000 Shares. Brilliant One, which is wholly owned under GC Holdings Limited by Mr. Ip, an executive Director and Managing Director, is interested in 15,542,500 Shares.

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## LETTER FROM VINCO CAPITAL

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The Independent Shareholders who are Qualifying Shareholders should note that their shareholdings in the Company will be diluted if Qualifying Shareholders do not take up in full the Rights Shares to which they are entitled. If all the Qualifying Shareholders do not take up the Rights Shares to which they are entitled and the Placing Agent places all Unsubscribed Rights Shares and ES Unsold Rights Shares, the percentage of shareholding (assuming that there is no change to the issued share capital of the Company from the Latest Practicable Date up to and including the Record Date) of the existing public Shareholders will be reduced from approximately 70.65% to approximately 17.66%, representing a dilution effect on the shareholding interests of approximately 52.99% as a result of the Rights Issue.

We are aware of the potential dilution effects as mentioned above. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- (i) Independent Shareholders are given the chances to express their views on the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder through their votes at the EGM;
- (ii) Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- (iii) Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- (iv) The Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- (v) Those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

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## LETTER FROM VINCO CAPITAL

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Having considered that (i) the intended use of proceeds from the Rights Issue will relieve the Group's financial burden and reduce future financing costs; (ii) lower Subscription Price which represents discount to Share price on the Last Trading Day and to the theoretical ex-rights price may likely to attract the Qualifying Shareholders to participate in the Rights Issue; (iii) the inherent dilutive nature of rights issue is a general market practice; and (iv) the Rights Issue is on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company, we are of the view that the potential dilution effect on the shareholding is fair and reasonable to the Shareholders and 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.

### **8. Fund raising activities involving issue of securities in the past 12 months**

The Company has not conducted any fund raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

### **9. Financial effects of the Rights Issue**

#### **Net assets value**

With reference to the unaudited pro forma financial information of the Group as set out in Appendix II – Unaudited Pro Forma Financial Information of the Group to the Circular, the adjusted unaudited consolidated net tangible assets of the Group attributable to the owners of the Company was approximately HK\$79.9 million as at 30 September 2020. After taking into account the net proceeds from the Rights Issue based on 874,433,790 Rights Shares, the adjusted unaudited pro forma consolidated net tangible assets of the Group will raised to approximately HK\$122.1 million.

The adjusted unaudited consolidated net assets value of the Group before the completion of the Rights Issue is HK\$0.27 per Share. The adjusted unaudited pro forma consolidated net tangible assets of the Group immediately after the completion of the Rights Issue is HK\$0.10 per Share, representing a dilution effect on the shareholding interests of approximately 63.0%.

#### **Working capital**

Assuming if all the Rights Shares are subscribed by the Qualifying Shareholders or all of the Unsubscribed Rights Shares and ES Unsold Rights Shares are fully placed under the Placing Agreement, the net current assets of the Group would increase by up to approximately HK\$42.2 million.

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## LETTER FROM VINCO CAPITAL

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Although the adjusted unaudited net tangible assets value per Share of the Group will be diminished, the Rights Issue will enhance the net assets value of the Group and improve the liquidity position of the Group. In this regard, we are of the view that the Rights Issue will improve the liquidity position of the Group.

### **Gearing ratio**

According to the Annual Report 2020, the finance cost of the Group was approximately HK\$4.0 million for the year ended 31 March 2020. The gearing ratio of the Group as at 31 March 2020 was 0.51. As set out in the Letter from the Board, the net proceeds from the Rights Issue will be used to improve the Group's liquidity and reduce future financing cost, thus it is expected that the gearing ratio of the Group would be decreased.

Although the aforementioned analyses are for illustrative purpose and do not represent how the financial position of the Group will be upon completion of the Rights Issue, we are of the view that the improvement in liquidity upon completion of the Rights Issue is in the interests of the Company and the Shareholders as a whole.

