
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Wan Cheng Metal Packaging Company Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, 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 purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.

Wan Cheng Metal Packaging Company Limited
萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8291)

(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE

(3) RIGHTS SHARES FOR EVERY ONE

(1) SHARE HELD ON THE RECORD DATE;

AND

(II) PROPOSED CHANGE OF BOARD LOT SIZE

Placing Agent to the Company



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



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

A letter from the Board is set out on pages 7 to 30 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 31 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 32 to 60 of this circular.

A notice convening the EGM of the Company to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Tuesday, 1 December 2020 at 11:00 a.m., is set out in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

It should be noted that the Shares will be dealt in on an ex-rights basis from Thursday, 3 December 2020. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 16 December 2020 to Wednesday, 23 December 2020 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

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 will be placed to independent Placers 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. The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue. Accordingly, the Rights Issue and the Placing may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

10 November 2020

CHARACTERISTICS OF GEM

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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EXPECTED TIMETABLE

The expected timetable in respect of the Rights Issue and the Change in Board Lot Size is set out below:

Event	2020
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 24 November
Closure of register of members of the Company for attending the EGM (both days inclusive)	Wednesday, 25 November to Tuesday, 1 December
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Sunday, 29 November
Record date for determining attendance and voting at the EGM	Tuesday, 1 December
Expected date and time of the EGM	11:00 a.m. on Tuesday, 1 December
Announcement of poll results of the EGM	Tuesday, 1 December
Last day of dealings in Shares on a cum-rights basis	Wednesday, 2 December
First day of dealings in Shares on an ex-rights basis	Thursday, 3 December
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Friday, 4 December
Closure of the register of members of the Company for the Rights Issue (both dates inclusive)	Monday, 7 December to Friday, 11 December
Record Date for determining entitlements to the Rights Issue	Friday, 11 December
Register of members of the Company re-opens	Monday, 14 December
Prospectus Documents expected to be despatched	Monday, 14 December

EXPECTED TIMETABLE

Event **2020**

First day of dealings in Nil Paid Rights Shares 9:00 a.m. on Wednesday, 16 December

Latest time for splitting of the Nil Paid Rights Shares 4:30 p.m. on Friday, 18 December

Last day of dealings in Nil Paid Rights Shares 4:00 p.m. on Wednesday, 23 December

Latest time of acceptance of and payment for the Rights Shares 4:00 p.m. on
Wednesday, 30 December

Announcement of the number of the Unsubscribed Rights Shares
and ES Unsold Rights Shares subject to
the Compensatory Arrangements Thursday, 31 December

2021

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

Latest time of placing of the Unsubscribed Rights Shares and
ES Unsold Rights Shares by the Placing Agent 6:00 p.m. on Friday, 8 January

Announcement of the results of Rights Issue (including results of
the placing of Unsubscribed Rights Shares and
the ES Unsold Rights Shares and the amount of
the Net Gain per Unsubscribed Rights Share and
the ES Unsold Rights Shares under the Compensatory
Arrangements) to be posted on the Stock Exchange's website
and the Company's website Monday, 11 January

Refund cheques, if any, to be despatched (if the Rights Issue
does not proceed) Friday, 15 January

Certificates for fully paid Rights Shares to be despatched Friday, 15 January

Expected commencement of dealings in fully-paid Rights Shares 9:00 a.m. on
Monday, 18 January

Designated broker starts to stand in the market to provide
matching services for odd lots of Shares Monday, 18 January

EXPECTED TIMETABLE

Event **2021**

Effective date of the Change in Board Lot Size

from 10,000 Shares to 30,000 Shares 9:00 a.m. on Monday, 18 January

Last day for the designated broker to provide for odd lot matching Monday, 8 February

Payment of the Net Gain to relevant No Action Shareholders

(if any) or Excluded Shareholders (if any) Tuesday, 9 February

All times and dates in this circular refer to Hong Kong local times and dates. Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange 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 there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 30 December 2020. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 30 December 2020. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

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

PRECAUTIONARY MEASURES FOR THE EGM

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 flu-like 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 COVID-19 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.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 18 September 2020 in relation to, among other things, the Rights Issue and the Change in Board Lot Size
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“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
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Shares to 30,000 Shares, subject to the completion of the Rights Issue
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Wan Cheng Metal Packaging Company Limited (萬成金屬包裝有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“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

DEFINITIONS

“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 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
“Fortune Time”	Fortune Time Enterprises Limited, a limited liability company incorporated in the British Virgin Islands
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong special Administrative Region of the PRC

DEFINITIONS

“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 and the transactions contemplated thereunder
“Independent Financial Adviser” or “Astrum Capital”	Astrum Capital Management Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder
“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)”	third party(ies) independent of the Company and any connected person(s) of the Company and not a connected person of the Company
“Last Trading Day”	18 September 2020, being the last full trading day of the Shares before the release of the Announcement
“Latest Practicable Date”	5 November 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 Wednesday, 30 December 2020, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Nil Paid Rights”	rights to subscribe for Rights Shares before the Subscription Price is paid
“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

DEFINITIONS

“No Action Shareholder(s)”	Qualifying Shareholders or their renounees who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any Nil Paid Rights at the time such Nil Paid Rights lapse
“Optionholder’s Undertaking(s)”	the undertaking(s) 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 Shareholder(s)”	the Shareholder(s) (whose names appears on the register of members of the Company at the close of business on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) 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 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
“Placing Agreement”	conditional placing agreement dated 18 September 2020 entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis (as amended and supplemented by a supplemental placing agreement dated 16 October 2020)

DEFINITIONS

“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
“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
“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issues
“Prospectus Documents”	the Prospectus and the PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
“Prospectus Posting Date”	14 December 2020 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholder(s), whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date
“Record Date”	Friday, 11 December 2020 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Computershare Hong Kong Investor Services Limited
“RMB”	Renminbi, the lawful currency of the PRC
“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 240,000,000 new Shares (assuming no change in the number of Shares in issue on or before the Record Date)

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.05 each in the share capital of the Company
“Share Options”	16,000,000 outstanding options granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted on 23 June 2017
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share under the Rights Issue
“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 Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent.

For the purpose of this circular, the translation of RMB into HK\$ is based on the rate of approximately RMB\$1.0:HK\$1.1. The above conversion rates are for illustrative purpose only and do not constitute a representation that any amounts have been, could have been, or may be exchanged at the aforesaid or any other rates or at all.

LETTER FROM THE BOARD

Wan Cheng Metal Packaging Company Limited 萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8291)

Executive Directors:

Mr. Liang Junqian
Mr. Chan Kit Lung Andy
Ms. Liang Yingjun
Mr. Wang Yun
Mr. Zou Yonggang

Registered office:

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Independent non-executive Directors:

Mr. Wong Sui Chi
Ms. Ha Yee Lan Elaine
Mr. Wu Chi King

Principal place of business

in Hong Kong:
Room B, 12/F
Hang Seng Causeway Bay Building
28 Yee Wo Street
Causeway Bay
Hong Kong

10 November 2020

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

Dear Sir or Madam,

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE
(3) RIGHTS SHARES FOR EVERY ONE
(1) SHARE HELD ON THE RECORD DATE;
AND
(II) PROPOSED CHANGE OF BOARD LOT SIZE**

INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Rights Issue and Change in Board Lot Size. On 18 September 2020, the Company proposed to raise up to approximately HK\$24.0 million before expenses by way of a rights issue of 240,000,000 Rights Shares at the Subscription Price of HK\$0.10 each and on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date (assuming no change in the issued share capital of the Company on or before the Record Date). The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any).

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, further details on the Rights Issue and Change in Board Lot Size, certain financial information and other general information on the Group.

PROPOSED RIGHTS ISSUE

The Company proposes to raise up to approximately HK\$24.0 million before expenses by way of a rights issue of 240,000,000 Rights Shares at the Subscription Price of HK\$0.10 each and on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date (assuming no change in the issued share capital of the Company on or before the Record Date).

Further details of the Rights Issue are set out below:

Issue statistic

Basis of Rights Issue:	Three (3) Rights Shares for every one (1) Share held on the Record Date
Subscription Price:	HK\$0.10 per Right Share
Number of Shares in issue as at the Latest Practicable Date:	80,000,000 Shares
Number of Right Shares:	Up to 240,000,000 Rights Share (assuming no change in the issued share capital of the Company on or before the Record Date)
Aggregate nominal value of the Right Shares:	Up to HK\$12,000,000 (assuming no change in the issued share capital of the Company on or before the Record Date)
Number of issued shares of the Company upon completion of the Rights Issue:	Up to 320,000,000 Share (assuming no change in the issued share capital of the Company on or before the Record Date other than the Rights Shares)
Maximum funds raised before expenses:	Up to approximately HK\$24.0 million (assuming no change in the issued share capital of the Company on or before the Record Date and all the Rights Shares will be taken up)

LETTER FROM THE BOARD

As at the Latest Practicable Date, there were 16,000,000 outstanding Share Options granted by the Company exercisable into 16,000,000 Shares. Save for the aforesaid, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no change in the issued share capital of the Company on or before the Record Date (other than the Rights Shares will be allotted and issued on or before completion of the Rights Issue), the 240,000,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) approximately 300% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

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 will be placed to independent Placees 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. The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of 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 and Share Options 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 Optionholder's Undertakings

As at the Latest Practicable Date, each of the holders of the Share Options (including Mr. Wang Yun and Mr. Zou Yonggang, the executive Directors, Ms. Ha Yee Lan Elaine, the independent non-executive Director, and employees and consultants of the Company) has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

LETTER FROM THE BOARD

Save for the Optionholder's Undertakings, the Company has not received any information or irrevocable undertaking from any Substantial Shareholder of the Company of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue as at the Latest Practicable Date.

Subscription Price

The Subscription Price of HK\$0.10 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 21.3% to the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 19.4% to the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 18.0% to the average of the closing prices of Shares for the five consecutive trading days ended on the Last Trading Day of approximately HK\$0.122 per Share;
- (iv) a discount of approximately 18.0% to the average of the closing prices of Shares for the ten consecutive trading days ended on the Last Trading Day of approximately HK\$0.122 per Share;
- (v) a discount of approximately 5.7% to the theoretical ex-rights price of approximately HK\$0.106 per Share based on the closing price per Share of HK\$0.124 as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a discount of approximately 89.6% to the unaudited consolidated net asset value per Share of approximately HK\$0.963 (based on the latest published consolidated net asset value of the Group of approximately RMB70.00 million (equivalent to HK\$77.00 million) as at 30 June 2020 as disclosed in the interim report of the Company for the six months ended 30 June 2020 and 80,000,000 Shares in issue as at the Last Trading Day).

The Board has observed the deep discount mentioned in (vi) above. Nevertheless, taking into account the fact that the Shares were traded at a discount to the net asset value per Share over the 12-month period up to and including the Last Trading Day ranging from approximately 35.6% to 87.4%, with an average of approximately 69.1%, the Board is of the view that the net asset value per Share may not be a meaningful reference to determine the Subscription Price.

LETTER FROM THE BOARD

The Subscription Price was determined with reference to, among other things, (i) the recent market prices of the Shares since 19 August 2020 and up to the Last Trading Day, the average of which was approximately HK\$0.120 per Share; (ii) the current market conditions including, among others, the prevailing global economic condition and the outbreak of COVID-19; (iii) the discount with reference to the recent rights issue announced by companies listed on the Stock Exchange since 19 August 2020 and up to the Last Trading Day; and (iv) the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS”.

The Directors (excluding the members of the Independent Board Committee whose opinion is set forth in the Letter from Independent Board Committee in this circular) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share is estimated to be approximately HK\$0.095, if fully subscribed.

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholder 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 completing a PAL and lodging the same with a remittance 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 and not be an Excluded Shareholder on the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong by 4:30 p.m. on Friday, 4 December 2020.

The last day of dealings in the Shares on a cum-rights basis is Wednesday, 2 December 2020. The Shares will be dealt with on an ex-rights basis from Thursday, 3 December 2020.

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.

LETTER FROM THE BOARD

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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 4 December 2020.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer 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.**

Rights of Overseas Shareholders (if any)

As at the Latest Practicable Date, there is no Shareholder with registered address (as shown on the register of member of the Company) which is outside Hong Kong.

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

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would 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 to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholder(s). The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus. 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 in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. In view of administrative costs, the Company will retain individual amounts of less than HK\$100 for its own benefit.

LETTER FROM THE BOARD

Any ES 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.

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, Excluded Shareholders should exercise caution when dealing in the Shares.

Status of the Rights Shares

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

Fractional entitlements to 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 Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule 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 Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

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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 of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to 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 6:00 p.m., on Friday, 8 January 2021, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. 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.

