
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).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

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 SHARE CONSOLIDATION; (II) PROPOSED CHANGE IN BOARD LOT SIZE; AND (III) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

Financial Adviser to the Company

SUNWAH KINGSWAY
新華滙富

Placing Agent to the Company

Suncorp
Securities Limited

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

VINCO 榮高

Vinco Financial Limited

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 34 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 35 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 36 to 56 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 Friday, 16 September 2022 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, Wanchai, 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 Wednesday, 21 September 2022. Dealings in the Rights Shares in their nil-paid form will take place from Wednesday, 5 October 2022 to Wednesday, 12 October 2022 (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. 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.

25 August 2022

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 Share Consolidation, the Change in Board Lot Size and the Rights Issue is set out below:

Event	2022
Latest time for lodging transfers of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 8 September
Closure of register of members of the Company for attending the EGM (both dates inclusive).	Friday, 9 September to Friday, 16 September
Latest time for lodging forms of proxy for the purpose of the EGM	11:00 a.m. on Wednesday, 14 September
Record date for determining attendance and voting at the EGM	Friday, 16 September
Expected date and time of the EGM	11:00 a.m. on Friday, 16 September
Announcement of poll results of the EGM	Friday, 16 September
Register of members re-open	Monday, 19 September
Effective date of the Share Consolidation	Tuesday, 20 September
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Tuesday, 20 September
Original counter for trading in Shares in board lots of 30,000 Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 20 September
Temporary counter for trading in the Consolidated Shares in board lots of 7,500 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 20 September

EXPECTED TIMETABLE

Event	2022
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Tuesday, 20 September
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue	Tuesday, 20 September
First day of dealings in the Consolidated Shares on an ex-rights basis relating to the Rights Issue	Wednesday, 21 September
Latest time for the Shareholders to lodge transfer documents of the Consolidated Shares in order to be qualified for the Rights Issue	4:30 p.m. on Thursday, 22 September
Closure of the register of members of the Company for the Rights Issue (both dates inclusive)	Friday, 23 September to Thursday, 29 September
Record Date for determining entitlements to the Rights Issue	Thursday, 29 September
Register of members of the Company re-opens	Friday, 30 September
Prospectus Documents expected to be despatched	Friday, 30 September
Original counter for trading in the Consolidated Shares in board lots of 7,500 Consolidated Shares (in the form of new share certificates) reopens	9:00 a.m. on Wednesday, 5 October
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences	9:00 a.m. on Wednesday, 5 October
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	Wednesday, 5 October
First day of dealings in Nil Paid Rights Shares	Wednesday, 5 October

EXPECTED TIMETABLE

Event	2022
Latest time for splitting of the PAL	4:30 p.m. on Friday, 7 October
Last day of dealings in Nil Paid Rights Shares	Wednesday, 12 October
Latest time of acceptance of and payment for the Rights Shares	4:00 p.m. on Monday, 17 October
Announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Compensatory Arrangements	Tuesday, 18 October
Commencement of placing of Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent	Wednesday, 19 October
Last day for the designated broker to provide matching services for odd lots of Consolidated Shares	4:00 p.m. on Tuesday, 25 October
Temporary counter for trading in the Consolidated Shares in board lots of 7,500 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Tuesday, 25 October
Parallel trading in Consolidated Shares (represented by both existing share certificates and new share certificates) ends	4:10 p.m. on Tuesday, 25 October
Latest time of placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent	6:00 p.m. on Wednesday, 26 October
Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional	Wednesday, 26 October
Last day for free exchange of existing share certificates for new share certificates	Thursday, 27 October

EXPECTED TIMETABLE

Event	2022
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	Thursday, 27 October
Refund cheques, if any, to be despatched (if the Rights Issue does not proceed)	Friday, 28 October
Share certificates for fully-paid Rights Shares to be despatched	Friday, 28 October
Expected commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 31 October
Payment of the Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Monday, 14 November

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 Monday, 17 October 2022. 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

EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 17 October 2022. 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.