### **D. CONCLUSION**

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including (i) the intended use of proceeds from the Rights Issue will relieve the Group's financial burden and reduce future financing costs; (ii) the Rights Issue would be a preferred method of equity financing as it will allow all the Qualifying Shareholders to maintain their proportionate interests in the Company and to participate in any future development of the Company; (iii) the discount represented by the Subscription Price to the theoretical ex-rights price of the Shares on the Last Trading Day falls within the relevant range of the Comparables; (iv) the major terms and conditions of the Placing Agreement are in line with the market practice; (v) the dilution effect is not prejudicial to the Independent Shareholders' interests in the Company if they choose to subscribe for their full entitlement of the Rights Shares under the Rights Issue; and (vi) the Rights Issue will enhance the net assets value of the Group and improve the liquidity position of the Group.

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## LETTER FROM VINCO CAPITAL

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We are of the view that the terms of the Rights Issue are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

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

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

**1. FINANCIAL INFORMATION OF THE GROUP**

Details of the audited financial information of the Group for each of the years ended 31 March 2018, 2019 and 2020 and the unaudited financial information of the Group for the three months ended 30 June 2020 and six months ended 30 September 2020 are disclosed in the following annual reports of the Company for the years ended 31 March 2018, 2019 and 2020, first quarterly report of the Company for the three months ended 30 June 2020 and interim report of the Company for the six months ended 30 September 2020 respectively which have been published and are available on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and of the Company ([www.gca.com.hk](http://www.gca.com.hk)):

- (a) the annual report of the Company for the year ended 31 March 2018 published on 25 June 2018 (pages 32 to 102) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0628/gln20180628253.pdf>);
- (b) the annual report of the Company for the year ended 31 March 2019 published on 21 June 2019 (pages 32 to 114) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0626/gln20190626059.pdf>);
- (c) the annual report of the Company for the year ended 31 March 2020 published on 23 June 2020 (pages 34 to 132) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0629/2020062900678.pdf>);
- (d) the first quarterly report of the Company for the three months ended 30 June 2020 published on 10 August 2020 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0813/2020081300538.pdf>); and
- (e) the interim report of the Company for the six months ended 30 September 2020 published on 11 November 2020 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/1113/2020111300416.pdf>).

**2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 October 2020, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

**Bank and other borrowings**

	<i>Approximate HK\$'000</i>
Bank loan ( <i>note 1</i> )	1,227
Bank overdrafts – on demand ( <i>note 1</i> )	1,274
Other loans repayable within 1 year ( <i>note 2</i> )	<u>3,500</u>
	<u><u>6,001</u></u>

*Notes:*

1. As at 31 October 2020, the Group's bank loan and bank overdrafts were secured by deposits placed for life insurance.
2. As at 31 October 2020, the Group's other loans were secured by personal guarantee of a director, Mr. Ip Kwok Kwong.

**Lease liabilities**

The Group measures the lease liabilities at the present value of the remaining lease payments for certain office premises and motor vehicles, discounted by the Group's incremental borrowing rates under HKFRS 16. As at 31 October 2020, the Group had lease liabilities amounting to HK\$4,747,000 which classified under current liabilities.

**Promissory notes**

As at 31 October 2020, the outstanding amounts of the Group's promissory notes amounted to HK\$57,240,000. These promissory notes are interest-bearing at 3% per annum with maturity within 1 year.



**Disclaimers**

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 31 October 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 31 October 2020; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

**3. MATERIAL ADVERSE CHANGE**

Save for the information disclosed in the profit warning announcement of the Company dated 16 June 2020, as at the Latest Practicable Date, the Directors confirm that there have been no material adverse changes in the financial or trading position of the Group since 31 March 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

**4. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Company, along with its subsidiaries, is principally engaged in the asset appraisal related businesses. The Group's business can be broadly categorised into four main sectors: (i) asset advisory services and asset appraisal; (ii) corporate services and consultancy; (iii) media advertising; and (iv) financial services.

Looking ahead, the revenue from each of the sectors of asset advisory and corporate consultancy services remains promising with a steady demand for professional commercial services in the PRC, Taiwan, Hong Kong and Macau (together, the “**Greater China**”). As companies in the Greater China, especially in the PRC, continue to expand in corporate size, operational complexity and geographical diversification as well as undergo restructuring, listing and mergers and acquisitions, the demand for a leading professional advisor on asset value, procedures and regulations, as well as investment matching is expected to remain high. In view of the Group’s existing competitive advantages and market position in its core business segments, the Group is confident that its experienced professional teams and provision of convenient one-stop professional services will keep it well-positioned to capture the surging business opportunities.