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 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 are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

On 18 September 2020 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 16 October 2020), pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placers, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Arrangement are as follows:

Date:	18 September 2020 (after trading hours)
Parties:	(i) the Company, as issuer; and (ii) the Placing Agent
Placing Agent:	Sorrento Securities Limited, appointed as the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis.

The Placing Agent confirmed that it is independent of and not connected with the Company and its connected person and not a connected person of the Company.

Fees and expenses:	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 and reimbursed for the expenses in relation to the placing (including but not limited to legal expenses and other expenses for placing the Unsubscribed Rights Shares and the ES Unsold Rights Shares), which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.
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Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be):	The placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be) shall be at least equal to the Subscription Price.
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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.

LETTER FROM THE BOARD

- Places: 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 agents, 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.
- Ranking of the Unsubscribed Rights Shares and the ES Unsold Rights Shares: The 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.
- Termination: The Placing Arrangement shall end on 8 January 2021 or any other date by mutual written agreement between the Placing Agent and the Company.
- The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill their respective 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.

LETTER FROM THE BOARD

Conditions Precedent:

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

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and/or the ES Unsold 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 (other than those set out in paragraph (i) above) by notice in writing to the Company.

Completion:

Placing completion shall take place at the offices of the Placing Agent on 11 January 2021 or such other date as the Company and the Placing Agent may agree in writing.

LETTER FROM THE BOARD

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider the terms of the Placing Arrangement for the Unsubscribed Rights Shares and the 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; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors considers 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 nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. 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 other stock exchange.

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 30,000 Rights Shares, which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

Rights Shares will be eligible for admission into CCASS

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

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

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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

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Friday, 15 January 2021.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement 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;
- (ii) 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);
- (iii) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus and the PALs (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date; and

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- (iv) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purpose only by the Prospectus Posting Date.

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, none of the conditions has been satisfied. The above conditions are incapable of being waived.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 November 2020 to Tuesday, 1 December 2020 (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 Monday, 7 December 2020 to Friday, 11 December 2020 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue.

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

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are trading on the Stock Exchange in board lot of 10,000 Shares. Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchange and Clearing Limited on 28 November 2008 and updated on 30 August 2019, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. Based on the theoretical ex-rights price of approximately HK\$0.106 per Share (calculated based on the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot is approximately HK\$1,060.

Therefore, the Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 30,000 Shares with effect from 9:00 a.m. on Monday, 18 January 2021 so that the estimated market value of each proposed new board lot would be approximately HK\$3,180 (based on a theoretical ex-rights price of HK\$0.106 per Share as at the Last Trading Day and assuming no new Shares are issued and no repurchase of Shares on or before the Record Date) that is higher than HK\$2,000. The Change in Board Lot Size will not result in any change in the relative rights of the Shareholders.

LETTER FROM THE BOARD

Based on the above, the Board considers that the Change in Board Lot Size will facilitate the due compliance with the trading requirements and is beneficial to and in the interest of the Company and the Shareholders as a whole. As the estimated market value of each proposed new board lot upon the Change in Board Lot Size becoming effective will be higher than the market value of each existing board lot of the existing Shares, the transaction cost as a proportion of the market value of each board lot will be lower, which in return enhance the liquidity of the Shares, attract more investors and extend the base of the Shareholders. The Board has considered other different ratios for the board lot size but believes that the Change in Board Lot Size is more appropriate as any further increase in the board lot size may result in negative pressure to the liquidity of the Shares and the shareholder base of the Company.

In addition, the implementation of the Change in Board Lot Size will have no material effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company or the interests of the Shareholders.

Having considered the reasons and the benefits set out above, the Board is of the opinion that the Change in Board Lot Size is in the best interests of the Company and the Shareholders as a whole.

All existing share certificates in board lot of 10,000 Shares will continue to be good evidence of legal title to the Shares and be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 10,000 Shares to new share certificates in board lot size of 30,000 Shares is necessary.

The proposed Change in Board Lot Size is conditional upon the Rights Issue becoming unconditional in all respects and that the Rights Issue is completed.

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 Monday, 18 January 2021 to Monday, 8 February 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. Further details in respect of the odd lots arrangement will be set out in the Prospectus to be despatched by the Company in relation to the Rights Issue.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURES

Set out below is the shareholding structure of the Company, assuming there is no change in the issued share capital of the Company before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (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 and none 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 and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue 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 and none 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 and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Controlling Shareholder								
Fortune Time	24,975,000	31.22%	99,900,000	31.22%	24,975,000	31.22%	24,975,000	7.80%
Public								
Independent Placees (Note 2)	-	0.00%	-	0.00%	-	0.00%	240,000,000	75.00%
Other public Shareholders	<u>55,025,000</u>	<u>68.78%</u>	<u>220,100,000</u>	<u>68.78%</u>	<u>55,025,000</u>	<u>68.78%</u>	<u>55,025,000</u>	<u>17.20%</u>
	<u>80,000,000</u>	<u>100.00%</u>	<u>320,000,000</u>	<u>100.00%</u>	<u>80,000,000</u>	<u>100.00%</u>	<u>320,000,000</u>	<u>100.00%</u>

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.
- This scenario is for illustrative purpose only. 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.

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Pursuant to the Placing Agreement, (i) the Placing Agent and/or its sub-placing agents, who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), shall procure the Placee(s), who and whose ultimate beneficial owner(s) 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; (ii) none of the Placee(s) and/or its ultimate beneficial owners will become a Substantial Shareholder of the Company (i.e., holding 10% or more of the total issued shares of the Company) as a result of the Placing Arrangement; and (iii) the Placing Agent shall and shall cause its sub-placing agents to procure Placees independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the GEM Listing Rules are complied with.

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.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

Assuming there is no other change in the issued share capital of the Company before the completion of the Rights Issue, the expected gross proceeds, net proceeds and net price per Rights Share from the Rights Issue are set out below:

	HK\$ <i>(approximately)</i>
Gross proceeds	24.0 million
Net Proceeds	22.9 million
Net price per Rights Share	0.095

The Group is principally engaged in manufacturing and sales of tinplate packaging products in the PRC and Hong Kong. The major products are tin cans and steel pails, which are generally used for storing paint and coatings.

Before contemplating the Rights Issue, the Board has considered the following factors, including (a) the funding needs of the Group; (b) the intended use of proceeds; and (c) the reasons for contemplating the Rights Issue and other fund-raising alternatives considered by the Company.

LETTER FROM THE BOARD

(a) The funding needs of the Group

As set out in the annual report of the Company for the year ended 31 December 2019 (the “**Annual Report**”) and the interim report for the six months ended 30 June 2020 (the “**Interim Report**”), the Company recorded a loss of approximately RMB28.9 million for the year ended 31 December 2019 and RMB6.8 million for the six months ended 30 June 2020, mainly due to the outbreak of COVID-19 and uncertainties under the shadow of China-United States trade war. In order to maintain the Group’s competitiveness, the Company intends to implement cost reduction (including the fixed overhead cost and finance costs) and further consolidate its market share in the tinplate packaging business and to continue to expand domestic business via organic growth by utilising the operating cashflow of the Group to (i) upgrade the existing production line; (ii) attend certain exhibition for coatings and coating related products; and (iii) expand the sales team.

As at the Latest Practicable Date, the principal amount of total outstanding bank and other borrowings is approximately RMB103.5 million (the “**Borrowings**”), set out below are the details of the Borrowings:

	As at the Latest Practicable Date <i>(RMB’ Million)</i>
Secured bank borrowings	84.4
Secured other borrowings	<u>19.1</u>
Total bank and other borrowings	<u><u>103.5</u></u>

As at the Latest Practicable Date, among all the Borrowings, approximately RMB6.7 million will due in 2020, approximately RMB55.9 million will due in 2021 and approximately RMB40.9 million will due on or after 2022. In addition, as at 30 September 2020, the Company had cash and cash equivalents of approximately RMB13.9 million. Having taken into account of its cash position and financial performance, in order to alleviate its liquidity pressure, the Company consider that it is necessary to raise capital by way of the Rights Issue to prepare for the repayment of the Borrowings.

LETTER FROM THE BOARD

Furthermore, as set out in the Annual Report and the Interim Report, the finance cost of the Company was approximately RMB3.0 million for the year ended 31 December 2019 and approximately RMB1.8 million for the six months ended 30 June 2020. Gearing ratio of the Group increased from approximately 69.6% as at 31 December 2019 to approximately 75.6% as at 30 June 2020. The gearing ratio further increased to approximately 171.8% as at 30 September 2020, which was mainly due to the increase in bank and other borrowings and the decrease in net asset value. Assuming the Rights Issue had been completed on 30 September 2020 and the partial repayment of the Borrowings of HK\$22.9 million (equivalent to approximately RMB20.2 million) had been done on 30 September 2020, the Group's pro forma total borrowings and net assets would be approximately RMB85.3 million and approximately RMB81.6 million, respectively, and the pro forma gearing ratio of the Group will be improved to approximately 104.5% upon completion of the Rights Issue and partial repayment of the Borrowings. The Directors considered that the high level of financial cost and gearing ratio may adversely affect the financing opportunities, liquidity and business operation of the Group. If the Company continues to have such a high gearing ratio, the Company's exposure to liquidity risk may restrict its ability to make necessary capital expenditure or develop business opportunities in the future, which may adversely affect its results of operations and financial position. Hence, the Directors are of the view that the Rights Issue represents an opportunity for the Company to repay the Borrowings so as to relieve its financial burden, reduce future financing costs and improve the financial position of the Group.

Having considered the (i) weakened global economy and the uncertainties over the outlook for 2020 pursuant to the trade war between the US and China and the COVID-19; (ii) repayment obligation of the Group in the coming one year; and (iii) current financial burden, high gearing ratio and low cash position of the Group, 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.

(b) the intended use of proceeds

It is estimated that the Company will raise up to approximately HK\$24.0 million from the Rights Issue and the relevant expenses would be approximately HK\$1.1 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 approximately HK\$22.9 million. The Company intends to apply the net proceeds from the Rights Issue for the partial repayment of the Borrowings due in 2021 of approximately RMB20.2 million (equivalent to HK\$22.9 million).

LETTER FROM THE BOARD

When adopting the ratio of the Rights Issue, the Board has considered, among other things, the recent market prices of the Shares, the discount with reference to the recent rights issue, the funding needs of the Group and the potential dilution effect of the rights issue. As a result, the Company is of the view that the ratio of 3 Rights Shares for every 1 Shares held on the Record Date would meet the abovementioned funding needs of the Group while not resulting in a large theoretical dilution effect for the existing Shareholders whereas (i) a higher ratio would require the Qualifying Shareholders to take up more entitlements to avoid being diluted and increase the commission expenses to be paid by the Company to the Placing Agent; and (ii) a lower ratio would not meet the Group's funding needs as disclosed above. Therefore, the Board considers that the Rights Issue on the ratio of 3 Rights Shares for every 1 Shares held on the Record Date is in the interest of the Company and the Shareholders as a whole.

If the Rights Issue is under-subscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is less than RMB20.2 million, all of such net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the partial repayment of the Borrowings. If the Rights Shares are fully or substantially taken up, the Company currently has no intention to conduct any further fundraising activities in the next 12 months. However, if the Rights Issue is under-subscribed and the Group has insufficient working capital for its operation, the Company cannot rule out the possibility of launching other fundraising activities to replenish the liquidity of the Group and in the meantime the Company intends to further negotiate with banks and other creditors to extend the maturity dates of the outstanding Borrowings. As at the Latest Practicable Date, the Company has no concrete plan on any other fundraising activities and wants to focus on the Rights Issue first.

(c) the reasons for contemplating the Rights Issue and other fund-raising alternatives considered by the Company

Apart from the Rights Issue, the Directors have considered other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity of the Company, and placing of new shares dilutes the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Although those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholders may make their shareholdings diluted, the Rights Issue requires the Independent Shareholders' approval so that the Independent Shareholders are given an opportunity to decide whether the Company shall proceed to the Rights Issue by voting for or against at the EGM to approve the Rights Issue.

LETTER FROM THE BOARD

The Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company. In addition, the Company had preliminarily consulted brokerage companies (including the Placing Agent) for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation apart from the Placing Agent who expressed its interest in acting as a placing agent on best effort basis. 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 ensure sufficient funds to be raised; and (ii) the implied cost of the Rights Issue of approximately 4.6% (being the percentage of total estimated expenses to the gross proceeds of the Rights Issue) is lower than the interest rates of the Borrowing, which range from approximately 5.0% to 18% per annum, the Board considers that the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

Having considered the other fund-raising alternatives, the costs and unfavourable feedback of underwriting services and the proposed terms of the Rights Issue (including the Subscription Price and the estimated expense), the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue on a non-underwritten basis.