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 14 July 2022 in relation to, among other things, the Share Consolidation, the Change in Board Lot Size and the Rights Issue
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	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 30,000 Shares to 7,500 Shares, conditional upon the Share Consolidation becoming effective
“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
“Consolidated Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company after the Share Consolidation becoming effective
“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 Share Consolidation, the Rights Issue and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM Listing Committee”	has the meaning as defined in the GEM Listing Rules
“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 People’s Republic of China

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 “Vinco Financial”	Vinco Financial Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) 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
“Latest Practicable Date”	22 August 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Last Trading Day”	14 July 2022, being the last full trading day before the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Monday, 17 October 2022, 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
“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

DEFINITIONS

“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”	Suncorp Securities Limited, a licensed corporation to carry out Type 1 (dealing in 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 14 July 2022 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 22 August 2022)
“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

DEFINITIONS

“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”	Friday, 30 September 2022 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 29 September 2022 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 one (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 80,000,000 new Consolidated Shares (assuming no change in the number of Shares in issue on or before the Record Date)
“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

DEFINITIONS

“Share Consolidation”	the consolidation of every four (4) issued and unissued Shares of HK\$0.05 each into one (1) Consolidated Share of HK\$0.2 each
“Share Options”	61,971,142 outstanding options granted under the Share Options 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\$0.3 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.

Unless otherwise specified in this circular, the exchange rate adopted in this circular for illustration only is approximately RMB1 to HK\$1.17. No representation is made that any amounts have been, could have been or could be converted at that rate or at any other rates.

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. Wang Yun

Mr. Zou Yonggang

Independent non-executive Directors:

Mr. Wong Sui Chi

Ms. Ha Yee Lan Elaine

Mr. Wu Chi King

Registered office:

PO Box 1350

Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

Principal place of business

in Hong Kong:

Room B, 12/F

Hang Seng Causeway Bay Building

28 Yee Wo Street

Causeway Bay

Hong Kong

25 August 2022

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

Dear Sir or Madam,

**(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED CHANGE IN BOARD LOT SIZE; AND
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE
(1) RIGHTS SHARE FOR EVERY ONE
(1) CONSOLIDATED SHARE HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Share Consolidation, the Change in Board Lot Size and the Rights Issue.

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

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

The Board intends to put forward a proposal to the Shareholders to effect the Share Consolidation which involves the consolidation of every four (4) issued and unissued Shares of par value of HK\$0.05 each into one (1) Consolidated Share of par value of HK\$0.20 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following:

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

The Share Consolidation will become effective on Tuesday, 20 September 2022, being the business day immediately following the fulfillment of the above conditions.

As at the Latest Practicable Date, none of the conditions above had been fulfilled.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$100,000,000 divided into 2,000,000,000 Shares of HK\$0.05 each, of which 320,000,000 Shares have been issued and are fully paid or credited as fully-paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000 divided into 500,000,000 Consolidated Shares of HK\$0.20 each, of which 80,000,000 Consolidated Shares (which are fully paid or credited as fully-paid) will be in issue.

LETTER FROM THE BOARD

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. The Share Consolidation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

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

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, there are outstanding Share Options for subscription of an aggregate of 61,971,142 Shares under the Share Option Scheme. The purpose of the Share Option Scheme is for our Group to attract, retain and motivate talented participants, to strive for future developments and expansion of our Group. The Share Option Scheme shall be an incentive to encourage the participants to perform their best in achieving the goals of our 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, at 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 our Group; and any part time employee with weekly working hours of 10 hours and above of our 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 our Group; (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to our Group (the “**Consultant**”); (iv) any provider of goods and/or services to our Group; or (v) any other person who the Board considers, in its sole discretion, has contributed to our 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. The Share Consolidation may lead to adjustments to the exercise price and/or the number of Consolidated Shares falling to be issued upon exercise of the outstanding Share Options pursuant to the terms and conditions of the Share Option Scheme and the GEM Listing Rules.

LETTER FROM THE BOARD

Upon the Share Consolidation becoming effective, the outstanding Share Options will entitle the holders thereof to subscribe for up to 15,798,800 Consolidated Share of HK\$0.2 each of the Company as follows:

Category of participants	Date of grant	Outstanding Share Options upon the Share Consolidation becoming effective	Exercisable period	Exercise price per Consolidated Share (HK\$)
Employees	10 April 2019	2,441,600 <i>(note (i))</i>	10 years	2.044
	18 May 2020	2,136,400 <i>(note (ii))</i>	3 years	0.718
	6 April 2022	8,000,000 <i>(note (iii))</i>	3 years	0.413
Consultants	10 April 2019	305,200 <i>(note (iv))</i>	10 years	2.044
Executive Directors & Non-executive Directors	18 May 2020	915,600	3 years	0.718
	19 May 2021	2,000,000	3 years	0.524

Notes:

- (i) The share options have been granted to 8 employees and each of them hold 305,200 share options.
- (ii) The share options have been granted to 7 employees and each of them hold 305,200 share options.
- (iii) The share options have been granted to 10 employees and each of them hold 800,000 share options.
- (iv) The share options have been granted to consultant A who holds 305,200 share options.