Due to the keen competition in the media advertising industry in the PRC and reduced demand from freezing of marketing spend in view of outbreak of COVID-19, the Group will dedicate even more efforts to broaden its customer base, improve cost control and actively adjust the business strategy in respond to COVID-19 and latest market changes.

The financial services segment is expected to be challenging in coming year. The Group will continue its effort to enhance our competitiveness within the ever changing industry and economy. The securities broking and trading of securities business is targeted to be disposed by the coming year in order to streamline the Group’s structure and to further enhance the financial position of the Group and better utilise the Group’s financial resources. Unforeseen delay was caused by the COVID-19 epidemic, the Group is in progress of seeking and negotiating with potential buyers.

The outbreak of COVID-19 in early 2020 severely affected the economic activities in PRC and even the whole world. The Group’s operating performance was affected by the epidemic, yet the Group has taken effective measures to ensure the implementation of the projects. Taking into account the uncertainty of the duration of the epidemic and the implementation of the preventive measures against the spread of the epidemic, the Group’s future operating performance may still be affected by changes in the future economic conditions and the extent of the impact cannot be predicted as at the Latest Practicable Date. The Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

The Group will closely monitor its cash position, and will continue to seek investment and business opportunities, with a view to achieving a sustainable growth, increasing profitability and ultimately maximising the return to the Shareholders.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2020 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circular” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effects of the Rights Issue, on the unaudited consolidated net tangible assets of the Group as at 30 September 2020 attributable to the owners of the Company, as if the Rights Issue had taken place on such date.

Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2020 or any future date following the Rights Issue.

The following Unaudited Pro Forma Financial Information as at 30 September 2020 is prepared based on the unaudited consolidated net tangible assets of the Group which is extracted from the interim report of the Company for the six months ended 30 September 2020, and adjusted as described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2020 HK\$'000 (Note 1)	Unaudited estimated net proceeds from the Rights Issue HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue HK\$'000	Unaudited consolidated net tangible assets attributable to the owners of the Company per Share as at 30 September 2020 HK\$ (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share immediately after completion of the Rights Issue HK\$ (Note 4)
Based on 874,433,790 Rights Shares at Subscription Price of HK\$0.05 per Rights Share	79,854	42,222	122,076	0.27	0.10

*Notes:*

- (1) The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2020 is extracted from the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 September 2020 of approximately HK\$123,050,000 as adjusted by exclusion of goodwill of approximately HK\$43,196,000 as shown on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2020 has been extracted from the published interim report of the Company for the six months ended 30 September 2020.
- (2) The estimated net proceeds from the Rights Issue are based on a total of 874,433,790 Rights Shares (assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) to be issued on the basis of three Rights Shares for each existing Share at the Subscription Price of HK\$0.05 per Rights Share and after deduction of estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue of approximately HK\$1,500,000.
- (3) The unaudited consolidated net tangible assets per share attributable to the owners of the Company was HK\$0.27, which is based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2020 of approximately HK\$79,854,000 and 291,477,930 Shares in issue as at 30 September 2020.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after completion of the Rights Issue of approximately HK\$0.10 is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue, which is arrived at after aggregating the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$79,854,000 and the estimated net proceed of approximately HK\$42,222,000 from the Rights Issue (note 2 above) divided by 1,165,911,720 Shares which comprise 291,477,930 Shares in issue before completion of the Rights Issue and 874,433,790 Rights Shares (assuming no new Shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after completion of the Rights Issue, as if the Rights Issue had been completed on 30 September 2020.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2020.