Based on the above (a) to (c), the Board considers that raising capital through the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s) (if any) should note that their shareholdings will be diluted.**

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had not conducted any equity fundraising activities in the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

POSSIBLE ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the Latest Practicable Date, there were 16,000,000 outstanding Share Options granted by the Company exercisable into 16,000,000 Shares. Save for the aforesaid, there are no other options, warrants or other convertible securities granted by the Company that are subsisting as at the Latest Practicable Date. Adjustments to the exercise prices and numbers of the Share Options will be required under the Share Option Scheme as a result of the Rights Issue. The auditor of the Company will be appointed to certify the necessary adjustments to the exercise prices and numbers of the Share Options. Further announcement relating to such adjustments will be made by the Company in this regard as and when appropriate.

GEM LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by 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 ordinary resolution to approve the Rights Issue at the EGM.

As at the Latest Practicable Date, Fortune Time, being a controlling Shareholder of the Company, is beneficially interested in 24,975,000 Shares, representing approximately 31.22% of the issued share capital of the Company. As at the Latest Practicable Date, Fortune Time is owned as to 50%, 25% and 25% by each of Mr. Liang Jianxun (the spouse of Ms. Liang Yingjun, who is the executive Director of the Company), Ms. Liang Zhimei and Mr. Zhang Zhiwei respectively. As such, Fortune Time, the controlling Shareholder of the Company, and its associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

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 theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 10.44A of the GEM Listing Rules) for the Rights Issue are HK\$0.106 per Share, HK\$0.124 per Share and 14.52%, respectively. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

LETTER FROM THE BOARD

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. The notice convening the EGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Tuesday, 1 December 2020 at 11:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

Subject to the approval of 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 Monday, 14 December 2020.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID 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.

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 and/or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement 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. Astrum 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 31 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Advisor set out on pages 32 to 60 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, the Placing Agreement 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
Wan Cheng Metal Packaging Company Limited
Liang Junqian
Chairman and executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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.

Wan Cheng Metal Packaging Company Limited

萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8291)

10 November 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 10 November 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, the Placing Agreement 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 so far as the Independent Shareholders are concerned.

Astrum 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 Astrum Capital, we are of the opinion that the terms of the Rights Issue, the Placing Agreement 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, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Wong Sui Chi

Ms. Ha Yee Lan Elaine

Mr. Wu Chi King

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and Independent Shareholders for inclusion in this circular.



Room 2704, 27/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

10 November 2020

To the Independent Board Committee and
the Independent Shareholders of
Wan Cheng Metal Packaging Company Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of Wan Cheng Metal Packaging Company Limited (the “**Company**”) in relation to the proposed Rights Issue. The details of the Rights Issue were disclosed in the announcement of the Company dated 18 September 2020 (the “**Announcement**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 7 to 30 of the circular of the Company dated 10 November 2020 (the “**Circular**”) to its Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

According to the Letter from the Board, the Company proposed to raise up to approximately HK\$24.0 million before expenses by way of the issue of 240,000,000 Rights Shares at the Subscription Price of HK\$0.10 each and on the basis of three (3) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date (assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date). The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, each of the holders of the Share Options (including Mr. Wang Yun and Mr. Zou Yonggang, the executive Directors, Ms. Ha Yee Lan Elaine, the independent non-executive Director, and employees and consultants of the Company) had signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by 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 ordinary resolution to approve the Rights Issue at the EGM.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. As at the Latest Practicable Date, Fortune Time, being a controlling Shareholder, was beneficially interested in 24,975,000 Shares, representing approximately 31.22% of the issued share capital of the Company. As at the Latest Practicable Date, Fortune Time was owned as to 50%, 25% and 25% by each of Mr. Liang Jianxun (the spouse of Ms. Liang Yingjun, who is the executive Director), Ms. Liang Zhimei and Mr. Zhang Zhiwei, respectively. As such, Fortune Time and its associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King, has been established to give recommendations to the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and as to voting in respect thereof at the EGM. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the Circular, the Placing Agreement, the annual reports of the Company for the financial years ended 31 December 2018 and 31 December 2019 (the “**2018 Annual Report**” and “**2019 Annual Report**”, respectively) and the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”). We have also reviewed certain information provided by the management of the Company (the “**Management**”) relating to the operations, financial condition and prospects of the Group. We have also (i) considered such other information, analysis and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the Rights Issue and the Placing Agreement, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility in providing information of the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the terms of, and the reasons for the Rights Issue (including the Placing Agreement) and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Rights Issue (including the Placing Agreement). Except for the inclusion in the Circular, this letter should not be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

For illustration purposes, amounts in RMB in this letter have been converted into HK\$ at an exchange rate of RMB1.0000 = HK\$1.1335.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

INDEPENDENCE DECLARATION

As at the Latest Practicable Date, we were not aware of any relationships or interests between Astrum Capital Management Limited, the Company and/or any of its respective substantial shareholders, directors or chief executive, or any of their respective associates. In the last two years, there was no other engagement between the Group and Astrum Capital Management Limited. Apart from the normal advisory fees payable to us for the relevant engagement in relation to the Rights Issue, no other arrangement exists whereby we will receive any fees and/or benefits from the Group. Accordingly, Astrum Capital Management Limited is independent 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 connection with the Rights Issue.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the Rights Issue (including the Placing Agreement), we have taken into consideration the following factors and reasons:

1. Information on the Group

According to the Letter from the Board, the Group is principally engaged in manufacturing and sales of tinsplate packaging products in the PRC and Hong Kong. The major products are tin cans and steel pails, which are generally used for storing paint and coatings.

The following table sets out (i) the audited consolidated financial information of the Group for the three financial years ended 31 December 2017, 31 December 2018 and 31 December 2019 (“FY2017”, “FY2018” and “FY2019”, respectively) as extracted from the 2018 Annual Report and the 2019 Annual Report; and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2019 and 30 June 2020 (“1H2019” and “1H2020”, respectively) as extracted from the 2020 Interim Report.

Table 1: Summary of the consolidated financial results of the Group

	FY2017	FY2018	FY2019	1H2019	1H2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	125,691	115,438	59,061	42,230	15,543
Gross profit	25,711	28,861	4,056	9,487	1,883
Profit/(loss) before taxation	865	(7,617)	(28,812)	(2,235)	(6,770)
(Loss) attributable to owners of the Company for the year/period	(3,554)	(7,921)	(28,902)	(2,384)	(6,770)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December 2017 RMB'000 (audited)	As at 31 December 2018 RMB'000 (audited)	As at 31 December 2019 RMB'000 (audited)	As at 30 June 2020 RMB'000 (unaudited)
Non-current assets	37,633	36,378	41,587	39,763
Current assets	154,704	140,498	131,632	124,816
Current (liabilities)	(97,145)	(81,194)	(94,586)	(91,958)
Net current assets	57,559	59,304	37,046	32,858
Non-current (liabilities)	(2,227)	(2,473)	(2,618)	(2,618)
Equity attributable to owners of the Company	92,965	93,209	76,025	70,003

Source: the 2018 Annual Report, the 2019 Annual Report and the 2020 Interim Report

(i) For the year ended 31 December 2018 (i.e. FY2018)

In FY2018, the Group's revenue amounted to approximately RMB115.4 million, representing a decrease of approximately 8.2% as compared to approximately RMB125.7 million in FY2017. Despite the decrease in revenue, the Group's gross profit increased by approximately 12.3% from approximately RMB25.7 million in FY2017 to approximately RMB28.9 million in FY2018, and the gross profit margin increased by approximately 4.5 percentage points from approximately 20.5% in FY2017 to approximately 25.0% in FY2018. As advised by the Management, such increase in gross profit margin was mainly due to the increase in the average selling price of the Group's products in FY2018.

In FY2018, the Group recorded loss attributable to owners of the Company of approximately RMB7.9 million, representing an increase of approximately 122.9% as compared to approximately RMB3.6 million in FY2017. We noted from the 2018 Annual Report that such increase in loss was mainly attributable to (i) the recognition of impairment loss on financial asset at amortised cost of approximately RMB7.1 million in FY2018 (FY2017: nil); and (ii) the increase in selling expenses of approximately RMB3.4 million, which was partially offset by the increase in gross profit of approximately RMB3.2 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2018, the Group's total assets and total liabilities amounted to approximately RMB176.9 million (31 December 2017: approximately RMB192.3 million) and approximately RMB83.7 million (31 December 2017: approximately RMB99.4 million), respectively. Equity attributable to owners of the Company increased slightly from approximately RMB93.0 million as at 31 December 2017 to approximately RMB93.2 million as at 31 December 2018. Such slight increase was mainly attributable to (i) the grant of share options of approximately RMB5.9 million; and (ii) the gain on exchange difference on translating foreign operations of approximately RMB2.3 million, the effect of which was partially offset by loss recorded in FY2018 of approximately RMB7.9 million.

(ii) For the year ended 31 December 2019 (i.e. FY2019)

In FY2019, the Group's revenue amounted to approximately RMB59.1 million, representing a significant decrease of approximately 48.8% as compared to approximately RMB115.4 million in FY2018. Such decrease was mainly attributable to (i) the decrease in sales order of the Group's products which may be caused by the uncertainties under the shadow of China-United States trade war and the negative effect arose from the social incidents in Hong Kong; and (ii) the decrease in the average selling price of the Group's products due to the keen competition in the tinsplate packaging industry during FY2019. The Group's gross profit decreased by approximately 85.9% from approximately RMB28.9 million in FY2018 to approximately RMB4.1 million in FY2019, and the gross profit margin decreased by approximately 18.1 percentage points from approximately 25.0% in FY2018 to approximately 6.9% in FY2019. As advised by the Management, such decrease in gross profit margin was mainly due to the decrease in the average selling price of the Group's products in FY2019.

In FY2019, the Group recorded loss attributable to owners of the Company of approximately RMB28.9 million, representing a significant increase of approximately 264.9% as compared to approximately RMB7.9 million in FY2018. Such deterioration was mainly attributable to (i) the significant decrease in gross profit of approximately RMB24.8 million; and (ii) the increase in impairment loss recognised under expected credit loss of approximately RMB4.4 million, which was partially offset by (i) the decrease in selling expenses of approximately RMB4.5 million; and (ii) the decrease in administrative and other expenses of approximately RMB4.1 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2019, the Group's total assets and total liabilities amounted to approximately RMB173.2 million (31 December 2018: approximately RMB176.9 million) and approximately RMB97.2 million (31 December 2018: approximately RMB83.7 million), respectively. Equity attributable to owners of the Company decreased from approximately RMB93.2 million as at 31 December 2018 to approximately RMB76.0 million as at 31 December 2019. The decrease in equity was primarily due to loss attributable to owners of the Company of approximately RMB28.9 million in FY2019, which was partially offset by (i) the gain on revaluation of properties of approximately RMB7.8 million; (ii) the grant of share options of approximately RMB2.7 million; and (iii) the gain on exchange difference on translation of financial statements of approximately RMB1.2 million.

(iii) For the six months ended 30 June 2020 (i.e. 1H2020)

In 1H2020, the Group's revenue amounted to approximately RMB15.5 million, representing a significant decrease of approximately 63.2% as compared to approximately RMB42.2 million in 1H2019. Such significant decrease was mainly attributable to the drop of sales demand for the Group's products due to the outbreak of Coronavirus pandemic ("COVID-19"). In line with the significant decrease in revenue, the Group's gross profit decreased by approximately 80.2% from approximately RMB9.5 million in 1H2019 to approximately RMB1.9 million in 1H2020.

The Group recorded loss attributable to owners of the Company of approximately RMB6.8 million in 1H2020, representing an increase of approximately 184.0% as compared to approximately RMB2.4 million in 1H2019. Such deterioration was mainly attributable to the decrease in gross profit of approximately RMB7.6 million, which was partially offset by the decrease in administrative and other expenses of approximately RMB3.8 million.

As at 30 June 2020, the Group's total assets and total liabilities amounted to approximately RMB164.6 million (31 December 2019: approximately RMB173.2 million) and approximately RMB94.6 million (31 December 2019: approximately RMB97.2 million), respectively. Equity attributable to owners of the Company decreased from approximately RMB76.0 million as at 31 December 2019 to approximately RMB70.0 million as at 30 June 2020. The decrease in equity was primarily due to loss attributable to owners of the Company of approximately RMB6.8 million in 1H2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Background of and reasons for the Rights Issue and proposed use of proceeds

According to the Letter from the Board, the Company proposed to raise up to approximately HK\$24.0 million before expenses by way of the issue of 240,000,000 Rights Shares at the Subscription Price of HK\$0.10 each and on the basis of three (3) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date (assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date). The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any). The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$22.9 million (assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date).

As advised by the Management, the Board has been closely monitoring the financial position of the Group from time to time to ensure that the Group has sufficient working capital for its daily operation. Nevertheless, due to the unfavourable market conditions and the keen competition in the industry, the sales of the Group's products demonstrated a decreasing trend since FY2017 which inevitably affected the cashflow of the Group. According to the financial reports of the Company, the cash and cash equivalents of the Group maintained at a relatively low level of less than RMB3.0 million for the past few years and amounted to approximately RMB2.9 million as at 30 June 2020. As advised by the Management, as at the Latest Practicable Date, the principal amount of total outstanding bank and other borrowings was approximately RMB103.5 million (the "**Borrowings**"). Accordingly, the Management considered that the Group should raise sufficient fund to replenish its financial resources and strengthen its financial position.

Table 2: Summary of the Borrowings

Nature	Principal	Interest rate (approximately)	Principal amount		
	amount (RMB'000)		Due in 2020 (RMB'000)	Due in 2021 (RMB'000)	Due after 2021 (RMB'000)
Secured bank borrowings:	84,400.0	5.0-7.5% p.a.	6,000.0	40,400.0	38,000.0
Secured other borrowings:	<u>19,100.0</u>	18.0% p.a.	<u>675.0</u>	<u>15,487.5</u>	<u>2,937.5</u>
Total	<u><u>103,500.0</u></u>		<u><u>6,675.0</u></u>	<u><u>55,887.5</u></u>	<u><u>40,937.5</u></u>

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Since late of January 2020, travel restrictions and other public health measures including the extension of Lunar New Year holiday and quarantine requirements of travelers (the “**Public Health Measures**”) were imposed in various areas in the PRC in an attempt to control the spread of COVID-19. In particular, the closed community management in Foshan, Guangdong Province, the PRC (where the sole factory of the Group is located) was implemented on 8 February 2020, causing some staff of the Group to be restricted from travelling or otherwise returning to work after holiday. The prolonged effect of COVID-19 and the Public Health Measures has adversely affected the Group’s business and operations. To address the unfavourable market condition and ease the pressure on the liquidity of the Group, the Management has been actively negotiating with banks and financial institutions to explore the possibility of the extension of the maturity dates of the existing borrowings and/or applying for new loans. As advised by the Management, the Group has negotiated with Guangdong Shunde Rural Commercial Bank Company Limited (being one of the principal banks of the Company, “**Shunde Rural Bank**”) for the possibility of (i) extending the maturity date of the existing bank borrowings in the principal amount of RMB40.0 million, majority of which would be initially due in September and October 2020; and (ii) providing additional borrowings. However, in view of (i) the loss-making position of the Group since FY2017; (ii) the financial position of the Group; and (iii) the impact from the outbreak of COVID-19, Shunde Rural Bank agreed with the Group to extend the maturity date of the borrowings with the principal amounts of RMB12.0 million to January 2021 and RMB26.0 million to September 2021 but reduce the loan size from RMB40.0 million to RMB38.0 million. Shunde Rural Bank also rejected to grant new borrowings to the Group for general working capital and/or repayment of existing borrowings. Based on the Group’s recent communication with Agricultural Bank of China (“**ABC**”), ABC has no intention to renew the borrowings in the principal amount of RMB8.4 million, majority of which will be due in late 2020, under the prevailing market conditions and the existing financial performance and position of the Group.

We were further advised by the Management that collaterals would, in general, be required for obtaining new bank borrowings. However, save for the collaterals of the existing secured borrowings and bills payables, the Group did not have any other significant assets which would be accepted by the banks as collaterals for additional bank borrowings as at the Latest Practicable Date. In view of the above, the Group obtained higher-cost borrowings from a non-bank financial institution (the “**FI Borrowings**”). The outstanding principal amounts of the FI Borrowings increased from RMB4.5 million as at 31 December 2019 to approximately RMB19.1 million as at the Latest Practicable Date. Accordingly, the increase in total borrowings and the proportion of the FI Borrowings have resulted in a substantial increase in the finance costs of the Group. Based on the unaudited management accounts of the Group, the Group’s financial costs for the nine months ended 30 September 2020 (“**9M2020**”) had escalated to approximately RMB4.4 million, representing an increase of 96.1% as compared to the corresponding period in 2019 of approximately RMB2.2 million. Without the prompt implementation of an effective and low-cost fund-raising means, the profitability of the Group would be seriously eroded by the increasing financial costs.

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The Management advised us that the total cash and bank balances of the Group amounted to approximately RMB13.9 million as at 30 September 2020, which was insufficient for the repayment of the borrowings of approximately RMB62.6 million to be falling due in 2020 and 2021. Therefore, the Company intends to apply the net proceeds from the Rights Issue for the partial repayment of the Borrowings due in 2021 of approximately RMB20.2 million (equivalent to approximately HK\$22.9 million). According to the Letter from the Board, if the Rights Issue is under-subscribed and the net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) is less than RMB20.2 million, all of such net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the partial repayment of the Borrowings.

Taking into account (i) the cash and cash equivalents of the Group amounted to approximately RMB13.9 million as at 30 September 2020, which was insufficient for the settlement of the loan of approximately RMB62.6 million to be falling due in 2020 and 2021; (ii) the Group recorded net operating cash outflow for the last three financial years ended 31 December 2019 and 9M2020; (iii) the impact on the Group's business, operations and financial position from the outbreak of COVID-19 and the Public Health Measures; (iv) the FI Borrowings incur significant interest expenses; (v) the Board intends to reduce the debt level of the Group as well as to minimise its reliance on banks and other borrowings for financing; and (vi) the working capital required for the Group's daily operation, we concur with the Management's opinion that it is necessary for the Group to raise sufficient fund in order to meet the capital requirement for the repayment of the Borrowings and strengthen its financial position.

Assuming full acceptance of the Rights Issue and following the implementation of the utilization of the net proceeds as stated above, the Management expects to reduce its borrowings to a lower level, and therefore, improve the liquidity and gearing ratio of the Group. The better financial position would also allow the Group to have a better opportunity for obtaining or extension of bank borrowings at better terms.

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Upon enquiry, the Management advised us that they had considered other fund-raising methods to satisfy the funding needs of the Group. Apart from the Rights Issue, the Management advised us that they have considered other debt or equity fund raising alternatives such as borrowings, placing or an open offer. The Directors consider that borrowings, if available, will incur finance costs and further worsen the liquidity of the Group while collaterals would also be required in obtaining new bank borrowings as mentioned above. The Company is also reluctant to obtain additional short-term financing from small financial institutions due to high interest rate charged by those institutions. Placing and subscription of new Shares will dilute the interests of existing Shareholders without offering them the opportunities to participate in the fund raising exercise. The Directors have also considered to conduct the equity fund raising by way of open offer, which is of similar nature as rights issue. However, open offer does not offer the Shareholders with the opportunity to trade the nil-paid rights in the market.

The Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that the Rights Issue is an appropriate fund raising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth. The Rights Issue also offers the Qualifying Shareholders an opportunity to maintain their respective *pro rata* shareholding interests in the Company to avoid dilution of their respective shareholding if they choose to subscribe for the Rights Shares. In addition, the Company has consulted several brokers (including the Placing Agent) about the possibility and feasibility for underwriting the Rights Issue. Apart from the Placing Agent who expressed its interest in acting as a placing agent on best effort basis, no favourable feedbacks were received by the Company due to the current capital market situation. The Directors consider that 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). As such, the Directors subsequently decided to conduct the Rights Issue on non-underwritten basis and adopt the Placing Arrangement simultaneously in order to enhance the possibility to raise sufficient funds to the Company. Having considered the other fund-raising alternatives, the costs and unfavourable feedback of underwriting services and the proposed terms of the Rights Issue and the Subscription Price, the Directors consider that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis.

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Having considered the facts that (i) the cash and cash equivalents of the Group amounted to approximately RMB13.9 million as at 30 September 2020, which was insufficient for the settlement of the loan of approximately RMB62.6 million to be falling due in 2020 and 2021; (ii) it is necessary for the Group to raise sufficient fund in order to meet the capital requirement for the repayment of the Borrowings and strengthen its financial position; (iii) with the improvement in the Group's financial position, the Group would also allow to have a better opportunity for obtaining or extension of bank borrowings at better terms for its business operation and development as and when necessary; (iv) the Group recorded continual loss for the last three financial years ended 31 December 2019 and 1H2020, and debt financing will inevitably increase interest burden and further deteriorate the financial performance of the Group; (v) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for the Rights Shares for maintaining their respective existing shareholding interests in the Company; (vi) the Placing Arrangement allows the Placing Agent to procure investors to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares which mitigates the risk of low level of acceptance of the Rights Shares; (vii) the gross commission charged by the Placing Agent is based on the number of Unsubscribed Rights Shares and ES Unsold Rights Shares successfully placed by the Placing Agent, which should be at least the same or lower than the underwriting commission as it is based on the number of underwritten shares; (viii) other fund raising alternatives are not feasible (such as further borrowings) or favorable to independent shareholders (such as placing and open offer) as detailed in the previous two paragraphs above, we concur with the Management's view that the implementation of the Rights Issue, though on a best-effort basis, is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

According to the Letter from the Board, when adopting the ratio of the Rights Issue, the Board has considered, among other things, the recent market prices of the Shares, the discount with reference to the recent cases of rights issue, the funding needs of the Group and the potential dilution effect of the Rights Issue. The Company is of the view that the ratio of 3 Rights Shares for every 1 existing Share held on the Record Date would meet the funding needs of the Group while not resulting in a large theoretical dilution effect for the existing Shareholders whereas (i) a higher ratio would require the Qualifying Shareholders to take up more entitlements to avoid being diluted and increase the commission expenses to be paid by the Company to the Placing Agent; and (ii) a lower ratio would not meet the Group's funding needs as disclosed above. Having considered the facts that (i) the offer ratio of the Rights Issue were determined by the Board with reference to, among other things, the funding needs of the Group; (ii) the net proceeds from the Rights Issue will be used for the partial repayment of the Borrowings due in 2021 of approximately RMB20.2 million (equivalent to approximately HK\$22.9 million), which will bring positive financial effect on the Group (in particular, the financial position and the gearing ratio) as discussed in the section headed "5. Financial effects of the Rights Issue" below; and (iii) the Rights Issue offers all the Qualifying Shareholders equal opportunity to subscribe for their *pro-rata* provisional allotments of the Rights Shares and hence avoids shareholding dilution if they wish to do so, we are of the view that the offer ratio of the Rights Issue of 3 Rights Shares for every 1 existing Share held on the Record Date strike a balance between the funding needs of the Group and the interests and benefits of the Qualifying Shareholders.

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3. Principal terms of the Rights Issue

Set out below is summary of the principal terms of the Rights Issue, further details of which are set out in the Letter from the Board:

Issue statistic

Basis of Rights Issue:	Three (3) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price:	HK\$0.10 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	80,000,000 Shares
Number of Rights Shares:	Up to 240,000,000 Rights Shares (assuming no change in the issued share capital of the Company on or before the Record Date)
Aggregate nominal value of the Rights Shares	Up to HK\$12,000,000 (assuming no change in the issued share capital of the Company on or before the Record Date)
Number of issued shares of the Company upon completion of the Rights Issue	Up to 320,000,000 Shares (assuming no change in the issued share capital of the Company on or before the Record Date other than the Rights Shares)
Maximum funds raised before expenses:	Up to approximately HK\$24.0 million (assuming no change in the issued share capital of the Company on or before the Record Date and all the Rights Shares will be taken up)

Assuming no change in the issued share capital of the Company on or before the Record Date (other than the Rights Shares will be allotted and issued on or before completion of the Rights Issue), the 240,000,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent (i) approximately 300% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

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Subscription Price

The Subscription Price of HK\$0.10 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

According to the Letter from the Board, the Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market conditions, recent rights issue in the market and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “Reasons for the Rights Issue and the use of proceeds” in the Letter from the Board.