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

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



3th Floor  
Winbase Centre  
208 Queen’s Road Central,  
Hong Kong

15 December 2020

The Board of Directors  
Asia-Pac Financial Investment Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Asia-Pac Financial Investment Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 September 2020 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 15 December 2020 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed right issue on the basis of three rights shares for each existing share at the subscription price of HK\$0.05 per rights share (the “**Rights Issue**”) as if the Rights Issue had taken place on 30 September 2020. As part of this process, information about the Group’s net tangible assets as at 30 September 2020 has been extracted by the directors from the Group’s condensed interim financial information for the six months ended 30 September 2020 included in the interim report of the Group for the six months ended 30 September 2020, on which no audit or review report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

**Our Independence and Quality Control**

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

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

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM 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 an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 September 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting 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 by the director of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

**McMillan Woods (Hong Kong) CPA Limited**

*Certified Public Accountants*

Hong Kong

**Lo Ka Ki**

*Audit Engagement Director*

Practising Certificate Number – P06633



## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL AND OPTIONS

### (a) Share capital

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately following the completion of the Increase in Authorised Share Capital; and (iii) immediately following the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders) are as follows:

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

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.02 each	<u>100,000,000</u>
<i>Issued and fully-paid:</i>		
<u>291,477,930</u>	Shares of HK\$0.02 each	<u>5,829,559</u>

#### (II) Immediately following the completion of the Increased in Authorised Share Capital

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares of HK\$0.02 each	<u>1,000,000,000</u>
<i>Issued and fully-paid:</i>		
<u>291,477,930</u>	Shares of HK\$0.02 each	<u>5,829,559</u>

**(III) Immediately following the completion of the Rights Issue**

<i>Authorised:</i>		<i>HK\$</i>
<u>50,000,000,000</u>	Shares of HK\$0.02 each	<u>1,000,000,000</u>
 <i>Issued and fully-paid:</i>		
<u>291,477,930</u>	Shares of HK\$0.02 each	<u>5,829,558</u>
<u>874,433,790</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>17,488,676</u>
<u>1,165,911,720</u>	Shares in issue immediately after completion of the Rights Issue	<u>23,318,234</u>

All of the Rights Shares to be issued will rank *pari passu* in all respects with each other. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

Save as the Share Options, as at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants and convertible securities or other similar rights which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

The Rights Shares to be issued 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 Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

**(b) Share Options**

Details of the outstanding Share Options as at the Latest Practicable Date were as follows:

Name of grantee	Number of underlying Shares subject to outstanding Share Options	Date of grant	Exercise price (HK\$ per Share)	Exercise Period
<b>Directors</b>				
Mr. Ip Kwok Kwong	2,914,750	18 April 2019	0.558	18 April 2019 to 17 April 2022
Mr. Wu Di	2,914,750	18 April 2019	0.558	18 April 2019 to 17 April 2022
Mr. Tang Wai Kee	2,914,750	31 March 2020	0.228	31 March 2020 to 30 March 2023
Mr. So Kwok Yun	2,914,750	31 March 2020	0.228	31 March 2020 to 30 March 2023
Employees	3,690	6 January 2012	3.252	30 January 2012 to 17 May 2021
	8,744,250	18 April 2019	0.558	18 April 2019 to 17 April 2022
	20,403,250	31 March 2020	0.228	31 March 2020 to 30 March 2023
Other eligible participants	11,659,000	18 April 2019	0.558	18 April 2019 to 17 April 2022
Total	<u>52,469,190</u>			

Save as disclosed above, as at the Latest Practicable Date, the Company did not have any other options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

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

## 3. INTEREST IN SECURITIES

## (a) Directors' and chief executive's interests

Save as disclosed below, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Name of Director	Capacity	Number of issued Shares held	Interest in underlying Shares of Share Options	Approximate percentage of total issued shares
Mr. Ip Kwok Kwong	Interest in controlled corporation and beneficial owner	15,542,500 (Note 2)	2,914,750 (Note 3)	6.33%
Mr. Wu Di	Beneficial owner	–	2,914,750 (Note 3)	1.00%
Mr. So Kwok Yun	Beneficial owner	–	2,914,750 (Note 4)	1.00%
Mr. Tang Wai Kee	Beneficial owner	–	2,914,750 (Note 4)	1.00%