In order to assess the fairness and reasonableness of the Subscription Price, we conducted the following analysis:

A. Comparison of the Subscription Price

The Subscription Price of HK\$0.10 represents:

- (i) a discount of approximately 19.4% to the closing price of HK\$0.124 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.0% to the average of the closing prices of Shares for the five consecutive trading days ended on the Last Trading Day of approximately HK\$0.122 per Share (the “**5-day Average Price**”);
- (iii) a discount of approximately 18.0% to the average of the closing prices of Shares for the ten consecutive trading days ended on the Last Trading Day of approximately HK\$0.122 per Share;
- (iv) a discount of approximately 5.7% to the theoretical ex-rights price of approximately HK\$0.106 per Share based on the closing price per Share of HK\$0.124 as quoted on the Stock Exchange on the Last Trading Day;

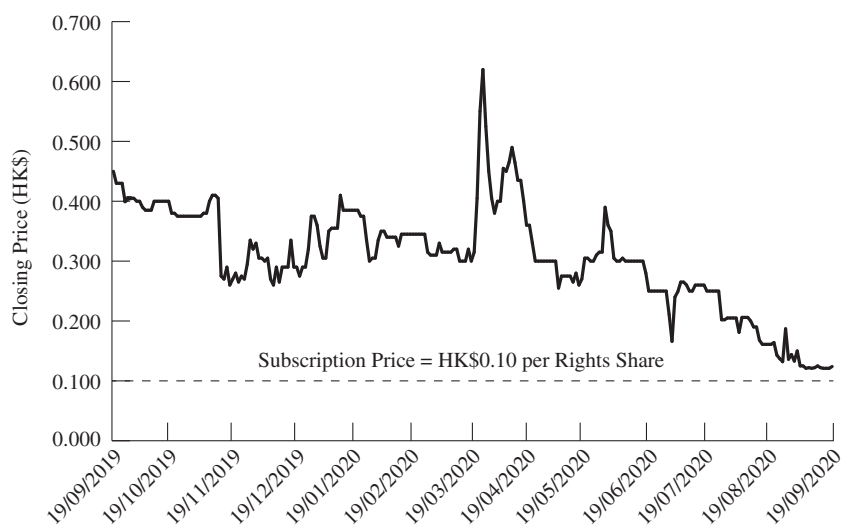
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- (v) a discount of approximately 21.3% to the closing price of HK\$0.127 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (vi) a discount of approximately 89.9% to the unaudited consolidated net asset value per Share of approximately HK\$0.992 (based on the latest published consolidated equity attributable to owners of the Company of approximately RMB70.0 million (equivalent to approximately HK\$79.3 million) as at 30 June 2020 as disclosed in the 2020 Interim Report and 80,000,000 Shares in issue as at the Latest Practicable Date).

B. Historical price performance of the Shares

In assessing the fairness and reasonableness of the Subscription Price, we have primarily made reference to the 12-month historical price performance of the Shares as we consider a 12-month period to be reasonably long enough to illustrate the historical trend and level of movement of the closing prices of the Shares. Set out below is the chart showing the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 19 September 2019, being the 12-month period prior to the Last Trading Day, up to and including the Last Trading Day (i.e. 18 September 2020) (the “**Review Period**”):

Chart 1: Share price performance during the Review Period



Source: the website of the Stock Exchange

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As illustrated in Chart 1 above, during the Review Period, the closing price of the Shares ranged from the lowest closing price of HK\$0.121 per Share (as recorded on 7 September 2020, 9 September 2020, 15 September 2020, 16 September 2020 and 17 September 2020) to the highest closing price of HK\$0.620 per Share (as recorded on 25 March 2020), with an average closing price of approximately HK\$0.306 per Share. The Subscription Price is below the closing prices per Share throughout the Review Period and represents (i) a discount of approximately 17.4% to the lowest closing price of the Shares; (ii) a discount of approximately 83.9% to the highest closing price of the Shares; and (iii) a discount of approximately 67.3% to the average closing price of the Shares during the Review Period, respectively.

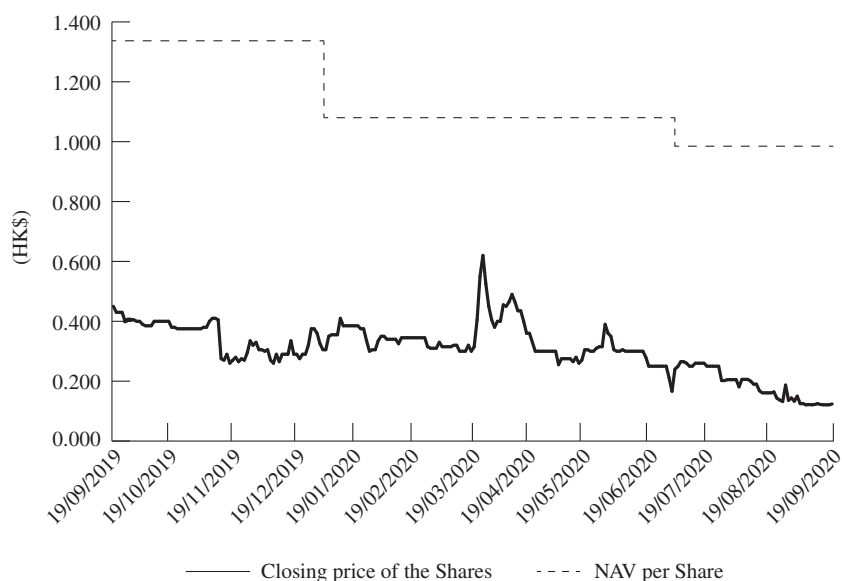
During the period commencing from 19 September 2019 to 19 March 2020, the closing price of the Shares fluctuated within the range from HK\$0.260 per Share to HK\$0.450 per Share. After that, the closing price of the Shares surged upwards and reached its peak at HK\$0.620 per Share on 25 March 2020. We discussed with the Management regarding the price trend and were advised that they are not aware of other particular reason that led to the surge of the price of the Shares.

After reaching the highest point on 25 March 2020, the closing price of the Shares then exhibited a downward trend and hit the lowest point of HK\$0.121 per Share on 7 September 2020. We have enquired the Management regarding the downward trend of the Share price and were advised that, save for (i) the impact arising from the outbreak of COVID-19; (ii) the annual results announcement for the year ended 31 December 2019 published on 31 March 2020; (iii) the profit warning announcement dated 8 May 2020; (iv) the first quarterly results announcement of the Company for the three months ended 31 March 2020 published on 14 May 2020; and (v) the interim results announcement of the Company for the six months ended 30 June 2020 published on 13 August 2020, they are not aware of any particular reason that led to the downward trend of the price of the Shares. Thereafter, the closing price of the Shares closed at HK\$0.124 on the Last Trading Day (i.e. 18 September 2020).

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In addition, we noted that the Subscription Price represents a discount of approximately 89.9% to the NAV per Share (based on the calculation shown in paragraph headed “A. Comparison of the Subscription Price” above). The following chart depicts the closing price of the Shares and the NAV per Share during the Review Period:

Chart 2: Closing price of the Share versus NAV per Share during the Review Period



Source: the website of the Stock Exchange

Note: The NAV per Share is calculated by dividing the equity attributable to owners of the Company as extracted from the then latest published financial reports of the Company by the total number of issued Shares at the relevant date.

Having considered that the Shares were traded at a deep discount to the NAV per Share throughout the Review Period, we consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Subscription Price and that the discount of the Subscription Price to the NAV per Share is justifiable.

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C. Historical trading volume of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Table 3: Trading volume of the Shares during the Review Period

Month/period	Total trading volume (No. of Shares)	No. of trading days	Average daily trading volume (No. of Shares)	Percentage of the average daily trading volume to the total number of Shares in issue (Note 1)	Percentage of the average daily trading volume to the total number of Shares held by public Shareholders (Note 2)
September 2019 (From 19 September 2019)	9,000	8	1,125	0.001%	0.002%
October 2019	164,000	21	7,810	0.010%	0.014%
November 2019	2,393,000	21	113,952	0.142%	0.207%
December 2019	4,974,000	20	248,700	0.311%	0.452%
January 2020	1,035,000	20	51,750	0.065%	0.094%
February 2020	706,000	20	35,300	0.044%	0.064%
March 2020	12,293,600	22	558,800	0.699%	1.016%
April 2020	4,084,000	18	226,889	0.284%	0.412%
May 2020	2,442,000	20	122,100	0.153%	0.222%
June 2020	445,000	21	21,190	0.026%	0.039%
July 2020	1,235,000	22	56,136	0.070%	0.102%
August 2020	723,000	21	34,429	0.043%	0.063%
September 2020 (up to the Last Trading Day)	4,384,470	14	313,176	0.391%	0.569%

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

Notes:

- The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Last Trading Day (i.e. 80,000,000 Shares).
- The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by public Shareholders as at the Last Trading Day (i.e. 55,025,000 Shares).

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As illustrated in Table 2 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 1,125 Shares to approximately 558,800 Shares, representing approximately 0.001% to approximately 0.699% of the total number of the Shares in issue as at the Last Trading Day, or approximately 0.002% to approximately 1.016% of the total number of Shares held by public Shareholders as at the Last Trading Day.

During the Review Period, the average daily trading volume of the Shares of approximately 140,678 Shares represents (i) approximately 0.176% of the total number of Shares in issue as at the Last Trading Day; and (ii) approximately 0.256% of the total number of issued Shares held by public Shareholders as at the Last Trading Day. We are of the view that the average daily trading volume of the Shares was relatively thin during the Review Period and it is necessary to set the Subscription Price at a discount to the recent market price, so as to attract the Qualifying Shareholders to participate in the Rights Issue.

D. Comparable Analysis

To assess the fairness and reasonableness of the terms of the Rights Issue, we have identified all rights issue announced by companies listed on the Stock Exchange (the “**Comparables**”) during the three-month period immediately before the Last Trading Day. Due to the outbreak of COVID-19, the global economy has undergone drastic and rapid changes during 2020. Therefore, we consider that the three-month period could reflect the most recent trend of rights issue transactions conducted by companies listed on the Stock Exchange under the recent market condition. To the best of our knowledge and endeavour and as far as we are aware of, we identified an exhaustive list of 12 transactions which met the said criteria and had not lapsed as at the Latest Practicable Date. We consider the sample size of the Comparables to be sufficient, fair and representative to reflect the most recent market condition prior to the Last Trading Date.

Shareholders should, however, note that the businesses, operations and prospect of the Company are not the same as the Comparables. Notwithstanding that, we consider that the terms of the Comparables were determined under similar market conditions and sentiment and hence, provide a general reference on the key terms for this type of transaction in Hong Kong. Therefore, we consider that the Comparables are indicative in assessing the fairness and reasonableness of the terms of the Rights Issue (including the Subscription Price). The following table sets forth the relevant details of the Comparables:

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Table 4: Details of the Comparables

Date of announcement	Name of Company (Stock Code)	Basis of Entitlement	Discount of subscription price to the share price as at the last trading day prior to the date of the announcement ("LTD Discount") (%)	Discount of subscription price to the average share price for the last five (5) consecutive trading days prior to the date of the announcement ("5 Days Discount") (%)	Discount of subscription price to the average share price for the last ten (10) consecutive trading days prior to the date of the announcement ("10 Days Discount") (%)	Discount of subscription price to the theoretical ex-rights price based on the share price as at the last trading day prior to the date of the announcement ("Ex-rights Discount") (%)	Maximum dilution (%)	Theoretical dilution effect (%)	Placing/Underwriting Commission (%)	Fully/partly underwritten Y/N	Excess application Y/N
11/09/2020	Amber Hill Financial Holdings Limited (33)	3 for 1	23.66	27.55	31.73	7.79	75.00	20.41	2.00	N	N
03/09/2020	Aeso Holding Limited (8341)	3 for 1	16.70	16.20	20.16	4.80	75.00	12.50	2.50	N	N
28/08/2020	Royal Century Resources Holdings Limited (8125)	2 for 1	25.00	28.57	30.88	10.00	66.67	19.05	2.00	Y	N
28/08/2020	Milan Station Holdings Limited (1150)	5 for 2	10.57	12.00	14.06	3.51	71.43	9.17	2.00	Y	Y
24/08/2020	Wealth Glory Holdings Limited (8269)	5 for 2	11.10	12.10	12.10	3.60	71.43	8.77	2.50	Y	Y
10/08/2020	Beaver Group (Holding) Company Limited (8275)	1 for 2	28.95	28.95	25.82	20.59	33.33	10.53	5.00	Y	Y
05/08/2020	Greatwall Inc. (8315)	1 for 3	27.54	7.41	7.41	21.88	25.00	7.25	1.74 (Note 2)	Y	Y
30/07/2020	Larry Jewelry International Company Limited (8351)	5 for 1	29.17	29.17	28.57	6.59	83.33	24.31	5.00	Y	Y
16/07/2020	Langham Hospitality Investments Limited (1270)	1 for 2	13.60	15.20	18.10	9.50	33.33	5.20	N/A	N	Y
07/07/2020	National Investments Fund Limited (1227)	5 for 1	28.57	27.69	27.39	6.25	83.33	23.81	3.50	Y	Y
06/07/2020	China Merchants Securities Co., Ltd. (6099)	3 for 10	41.79	11.09	6.95	20.33	23.08	9.64	N/A	Y	Y
02/07/2020	Luxey International (Holdings) Limited (8041)	1 for 2	58.30 (Note 1)	59.30 (Note 1)	59.80 (Note 1)	48.20 (Note 1)	33.33	19.92	N/A	N	Y