## Notes:

- The percentage is calculated on the basis of the total number of issued Shares as at 30 September 2020 (i.e. 291,477,930 Shares).
- 15,542,500 shares were held by Brilliant One which was wholly owned by GC Holdings Limited. GC Holdings Limited was wholly owned by Mr. Ip, an executive Director and the Managing Director. By virtue of the SFO, Mr. Ip was deemed to have interests in all the shares held by Brilliant One.
- Mr. Ip and Mr. Wu Di, executive Directors were granted the options under the share option scheme of the Company on 18 April 2019 at an exercise price of HK\$0.558 per share with the exercisable period from 18 April 2019 to 17 April 2022 (both dates inclusive).
- Mr. So Kwok Yun and Mr. Tang Wai Kee, Independent non-executive Directors were granted the options under the share option scheme of the Company on 31 March 2020 at an exercise price of HK\$0.228 per Share with the exercisable period from 31 March 2020 to 30 March 2023 (both dates inclusive).

**(b) Interests of substantial shareholders**

Save as disclosed below, as at the Latest Practicable Date, the Company had not been notified by any corporation which or persons who (other than a Director or the chief executive of the Company) who had 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 were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

<b>Name of Shareholders</b>	<b>Capacity</b>	<b>Number of issued Shares held</b>	<b>Approximate percentage of total issued shares</b>
Brilliant One	Beneficial owner	15,542,500	5.33%
GC Holdings Limited	Interest in a controlled corporation	15,542,500	5.33%
Laberie	Beneficial owner	70,000,000	24.02%
SEEC Media Group Limited	Interest in a controlled corporation	70,000,000	24.02%

*Notes:*

1. The percentage is calculated on the basis of the total number of issued Shares as at 30 September 2020 (i.e. 291,477,930 Shares).
2. Brilliant One was wholly owned by GC Holdings Limited. GC Holdings Limited was wholly owned by Mr. Ip, an executive Director and the Managing Director. By virtue of the SFO, Mr. Ip was deemed to have interests in all the shares held by Brilliant One.
3. Laberie was wholly owned by SEEC Media Group Limited. By virtue of the SFO, SEEC Media Group Limited was deemed to be interested in all the shares held by Laberie.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which 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 and their respective close associates was interested in any business which competed, or might compete, either directly or indirectly, with the business of the Group pursuant to the GEM Listing Rules.

**6. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP**

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct and indirect interest in any assets which had been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2020, being the date to which the latest published audited financial statements of the Company were made up.

**7. MATERIAL LITIGATION**

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

**8. MATERIAL CONTRACTS**

Save as disclosed below, there had been no contract, not being a contract entered into in the ordinary course of business carried on or intended to be carried on by members of the Group, entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement and up to the Latest Practicable Date:

- (a) the Placing Agreement

**9. EXPENSES**

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Laberie which has provided the Shareholder Irrevocable Undertaking and placing all Unsubscribed Rights Shares and ES Unsold Rights Shares by Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.5 million, which are payable by the Company.

**10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE****Board of Directors**

: **Mr. Ip Kwok Kwong**  
21/F, House No. 10,  
Chung Shan Terrace  
Lai Chi Kok, Kowloon, Hong Kong

**Mr. Wu Di**  
Room 104, No. 11  
237 Feihong Road,  
Hongkou District,  
Shanghai City, China

**Mr. Sek Wai Kit**  
Room 2401, 24/F,  
Yat Shing House, Block B,  
May Shing Court, Tai Wai,  
New Territories, Hong Kong

**Mr. So Kwok Yun**  
Room 2604, Building No. 1,  
1155 North Shaanxi Road,  
Jingan District, Shanghai, China

**Mr. Tang Wai Kee**  
Flat D, 13/F, Block 8,  
Sea Crest Villa, Phase III,  
Tsing Lung Tau,  
New Territories, Hong Kong

<b>Registered office</b>	:	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	:	Room 2709, 27th Floor Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
<b>Placing Agent</b>	:	<b>Sorrento Securities Limited</b> 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong
<b>Financial adviser to the Company</b>	:	<b>Sorrento Capital Limited</b> 11/F, The Wellington, 198 Wellington Street, Central, Hong Kong
<b>Independent financial adviser to the Independent Board Committee and the Independent Shareholders</b>	:	<b>Vinco Capital Limited</b> Unit 2610, 26/F, The Center 99 Queen's Road Central Hong Kong
<b>Legal adviser to the Company as to Hong Kong law in relation to the Rights Issue</b>	:	<b>Justin Chow &amp; Co. Solicitors LLP</b> 5A, Chung Hing Commercial Building 62-63 Connaught Road Central Central, Hong Kong
<b>Reporting accountant</b>	:	<b>McMillan Woods (Hong Kong) CPA Limited</b> 3/F., Winbase centre 208 Queen's Road Central Hong Kong



<b>Principal bankers in Hong Kong</b>	:	<b>The Hongkong and Shanghai Banking Corporation Limited</b> <b>OCBC Wing Hang Bank Limited</b>
<b>Principal share registrar</b>	:	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	:	<b>Tricor Investor Services Limited</b> Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
<b>Authorised representatives</b>	:	<b>Ms. Cheng Lucy</b> 31/F., 148 Electric Road, North Point, Hong Kong  <b>Mr. Ip Kwok Kwong</b> 21/F, House No.10, Chung Shan Terrace Lai Chi Kok, Kowloon, Hong Kong
<b>Company secretary</b>	:	<b>Ms. Cheng Lucy</b> 31/F., 148 Electric Road, North Point, Hong Kong
<b>Compliance officer</b>	:	<b>Mr. Ip Kwok Kwong</b> 21/F, House No.10, Chung Shan Terrace Lai Chi Kok, Kowloon, Hong Kong

**11. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. Sek Wai Kit (the Chairman of the Audit Committee), Mr. So Kwok Yun and Mr. Tang Wai Kee. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “13. Particulars of the Directors and Company Secretary” in this appendix.

The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

**12. EXPERTS AND CONSENTS**

The following is the qualification of the expert who has given opinions or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Vinco Capital	A corporation licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinions or advice and references to its name, in the form and context in which they appear;
- (b) did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest 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 March 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

**13. PARTICULARS OF THE DIRECTORS AND COMPANY SECRETARY****Executive Directors**

Mr. Ip Kwok Kwong, aged 60, is one of the founding directors of the Group and was appointed as an executive Director and the managing director of the Company (the “**Managing Director**”) in December 2010. He is the compliance officer and an authorised representative of the Company. He is also a member of each of the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) of the Board, and a director of certain subsidiaries of the Company. Mr. Ip is responsible for overall management and development including frontline co-ordination with clients, organisations as well as formulation of development strategy of the Group. Professionally, Mr. Ip is a Chartered Valuation Surveyor, a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance of Hong Kong and a Registered Business Valuer of the Hong Kong Business Valuation Forum. Mr. Ip was appointed as a committee member of the People’s Political Consultative Conference of Harbin, the PRC in the second half of 2011 after having received the Outstanding Entrepreneurship Award from the Enterprise Asia, a non-governmental organisation for entrepreneurship in mid-2011. He is now a vice president of Asia Pacific Professional Managers Association.

Mr. Wu Di (“**Mr. Wu**”), aged 40, was appointed as a non-executive Director on 20 November 2014 and redesignated as an executive Director on 20 July 2015. He was appointed as a member of each of the Remuneration Committee and the Nomination Committee on 10 May 2017. Mr. Wu is a director of certain subsidiaries of the Company. He holds a bachelor’s degree in business administration from the Dongbei University of Finance and Economics (東北財經大學) in the PRC. He has about 16 years of experience in strategic planning, corporate management and business development. He has worked for various corporations and held management positions.

**Independent non-executive Directors**

Mr. Sek Wai Kit (“**Mr. Sek**”), aged 39, was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee on 31 October 2020. He holds a Bachelor of Business (Accounting) degree from the Australian Catholic University in 2004. He has been a member of CPA Australia since 2009. Mr. Sek has over ten years of experience in the field of audit and accounting and is the head of finance department of Sheung Moon Holdings Limited, a company listed on Stock Exchange (stock code: 8523) since November 2016.