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Date of announcement	Name of Company (Stock Code)	Basis of Entitlement	Discount of subscription price to the share price as at the last trading day prior to the date of the announcement ("LTD Discount") (%)	Discount of subscription price to the average share price for the last five (5) consecutive trading days prior to the date of the announcement ("5 Days Discount") (%)	Discount of subscription price to the average share price for the last ten (10) consecutive trading days prior to the date of the announcement ("10 Days Discount") (%)	Discount of subscription price to the theoretical exercise price based on the share price as at the last trading day prior to the date of the announcement ("Ex-rights Discount") (%)	Maximum dilution (%)	Theoretical dilution effect (%)	Placing/Underwriting Commission (%)	Fully/partly underwritten Y/N	Excess application Y/N
Scenario I: All of the above Comparables (Note 1)											
	Maximum:		41.79	29.17	31.73	21.88	83.33	24.31	5.00		
	Minimum:		10.57	7.41	6.95	3.51	23.08	5.20	1.74		
	Average:		23.33	19.63	20.29	10.44	56.19	14.21	2.92		
	Median:		25.00	16.20	20.16	7.79	69.05	11.52	2.50		
	Standard Deviation:		13.57	14.13	14.39	12.81	24.11	6.81			
Scenario II: Comparables conducted on a non-underwritten basis											
	Maximum:		58.30	59.30	59.80	48.20	75.00	20.41	2.50		
	Minimum:		13.60	15.20	18.10	4.80	33.33	5.20	2.00		
	Average:		28.07	29.56	32.45	17.57	54.17	14.51	2.25		
	Median:		20.18	21.88	25.94	8.65	54.17	16.21	2.25		
	Standard Deviation:		20.59	20.60	19.20	20.51	24.06	7.18			
18/09/2020	The Company (8291)	3 for 1	19.35	18.03	18.03	5.66	75.00	14.52	2.50	N	N

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

Notes:

- As the LTD Discount, the 5 Days Discount, the 10 Days Discount and the Ex-rights Discount (altogether, the "Discount Ratios") represented by the subscription price of Luxey International (Holdings) Limited (stock code: 8041) ("Luxey International") exceed two standard deviation from the average of the relevant discount ratios of the Comparables, we consider that the subscription price of Luxey International is an outlier and have excluded it from our analysis for the Discount Ratios represented by the Comparables.
- The underwriting commission paid by Greatwall Inc. (8315) to the underwriter was a fixed amount of HK\$200,000. The underwriting commission of 1.74 was calculated by dividing the fixed commission of HK\$200,000 by the amount of underwriting commitment of the underwriter of approximately HK\$11.5 million.

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We noted that, among the Comparables, the Discount Ratios represented by the subscription price of Luxey International exceed two standard deviation from the average of those of other Comparables. Therefore, we consider that the subscription price of Luxey International is an outlier. To avoid distortion to the overall comparable analysis due to the abnormality of such results, the Discount Ratios represented by the subscription price of Luxey International has been excluded from our analysis under Scenario I.

As shown in Table 4 above, we noted that under Scenario I, (i) the LTD Discount represented by the subscription prices of the Comparables ranged from approximately 10.57% to approximately 41.79%, with an average of approximately 23.33% and a median of approximately 25.00%; (ii) the 5 Days Discount represented by the subscription prices of the Comparables ranged from approximately 7.41% to approximately 29.17%, with an average of approximately 19.63% and a median of approximately 16.20%; (iii) the 10 Days Discount represented by the subscription prices of the Comparables ranged from approximately 6.95% to approximately 31.73%, with an average of approximately 20.29% and a median of approximately 20.16%; and (iv) the Ex-rights Discount represented by the subscription prices of the Comparables ranged from approximately 3.51% to approximately 21.88%, with an average of approximately 10.44% and a median of approximately 7.79%. The Discount Ratios represented by the Subscription Price are within the range of and lower than the average of the relevant Discount Ratios represented by the subscription prices of the Comparables.

Given the facts that (i) the Rights Issue will proceed on a non-underwritten basis; and (ii) the Subscription Price was solely determined by the Board with reference to, among other things, the recent market prices of the Shares, the current market conditions, the recent rights issue in the market and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS” in the Letter from the Board, we compared the Discount Ratios represented by the Subscription Price of the Rights Issue and the subscription price of those Comparables which were conducted on a non-underwritten basis to further assess the fairness and reasonableness of the Subscription Price. As shown in Table 4 above, 4 out of 12 Comparables were conducted on a non-underwritten basis and under Scenario II, (i) the LTD Discount represented by the subscription prices of the Comparables ranged from approximately 13.60% to 58.30%, with an average of approximately 28.07% and a median of approximately 20.18%; (ii) the 5 Days Discount represented by the subscription prices of the Comparables ranged from approximately 15.20% to approximately 59.30%, with an average of approximately 29.56% and a median of approximately 21.88%; (iii) the 10 Days Discount represented by the

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subscription prices of the Comparables ranged from approximately 18.10% to approximately 59.80%, with an average of approximately 32.45% and a median of approximately 25.94%; and (iv) the Ex-rights Discount represented by the subscription prices of the Comparables ranged from approximately 4.80% to approximately 48.20%, with an average of approximately 17.57% and a median of approximately 8.65%. The Discount Ratios represented by the Subscription Price are within the range of and lower than the average and median of the relevant Discount Ratios represented by the subscription prices of the Comparables which were conducted on a non-underwritten basis.

Furthermore, the theoretical dilution effect represented by the Comparables under Scenario I ranged from 5.20% to approximately 24.31%, with an average of approximately 14.21% and a median of approximately 11.52%. Having considered that (i) the theoretical dilution effect represented by the Rights Issue of approximately 14.52% falls within the range of that of the Comparables; and (ii) all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, we consider that the theoretical dilution effect of the Subscription Price is acceptable and in the interests of the Company and the Shareholders as a whole.

Notwithstanding that the Subscription Price represents a discount of approximately 19.35% and approximately 18.03% to the closing price of the Shares on the Last Trading Day and the 5-day Average Price, respectively, having considered the fact that:

- (i) all Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares in proportion to their shareholdings held on the Record Date, and no interest of any Qualifying Shareholder is prejudiced in this respect;
- (ii) the Discount Ratios represented by the Subscription Price are within the range of and lower than the average of the relevant Discount Ratios represented by the subscription prices of the Comparables under Scenario I;
- (iii) the Discount Ratios represented by the Subscription Price are within the range of and lower than the average and median of the relevant Discount Ratios represented by the subscription prices of the Comparables which were conducted on a non-underwritten basis under Scenario II;

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- (iv) it is the normal market practice for listed companies to set the subscription price of rights issue at a discount to the prevailing trading price of the shares;
- (v) the Subscription Price set as a discount to the recent closing prices of the Shares encourages existing Shareholders to take up their entitlements and to participate in the future development of the Company;
- (vi) the theoretical dilution effect represented by the Rights Issue of approximately 14.52% falls within the range of that of the Comparables under Scenario I; and
- (vii) the impact arising from the outbreak of COVID-19,

we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

No application for excess Rights Shares

As stated in the Letter from the Board, the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. We have reviewed the Comparables, and noted that 3 out of 12 Comparables did not offer excess application to their respective shareholders while 2 out of 4 Comparables which were conducted on non-underwritten basis did not offer excess application to their respective shareholders. Therefore, we consider that the absence of excess application arrangement is not an uncommon market practice.

Although the absence of excess application arrangement might not be desirable for those Qualifying Shareholders who wish to take up additional Rights Shares in excess of their assured entitlements, after having considered the facts that (i) the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective *pro rata* shareholding interests in the Company; (ii) the Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full can maintain their respective existing shareholdings in the Company after completion of the Rights Issue; and (iii) the absence of excess application arrangement is not an uncommon market practice, we are of the view that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

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Compensatory Arrangements

According to the Letter from Board, the Company would make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule 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 Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. Therefore, on 18 September 2020 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 16 October 2020), pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Please refer to the section headed “THE PLACING AGREEMENT” in the Letter from the Board for the details of the Placing Agreement.

A. Placing Price

The placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be) (the “**Placing Price**”) 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 during the process of placement.

Given that (i) the Placing Price shall be at least equal to the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed “Subscription Price” above, we considered that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

B. Placing Commission

Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission of 2.5% of the aggregate Placing Price in respect of such number of the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent (the “**Placing Commission**”). As advised by the Management, the Placing Commission was determined after arm’s length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition.

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As illustrated in Table 4 above, the placing/underwriting commission rate of the Comparables arranged from 1.74% to 5.0%, with an average of approximately 2.92% and a median of 2.5%. The Placing Commission falls within the range of the placing/underwriting commission of the Comparables and is lower than the average of the placing/underwriting commission rate of the Comparables. Accordingly, we consider that the Placing Commission is fair and reasonable.

We have also reviewed other major terms of the Placing Agreement, including but not limited to the payment terms, the conditions and termination clause of the Placing Agreement (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Placing Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

In view of the above, we consider that the implementation of the Compensatory Arrangements is in the interests of the Company and the Shareholders as a whole.

4. Potential dilution effect on the shareholding of the Company

Set out below is the shareholding structure of the Company, assuming there is no change in the issued share capital of the Company before completion of the Rights Issue other than the allotment and issue of Rights Shares pursuant to the Rights Issue, (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 and none 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 and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Table 5: Shareholding structure of the Company

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue 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 and none 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 and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Controlling Shareholder								
Fortune Time	24,975,000	31.22	99,900,000	31.22	24,975,000	31.22	24,975,000	7.80
Public Shareholders								
Independent Places (Note 2)	-	-	-	-	-	-	240,000,000	75.00
Other public shareholders	55,025,000	68.78	220,100,000	68.78	55,025,000	68.78	55,025,000	17.20
Total	<u>80,000,000</u>	<u>100.00</u>	<u>320,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>320,000,000</u>	<u>100.00</u>

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Notes:

1. The above percentage figures are subject to rounding adjustments. Accordingly, figures shown as total may not be an arithmetic aggregation of the figures preceding it.
2. This scenario is for illustrative purpose only. 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.

Pursuant to the Placing Agreement, (i) the Placing Agent and/or its sub-placing agents, who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), shall procure that the Placee(s), who and whose ultimate beneficial owner(s) 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; (ii) none of the Placee(s) and/or its ultimate beneficial owners will become a Substantial Shareholder of the Company (i.e., holding 10% or more of the total issued shares of the Company) as a result of the Placing Arrangement; and (iii) the Placing Agent shall and shall cause its sub-placing agents to procure Placees independent of the Company and its connected persons to take up such number of Rights Shares as may be necessary to ensure that the public float requirements under the GEM Listing Rules are complied with.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their provisional allotments in full under the Rights Issue, their shareholding interests in the Company will remain unchanged upon completion of the Rights Issue (assuming full acceptance of the Rights Issue). Qualifying Shareholders who do not accept the Rights Issue entitlements can, subject to the then prevailing market conditions, consider selling their nil-paid Rights Shares in the market. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 75.0%.

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Having considered (i) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for the Rights Shares for maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; (iii) the reasons for and benefits of the Rights Issue as stated in the section headed “2. Background of and reasons for the Rights Issue and proposed use of proceeds” above; and (iv) the positive impact on the financial position of the Group as stated in the section headed “5. Financial effects of the Rights Issue” below, we are of the view that the potential dilution effect on the shareholding interest of the Shareholders (who decide not to take up their assured entitlements in full) as a result of the Rights Shares, is justifiable.

5. Financial effects of the Rights Issue

(i) Effect on working capital

According to the 2020 Interim Report, the cash and cash equivalents of the Group was approximately RMB2.9 million as at 30 June 2020. Upon completion of the Rights Issue and prior to any repayment of the bank borrowings, the cash position of the Group will be enhanced by the net proceeds from the Rights Issue, if fully subscribed, of approximately HK\$22.9 million (equivalent to approximately RMB20.2 million). Accordingly, the working capital positions of the Group are expected to be improved upon completion of the Rights Issue.