Mr. So Kwok Yun (“**Mr. So**”), aged 58, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of Audit Committee and the Nomination Committee on 15 December 2017. He obtained a Bachelor of Arts (Architectural Studies) degree and a Bachelor of Architecture degree from the University of Hong Kong in 1984 and 1986, respectively. He was admitted as a member of the Hong Kong Institute of Architects in 1988 and a member of the Royal Institute of British Architects in 1990. He is also currently registered as an Authorized Person under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong) and a Registered Architect in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the laws of Hong Kong). Mr. So has over thirty years of experience in the field of architecture and project management. He has taken up managerial positions with various established architecture and property development companies and was involved in a number of major commercial and residential property projects in Hong Kong, China and overseas. In 2003, Mr. So founded his architecture designing business in Shanghai, China. He further established DPS Design (SH) Co., Ltd.\* (世天建築諮詢(上海)有限公司) in 2010 and has been serving as the managing director since its establishment.

Mr. Tang Wai Kee (“**Mr. Tang**”), aged 59, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee on 28 September 2017. He obtained a Bachelor of Science degree majoring in biology from the Chinese University of Hong Kong in 1983 and a Master of Science degree in financial economics from the University of London in 1995. Mr. Tang has over ten years of experience in the field of securities, futures and asset management. He has served as a responsible officer and/or licensed representative in various licensed corporations carrying out regulated activities under the SFO. Mr. Tang is currently licensed to carry out Types 1, 4 and 9 regulated activities under Schedule 5 of the SFO. Mr. Tang is also an individual member of the Global Association of Risk Professionals, a permanent member of Hong Kong Stockbrokers Association Limited and an individual member of the Market Technician Association.

### **Company Secretary**

Ms. Cheng Lucy (“**Ms. Cheng**”), the company secretary of the Company, has been nominated by Boardroom Corporate Services (HK) Limited (“**Boardroom**”) under an engagement letter made between the Company and Boardroom. The primary person at the Company with whom Ms. Cheng has been contacting is Mr. Ip Kwok Kwong, an executive Director and the Managing Director, in relation to corporate secretarial matters. Ms. Cheng had received no less than 15 hours of relevant professional training for the year.

**14. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, 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 inconsistency, the English text of this circular shall prevail over the Chinese text.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (except Saturdays, Sundays and public holidays) at Room 2709, 27th Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, for a period of 14 days from the date of this circular (both days inclusive):

- (a) the memorandum and articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 March 2018;
- (c) the annual report of the Company for the year ended 31 March 2019;
- (d) the annual report of the Company for the year ended 31 March 2020;
- (e) the first quarterly report of the Company for the three months ended 30 June 2020;
- (f) the interim report of the Company for the six months ended 30 September 2020;
- (g) the Placing Agreement;
- (h) Shareholder Irrevocable Undertaking;
- (i) Optionholder's Undertakings;
- (j) the letter from the Board, the text of which is set out on pages 13 to 38 of this circular;
- (k) the letter from the Independent Board Committee, the text of which is set out on page 39 of this circular;

- (l) the letter from Vinco Capital, the text of which is set out on pages 40 to 67 of this circular;
- (m) the accountant's report on the unaudited pro forma financial information of the Group issued by McMillan Woods (Hong Kong) CPA Limited, the text of which is set out in Appendix II to this circular;
- (n) the material contracts (including the Placing Agreement) as referred to in the section headed "8. Material contracts" in this appendix;
- (o) the written consent referred to in the section headed "12. Experts and consents" in this appendix; and
- (p) this circular.

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## NOTICE OF EGM

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### Asia-Pac Financial Investment Company Limited

### 亞太金融投資有限公司

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

**(Stock code: 8193)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Asia-Pac Financial Investment Company Limited (the “Company”) will be held at Portion 2, 12th Floor, The Center, 99 Queen’s Road, Central, Hong Kong on Wednesday, 6 January 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed with or without amendment as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. **“THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$100,000,000 divided into 5,000,000,000 shares of HK\$0.02 each (the “Shares”) to HK\$1,000,000,000 divided into 50,000,000,000 Shares by the creation of an additional 45,000,000,000 Shares, and that each such new Share, upon issue and fully paid, shall rank *pari passu* in all respects with the existing issued Shares and have the rights and privileges and be subject to the provisions contained in the memorandum of association and bye-laws of the Company (the “**Increase in Authorised Share Capital**”); and
- (b) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Increase in Authorised Share Capital.”