(ii) Effect on gearing ratio

Based on the management account of the Company for the nine months ended 30 September 2020 provided by the Management, the Group’s total borrowings and net assets amounted to approximately RMB105.5 million and approximately RMB61.4 million as at 30 September 2020, and the gearing ratio (calculated as a percentage of total borrowings over net assets) was approximately 171.8%. According to the Letter from the Board, the Company intends to apply all the net proceeds from the Rights Issue, if fully subscribed, of approximately HK\$22.9 million (equivalent to approximately RMB20.2 million) for the repayment of the Borrowings. Assuming the Rights Issue had been completed on 30 September 2020 and the partial repayment of the Borrowings of HK\$22.9 million (equivalent to approximately RMB20.2 million) had been done on 30 September 2020, the Group’s pro forma total borrowings and net assets would be approximately RMB85.3 million and approximately RMB81.6 million, respectively, and the pro forma gearing ratio of the Group will be improved to approximately 104.5% upon completion of the Rights Issue and partial repayment of the Borrowings.

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(iii) Effect on net assets

According to the 2020 Interim Report, net asset attributable to owners of the Company was approximately RMB70.0 million as at 30 June 2020. Upon completion of the Rights Issue, the net assets of the Group will be enhanced by the net proceeds from the Rights Issue, if fully subscribed, of approximately HK\$22.9 million. As such, the Rights Issue is expected to have a positive impact on the financial position of the Group.

OPINION

Having taken into account the above principal factors and reasons, we consider that although the Rights Issue is not in the ordinary and usual course of business of the Group, the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and we ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Rebecca Mak**
Managing Director *Director*

Note: Mr. Hidulf Kwan has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2006 and has participated in and completed various independent financial advisory transactions.

Ms. Rebecca Mak has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under SFO since 2011 and has participated in and completed various independent financial advisory transactions.

1. SUMMARY OF FINANCIAL INFORMATION

The audited financial information of the Company are disclosed in the annual reports of the Company for the years ended 31 December 2017 (page 42 to 85), 2018 (page 36 to 88) and 2019 (page 39 to 106), which are published on 21 March 2018, 27 March 2019 and 31 March 2020, respectively. The unaudited financial information of the Company are disclosed in the quarterly report of the Company for the three months ended 31 March 2020 (page 2 to 7) and the interim report of the Company for the six months ended 30 June 2020 (page 5 to 19), which are published on 14 May 2020 and 13 August 2020 respectively. The above mentioned financial information is available on the website of the Company at www.wanchengholdings.com and the website of the Stock Exchange at www.hkexnews.hk:

- (a) the annual report of the Company for the year ended 31 December 2017 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0328/gln20180328113.pdf>);
- (b) the annual report of the Company for the year ended 31 December 2018 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0329/gln20190329015.pdf>);
- (c) the annual report of the Company for the year ended 31 December 2019 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0401/2020040100297.pdf>);
- (d) the first quarterly report of the Company for the three months ended 31 March 2020 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0514/2020051401347.pdf>); and
- (e) the interim report of the Company for the six months ended 30 June 2020 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0813/2020081301278.pdf>).

2. STATEMENT OF INDEBTEDNESS

Indebtedness

As at the close of business on 30 September 2020, being the latest practicable date for the purpose of this indebtedness statement, the details of the Group's outstanding borrowings were set out as follows:

	<i>RMB'000</i>
Secured and unguaranteed bank borrowings (<i>note 1</i>)	84,400
Secured and unguaranteed borrowings (<i>note 2</i>)	<u>21,100</u>
Total bank and other borrowings	<u><u>105,500</u></u>

Note:

1. The Group recorded bank borrowings of approximately RMB84.4 million, which were unguaranteed and secured by the Group's buildings, right-of-use assets and investment properties.
2. The Group's other borrowings of approximately RMB21.1 million were secured by the Group's machinery and trade receivables.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 September 2020, 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, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

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

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As set out in the annual report of the Company for the year ended 31 December 2019, the outbreak of COVID-19 is expected to contract the global economy even further. The highly infectious virus, which has led to substantial travel bans and lockdowns across many different countries worldwide, will deliver a substantial hit to the global economy in the near term, and will also affect Hong Kong's and the PRC's economies severely. The increased global travel restrictions amid virus infections locally and overseas, mandated immobility due to the lockdowns has also substantially reduced the PRC's manufacturing capability, resulting in significant disruption to global supply chains and worldwide trade, posing a significant threat to the global economy. Given the unpredictability associated with the development of COVID-19 and any further contingency measures that may be put in place by the relevant governments and corporate entities, the actual financial impact, if any, on the Group's future prospects and financial performances could be significantly different from the forecasts depending on how the situation evolves, the Group will closely monitor in this regard. Nevertheless, the management of the Company considers that by the time the COVID-19 is alleviated and becomes controllable, the global economy will rebound strongly and the Group's performance will restore order. In order to maintain the Group's competitiveness, the Company intends to implement cost reduction (including the fixed overhead cost and finance costs) and further consolidate its market share in the tinsplate packaging business and to continue to expand domestically by (i) upgrading the existing production line; (ii) attending certain exhibition for coatings and coating related products; and (iii) expanding the sales team.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), 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 (“**HKICPA**”), and on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2020.

The 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 unaudited consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 June 2020 or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited condensed consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020, extracted from the published interim report of the Group for the six months ended 30 June 2020, with adjustment described below:

	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2020	Unaudited estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2020	Unaudited consolidated net tangible assets attributable to owners of the Company per share before the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the company per share immediately after completion of the Rights Issue
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	RMB (Note 4)
Based on 240,000,000 Rights Shares at subscription price of HK\$0.1 per Rights Share	70,003	20,202	90,205	0.88	0.28

Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of the Company as at 30 June 2020 has been extracted from the published interim report of the Company for the six months ended 30 June 2020.
- (2) The estimated net proceeds from the Rights Issue is approximately RMB20,202,000 are based on 240,000,000 Rights Shares to be issued at subscription price of HK\$0.1 per Rights Share and after deducting estimated related expenses, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately RMB970,000 which are converted from HK\$ to RMB at the rate of RMB1=HK\$1.1335 as at 30 June 2020.
- (3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is determined based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 of approximately RMB70,003,000 as disclosed in note 1 above, divided by 80,000,000 Shares of the Company in issue as at 30 June 2020.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group after the completion of the Rights Issue is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2020 for the Rights Issue of approximately RMB90,205,000 divided by Shares which comprise 80,000,000 Shares in issue as at 30 June 2020 and 240,000,000 Rights Shares to be issued after the completion of the Rights Issue, assuming that no outstanding share options of the Company will be exercised.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 June 2020.

Set out below is the text of a letter received from Elite Partners CPA Limited, the Independent Reporting Accountants to the Board of Directors in respect of the Rights Issue for the purpose of inclusion in this Circular.



The Board of Directors
Wan Cheng Metal Packaging Company Limited
Room B, 12/F, Hang Seng Causeway Bay Building,
28 Yee Wo Street,
Causeway Bay, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wan Cheng Metal Packaging Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (“**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated net tangible assets as at 30 June 2020, and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II of this Circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II of this Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed right issue on the basis of three rights share at the subscription price of HK\$0.1 per rights share (the “**Rights Share**”) for every one existing share held on the record date (the “**Rights Issue**”) as if the transaction had taken place as at 30 June 2020. As part of this process, information about the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, as extracted by the Directors from the Company’s condensed consolidated interim financial information for the six months ended 30 June 2020, on which no audit or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular*” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and 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 this Circular is solely to illustrate the impact of the significant transaction on unaudited consolidated net tangible assets of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgement, 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 Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Your faithfully,

Elite Partners CPA Limited
Certified Public Accountants

Hong Kong, 10 November 2020

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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

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 of the Rights Shares, the authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue will be, as follows:

(I) As at the Latest Practicable Date

	Number of Shares '000	Nominal value of ordinary Shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each	<u>2,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each	<u>80,000</u>	<u>4,000</u>

(II) Immediately following the completion of the Rights Issue

	Number of Shares '000	Nominal value of ordinary Shares HK\$'000
Authorised:		
Ordinary shares of HK\$0.05 each	<u>2,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05 each	80,000	4,000
Rights Shares to be issued pursuant to the Rights Issue of HK\$0.05 each	<u>240,000</u>	<u>12,000</u>
Shares in issue immediately after completion of the Rights Issue	<u><u>320,000</u></u>	<u><u>16,000</u></u>

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital. The Rights Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with the existing Shares in issue on the date of allotment of the Rights Shares in fully-paid form.

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

(b) Share Options

As at the Latest Practicable Date, there are outstanding Share Options for subscription of an aggregate of 16,000,000 Shares under the Share Option Scheme. The purpose of the Share Option Scheme is for the Group to attract, retain and motivate talented participants, to strive for future developments and expansion of the Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Group attained through their efforts and contributions. Pursuant to the Share Option Scheme, the Directors may, as its discretion, offer share options to: (i) any full-time employee and Director (including executive Director, non-executive Director and independent non-executive Director) of the Group; and any part time employee with weekly working hours of 10 hours and above of the Group (the “**Employee**”); (ii) the trustee of any trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any Employee or Business Associate (as defined below) of the Group; (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group (the “**Consultant**”); (iv) any provider of goods and/or services to the Group; or (v) any other person who the Board considers, in its sole discretion, has contributed to the Group (each of (iii), (iv) and (v) is referred as the “**Business Associate**”) to take up the Share Options. In determining the basis of eligibility of each participant, the Directors would take into account such factors as the Directors may at its discretion consider appropriate.

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

Category of participants	Date of grant	Number of Share Options outstanding as at the Latest Practicable Date	Exercisable period	Exercise price per share (HK\$)
Executive Directors				
Mr. Wang Yun	18 May 2020	800,000	3 years	0.274
Mr. Zou Yonggang	18 May 2020	800,000	3 years	0.274
Independent non-executive Directors				
Ms. Ha Yee Lan Elaine	18 May 2020	800,000	3 years	0.274
Employees of the Company				
	10 April 2019	6,400,000	10 years	0.78
	18 May 2020	5,600,000	3 years	0.274
Consultants of the Company				
	17 April 2018	800,000 (note (i))	10 years	1.875
	10 April 2019	800,000 (note (ii))	10 years	0.78

Notes:

- (i) The share options have been granted to consultant A.

Pursuant to the service agreement entered into the Company and consultant A, consultant A make use of his connections and networks in finding potential customers for the Company which is considered as Consultant of the Group in the corporate management area.

Up to the date of this circular, consultant A introduced not less than 10 new customers to the Group.

- (ii) The share options have been granted to consultant B.

Pursuant to the service agreement entered into the Company and consultant B, consultant B make use of her professional knowledge and experience to monitor and improve the production efficiency for the Company which is considered as Consultant of the Group in the technical area.

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. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, are as follows:

Long position in the shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate percentage of shareholding
Ms. Liang Yingjun ("Ms. Liang") (Note 1)	Interest in spouse	24,975,000	31.22%
Mr. Wang Yun	Beneficial owner	800,000 (Note 2)	1.00%
Mr. Zou Yonggang	Beneficial owner	800,000 (Note 2)	1.00%
Ms. Ha Yee Lan Elaine	Beneficial owner	800,000 (Note 2)	1.00%

Note:

- Ms. Liang is the spouse of Mr. Liang Jianxun ("Mr. JX Liang"). Mr. JX Liang beneficially owns 50% of the issued share capital of Fortune Time. By virtue of the SFO, Mr. JX Liang is deemed to be interested in 24,975,000 shares held by Fortune Time. Therefore, Ms. Liang is deemed to be interested in the Shares in which Mr. JX Liang is interested in for the purpose of the SFO.
- Mr. Wang Yun, Mr. Zou Yonggang and Ms. Ha Yee Lan Elaine were granted the options under the Share Option Scheme of the Company on 18 May 2020 at an exercise price of HK\$0.274 per Share with the exercisable period from 18 May 2020 to 17 May 2023 (both dates inclusive).

Save as disclosed above, none of the Directors and chief executive of the Company has any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to the required standard of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

(b) Interests and short positions of Substantial Shareholders

As at the Latest Practicable Date, the interests and short positions of Substantial Shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/ interested in	Approximate percentage shareholding
Fortune Time (<i>Note 1</i>)	Beneficial owner	24,975,000	31.22%
Mr. JX Liang (<i>Note 1</i>)	Interest in a controlled corporation	24,975,000	31.22%
Ms. Liang Zhimei (<i>Note 1</i>)	Interest in a controlled corporation	24,975,000	31.22%
Mr. Zhang Zhiwei (<i>Note 1</i>)	Interest in a controlled corporation	24,975,000	31.22%
Mr. Luo Yuanying (<i>Note 2</i>)	Interest of spouse	24,975,000	31.22%
Ms. Yu Xianghong (<i>Note 3</i>)	Interest of spouse	24,975,000	31.22%

Notes:

- Fortune Time is owned as to 50%, 25% and 25% by each of Mr. JX Liang, Ms. Liang Zhimei and Mr. Zhang Zhiwei respectively. Each of Mr. JX Liang, Ms. Liang Zhimei and Mr. Zhang Zhiwei is deemed to be interested in the Shares held by Fortune Time pursuant to the SFO.
- Mr. Luo Yuanying is the spouse of Ms. Liang Zhimei. Therefore, Mr. Luo Yuanying is deemed to be interested in the Share in which Ms. Liang Zhimei is interested in for the purpose of the SFO.
- Ms. Yu Xianghong is the spouse of Mr. Zhang Zhiwei. Therefore, Ms. Yu Xianghong is deemed to be interested in the Shares in which Mr. Zhang Zhiwei is interested in for the purpose of the SFO.