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## NOTICE OF EGM

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2. “**THAT** conditional upon: (i) the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant (subject to allotment) and not having revoked the listing of and permission to deal in the Rights Shares (as defined below) to be allotted and issued to the shareholders of the Company (the “**Shareholders**”) pursuant to the terms and conditions of the Rights Issue (as defined below); and (ii) satisfaction of all conditions as set out in the paragraph headed “Conditions of the Rights Issue” in the letter from the board of the circular of the Company dated 15 December 2020 becoming unconditional and not being terminated in accordance with its terms:
- (a) the issue by way of rights issue (the “**Rights Issue**”) of 874,433,790 ordinary shares (the “**Rights Shares**”) at the subscription price of HK\$0.050 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Excluded Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient 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) in the proportion of three (3) Rights Shares for every one (1) Shares of the Company then held on the Record Date at the subscription price of HK\$0.050 per Rights Share and otherwise on the terms and conditions set out in the Circular be and is hereby approved;
  - (b) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may (i) make such exclusions or other arrangements in relation to the Excluded Shareholders as they may deem necessary, desirable or expedient having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and (ii) offer for application under forms of excess application for any Rights Shares provisionally allotted but not accepted, and to do all such acts and things as they consider necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and



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## NOTICE OF EGM

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- (c) the Directors be and are hereby authorised to sign or execute such documents and do all such acts and things in connection with the allotment and issue of the Rights Shares and the implementation of the Rights Issue, necessary desirable or expedient to carry out, to give effect to or in connection with the Rights Issue or any transaction contemplated thereunder.”

Yours faithfully,  
For and on behalf of the Board of  
**Asia-Pac Financial Investment Company Limited**  
**Ip Kwok Kwong**  
*Executive Director and Managing Director*

Hong Kong, 15 December 2020

*Registered office:*

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

*Principal place of business in Hong Kong:*

Room 2709, 27th Floor  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
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 proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
2. A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong at least 48 hours before the time appointed for the holding of the EGM or any adjournment thereof.
3. The register of members of the Company will be closed from Thursday, 31 December 2020 to Wednesday, 6 January 2021, both days inclusive, during which period no transfer of Shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 30 December 2020.

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## NOTICE OF EGM

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4. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
5. The Meeting is expected to last for less than half a day. Members (in person or by proxy) attending the Meeting are responsible for their own transportation and accommodation expenses. Members or their proxies attending the Meeting shall present their identity certifications.
6. 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 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the websites of the Company at [www.gca.com.hk](http://www.gca.com.hk) and the GEM at [www.hkgem.com](http://www.hkgem.com) to notify Shareholders of the date, time and place of the rescheduled meeting.
7. Any voting at the meeting shall be taken by poll.
8. In view of the recent development of the COVID-19 pandemic, and in order to better protect the safety and health of the Shareholders, the Company will not serve refreshments at the EGM to avoid the coming into close contact amongst participants at the EGM. The Company wishes to remind the Shareholders and other participants who will attend the EGM in person to take personal precautions and abide by the requirements of pandemic precaution and control at the venue of the EGM. The Company also advises the Shareholders to attend and vote at the EGM by way of non-physical presence. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the EGM as a proxy to vote on relevant resolutions as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM. The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

*As at the date of this notice, the Board comprises Mr. Ip Kwok Kwong (Managing Director) and Mr. Wu Di as executive Directors; and Mr. Sek Wai Kit, Mr. So Kwok Yun and Mr. Tang Wai Kee as independent non-executive Directors.*

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

*This notice will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for a minimum period of seven days from the date of its publication and on the website of the Company at [www.gca.com.hk](http://www.gca.com.hk).*