Save as disclosed above and as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group. As at the Latest Practicable Date, none of the Directors was materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors or any of their respective associates had any interest in business which competes with or may compete with the business of the Group or had any other conflict which any person has or may have with the Group.

7. MATERIAL LITIGATION

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

8. MATERIAL CONTRACTS

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

- (i) the Placing Agreement.

9. EXPERTS AND CONSENTS

The following are the qualification of the experts who have been named in this circular or have given opinions, letters or advices contained in this circular:

Name	Qualification
Elite Partners CPA Limited	Certified Public Accountant
Astrum Capital	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

As at the Latest Practicable Date, the above experts had no shareholding, directly or indirectly, in the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Company.

As at the Latest Practicable Date, the above experts had no interest, direct or indirect, in the promotion of, or in any assets which since 31 December 2019, the date to which the latest published audited financial statements of the Company were made up, have been acquired or disposed of by or leased to, the Company, or are proposed to be acquired or disposed of by or leased to the Company.

As at the Latest Practicable Date, the above experts had given and had not withdrawn their written consent to the issue of this circular, with the inclusion of the references to their name and/or their opinion or report in the form and context in which they are included.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Executive Directors

Mr. Liang Junqian (*Chairman*)
No. 1, Xiangping Street
Ronggui Avenue, Shunde District
Foshan City, Guangdong, The PRC

Mr. Chan Kit Lung Andy
(*Chief Executive Officer*)
G/F, Aegean Villa House 1
5 Silver Cape Road, Silverstrand
Clear Water Bay, Kowloon, Hong Kong

Ms. Liang Yingjun
No. 1, Xiangping Street
Ronggui Avenue, Shunde District
Foshan City, Guangdong, The PRC

Mr. Wang Yun
No. 14, Dade Yiheng Road,
Chikan District, Zhanjiang City
Guangdong Province, The PRC

Mr. Zou Yonggang
Room 206, Tower 2, Zixin Garden
No. 128, Guiyuan Road, Xixiang
Baoan District, Shenzhen, The PRC

Independent non-executive
Directors

Mr. Wong Sui Chi
Flat E, 18/F, Block 5
Ocean Shores, Tseung Kwan O
New Territories, Hong Kong

Ms. Ha Yee Lan Elaine
G-2/F, House 98, 157 Kam Sheung Road
Season Palace, Kam Tin Yuen Long, Hong Kong

Mr. Wu Chi King
Room F, 19/F, Block 7
Nan Fung Sun Chuen
Quarry Bay, Hong Kong

Authorised representatives	Mr. Chan Kit Lung Andy G/F, Aegean Villa House 1 5 Silver Cape Road, Silverstrand Clear Water Bay, Kowloon, Hong Kong
	Mr. Chiu Wai Yip Raymond Room B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street Causeway Bay, Hong Kong
Company secretary	Mr. Chiu Wai Yip Raymond Room B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street Causeway Bay, Hong Kong
Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarter and principal place of business in the PRC	No. 3 Huada Road Hi-tech Industrial Development Zone Ronggui Street, Shunde District Foshan City, Guangdong Province PRC
Principal place of business in Hong Kong	Room B, 12/F Hang Seng Causeway Bay Building 28 Yee Wo Street Causeway Bay Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Ocorian Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands

Branch share registrar and transfer office in Hong Kong	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Principal bankers	Guangdong Shunde Rural Commercial Bank Company Limited, Ronggui Branch No. 208 Guizhou Avenue Ronggui, Shunde District Foshan City Guangdong Province PRC
Auditors	Elite Partners CPA Limited <i>Certified Public Accountants</i> 10/F., 8 Observatory Road Tsim Sha Tsui Hong Kong
Stock code	8291
Company's website	www.wanchengholdings.com
Placing Agent to the Company	Sorrento Securities Limited 11/F, The Wellington, 198 Wellington Street Central, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road, Admiralty, Hong Kong
Legal advisers to the Company as to Hong Kong laws	TANG TSO & LAU Solicitors Room 209, 2/F, China Insurance Group Building, 141 Des Voeux Road Central Hong Kong
Financial adviser to the Company	Kingsway Capital Limited 7/F, Tower One Lippo Centre, 89 Queensway Hong Kong

11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY**Executive Directors**

Mr. Liang Junqian, aged 72, is the Chairman of the Board and an executive Director. He is responsible for the overall strategic development and planning, and customer relationship management of the Group. Mr. Liang has over 13 years of experience in the tinsplate packaging industry and around 19 years of experience in paint and coatings industry. He served as a director of Foshan City Shunde Wancheng Metal Packaging Company Limited (“**Wancheng Shunde**”), the PRC operating subsidiary of the Company since December 2003. He is the father of Mr. Liang Jianxun and a brother of Mr. Liang Juncheng, a former executive director.

Mr. Chan Kit Lung Andy, aged 39, is an executive Director since May 2016. Mr. Chan is mainly responsible for the strategic development and overall management of the business operations and compliance functions of the Group. Since joining the Group, he has been involved in the making of strategic development plans of the Group by using his business network and expertise in the field of chemical products to provide insights on the trend of the customers’ paint and coatings industry and analysis on the customers’ needs on the paint and coatings packaging product. Before joining the Group, Mr. Chan was a director of a company which was incorporated in the United Kingdom and principally engaged in the trading of cosmetics from June 2010 to January 2013. Mr. Chan received a bachelor degree of science in chemistry from University College London in the United Kingdom in August 2003 and a master degree of science in chemical research from Queen Mary and Westfield College (currently known as Queen Mary University of London) in the United Kingdom in November 2005. Mr. Chan has been a member of the Royal Society of Chemistry in the United Kingdom since April 2016. Mr. Chan has also been President of the Hong Kong Industrial and Commercial Association Youth Link since March 2015.

Ms. Liang Yingjun, aged 39, currently services as the general manager of Wancheng Shunde. She has years of experience in banking, insurance and property development industry. She is the spouse of Liang Jianxun.

Mr. Wang Yun, aged 41, has over 19 years of management experience in different industries, of which held a managerial position in a sizable manufacturing company in the People’s Republic of China for 10 years. He is experienced in sales and marketing and quality control management.

Mr. Zou Yonggang, aged 37, has over 12 years of working experience in the manufacturing industry. He was responsible for the overall management and supervision of the manufacturing process including but not limited to implementation of total quality management and cost control strategies.

Independent non-executive Directors

Mr. Wong Sui Chi, aged 52, is an independent non-executive Director since February 2017. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee. Mr. Wong has over 20 years of finance and accounting experience. He has been serving as the financial controller of a company which is principally engaged in retailing and wholesaling of eyewear products since March 2012. He has also been serving as an independent non-executive director of BCI Group Holdings Limited (a company listed on the Stock Exchange (stock code: 8412)) since March 2017. Mr. Wong was an independent non-executive director of U Banquet Group Holding Limited (a company listed on the Stock Exchange (stock code: 1483)) from November 2013 to October 2016. He was also an independent non-executive director of Legend Strategy International Holdings Group Company Limited (a company listed on the Stock Exchange (stock code: 1355)) from December 2012 to July 2015. Mr. Wong received a bachelor degree in accountancy from the City Polytechnic of Hong Kong (currently known as City University of Hong Kong) in November 1991, a master degree of science in financial management from the University of London in December 2003 and a certificate in taxation and accounting in PRC from The Hong Kong Polytechnic University China Business Centre in August 2004. Mr. Wong has been a member of the Hong Kong Institute of Certified Public Accountants since April 2008 and an associate of the Institute of Chartered Accountants in England and Wales since July 2008.

Ms. Ha Yee Lan Elaine, aged 34, has over 10 years of management experience in service industries, of which held a managerial position in a sizable company in Hong Kong over 8 years. She is experienced in sales and marketing, inventory management and quality control management.

Mr. Wu Chi King, aged 38, received a Bachelor of Computer Science from Monash University and is a certified public accountant of Certified Public Accountant Australia. He has accumulated extensive experience in finance and accounting by working in various listed and sizable companies in Hong Kong.

Company Secretary

Mr. Chiu Wai Yip Raymond, aged 43, was appointed as a company secretary in October 2017. is the company secretary of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Association of Chartered Certified Accountants.

12. EXPENSES

The expenses in connection with the Rights Issue and the Placing Arrangement, including professional fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.10 million in maximum, and are payable by the Company.

13. MISCELLANEOUS

- (i) The company secretary of the Company is Mr. Chiu Wai Yip Raymond.
- (ii) 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.
- (iii) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours in any weekday (excluding Saturdays, Sundays and public holidays) at the office of the Company at Room B, 12/F, Hang Seng Causeway Bay Building, 28 Yee Wo Street, Causeway Bay, Hong Kong from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the three (3) years ended 31 December 2017, 2018 and 2019;
- (iii) the first quarterly report of the Company for the three (3) months ended 31 March 2020;
- (iv) the interim report of the Company for the six (6) months ended 30 June 2020;
- (v) the letter from the Board, the text of which is set out on pages 7 to 30 of this circular;
- (vi) the letter from the Independent Board Committee, the text of which is set out on page 31 of this circular;
- (vii) the letter from the Independent Financial Adviser, the text of which is set out on pages 32 to 60 of this circular;
- (viii) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Company as set out in appendix II of this circular;
- (ix) the written consents referred to in the paragraph headed “9. Experts and Consents” in this appendix;
- (x) the material contracts referred to in the paragraph headed “8. Material contracts” in this appendix;
- (xi) the Optionholder’s Undertakings; and
- (xii) this circular.

NOTICE OF EGM

Wan Cheng Metal Packaging Company Limited 萬成金屬包裝有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8291)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of Wan Cheng Metal Packaging Company Limited (the “**Company**”) will be held at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Tuesday, 1 December 2020 at 11:00 a.m. to consider and, if thought fit, to pass with or without amendments the following ordinary resolution (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 10 November 2020 (the “**Circular**”)):

ORDINARY RESOLUTION

“**THAT** conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant and not having revoked the listing of and permission to deal in the Rights Shares (as defined below):

- (a) the issue by way of rights (the “**Rights Issue**”) of no more than 240,000,000 new ordinary shares of HK\$0.05 each (the “**Shares**”) in the share capital of the Company (“**Rights Shares**”) at the subscription price of HK\$0.10 per Rights Share on the basis of every three (3) Rights Shares for every one (1) existing Share of the Company held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on 11 December 2020 (or such other date as may be determined by the directors of the Company (the “**Directors**”)) (the “**Record Date**”) other than those shareholders (the “**Excluded Shareholders**”) of the Company whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the Circular (a copy of which marked “A” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

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- (b) the placing agreement dated 18 September 2020 (as amended and supplemented by a supplemental placing agreement dated 16 October 2020) entered into between the Company and Sorrento Securities Limited (“**Placing Agreement**”) in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (c) the board of Directors (the “**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (d) 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 Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

Yours faithfully
For and on behalf of the Board of
Wan Cheng Metal Packaging Company
Liang Junqian
Chairman and Executive Director

Hong Kong, 10 November 2020

Notes:

- (i) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a shareholder of the Company.
- (ii) For the purpose of determining the entitlement of any shareholder of the Company to attend and vote at the meeting, the register of members of the Company will be closed from Wednesday, 25 November 2020 to Tuesday, 1 December 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4: 30 p.m. on Tuesday, 24 November 2020.

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- (iii) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be 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, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (iv) In order to be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude members from attending and voting in person at the meeting.
- (v) 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.
- (vi) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is 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.wanchengholdings.com and the GEM at www.hkgem.com to notify Shareholders of the date, time and place of the rescheduled meeting.
- (vii) Any voting at the meeting shall be taken by poll.

As at the date of this notice, the executive Directors are Mr. Liang Junqian, Mr. Chan Kit Lung Andy, Ms. Liang Yingjun, Mr. Wang Yun and Mr. Zou Yonggang and the independent nonexecutive Directors are Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King.

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 "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at <http://www.wanchengholdings.com>.