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

Up to the Latest Practicable Date, the consultant introduced not less than 10 new customers to our Group.

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

LETTER FROM THE BOARD

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Kingsway Financial Services Group Limited as an agent to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Shareholders who wish to take advantage of this facility should contact Mr. So Man Hong of Kingsway Financial Services Group Limited at 7/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong, (telephone number: (852) 2283 7698) from 9:00 a.m. on Wednesday, 5 October 2022 to 4:00 p.m. on Tuesday, 25 October 2022.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

Free Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during Tuesday, 20 September 2022 to Thursday, 27 October 2022, submit the existing share certificates for the Shares to the Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in exchange, at the expense of the Company, for new share certificates for the Consolidated Shares. Thereafter, existing share certificates for the Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares at the expense of the Shareholders on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued for the Consolidated Shares (whichever is higher) but are not acceptable for trading, settlement and registration.

The new share certificates for the Consolidated Shares will be issued in blue in order to distinguish them from the existing share certificates in red.

Closure of register of members

The register of members of the Company will be closed from Friday, 9 September 2022 to Friday, 16 September 2022 (both dates inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. No transfer of Shares will be registered during the above book closure period.

LETTER FROM THE BOARD

Listing and Dealings

Application will be made to the GEM Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, the Consolidated Shares arising from the Share Consolidation and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS. 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.

Subject to the granting of the listing of, and the permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange, or such other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time and all necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS. 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.

PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lot of 30,000 Shares. The Board proposes to change the board lot size for trading on the Stock Exchange from 30,000 Shares to 7,500 Consolidated Shares conditional upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.090 per Share as at the Latest Practicable Date, (i) the value of each existing board lot of 30,000 Shares is HK\$2,700; (ii) the value of each board lot of 30,000 Consolidated Shares would be HK\$10,800 assuming the Share Consolidation becoming effective; and (iii) the estimated value per board lot of 7,500 Consolidated Shares would be HK\$2,700 assuming that the Share Consolidation and the Change in Board Lot Size becoming effective.

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders.

Shareholders should note that Shareholders' approval is not required for the Change in Board Lot Size. However, the Change in Board Lot Size is conditional on the Share Consolidation having become effective. Therefore, the Company will not proceed with the Change in Board Lot Size if the Share Consolidation is voted down at the EGM.

LETTER FROM THE BOARD

REASONS FOR THE SHARE CONSOLIDATION AND THE CHANGE IN BOARD LOT SIZE

Under Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 (the “**Guideline**”), the market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

During the past 12 months immediately preceding the Latest Practicable Date, the Shares had been trading at a closing price between the highest of HK\$0.135 and the lowest of HK\$0.057. The Board considers that the proposed Share Consolidation, resulting in a theoretical value of HK\$0.36 per Consolidated Share (based on the closing price of HK\$0.09 per Share on the Latest Practicable Date), would enable the Company to avoid the occurrence of non-compliance with the trading requirements under the GEM Listing Rules. It is expected that the Share Consolidation will increase the nominal value of the Shares and will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares.

Assuming the Share Consolidation has become effective, based on the closing price of HK\$0.09 per Share (equivalent to the theoretical closing price of HK\$0.36 per Consolidated Share) as quoted on the Stock Exchange on the Latest Practicable Date, the theoretical value of each board lot of 30,000 Consolidated Shares would be HK\$10,800

Taking into account the trading liquidity of the Shares continued to be thin with the average daily trading volume of the Shares being approximately 200,616 Shares over the last 12 months immediately preceding the Latest Practicable Date, representing approximately 0.06% of the total number of issued Shares, the Board is of the view that the Change in Board Lot Size will help maintain the transaction amount for each board lot at a reasonable level which increases the attractiveness in investing the Consolidated Shares, and thus would help to further broaden the shareholder base of the Company. Accordingly, the Board believes the Share Consolidation and the Change in Board Lot Size are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Company proposes to raise up to approximately HK\$24.0 million before expenses by way of a rights issue of 80,000,000 Rights Shares at the Subscription Price of HK\$0.3 each and on the basis of one (1) Rights Share for every one (1) Consolidated 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 statistics

Basis of Rights Issue:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.3 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	320,000,000 Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation becoming effective:	80,000,000 Consolidated Shares (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 80,000,000 Rights Shares (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$16,000,000
Number of Consolidated Shares in issue immediately upon completion of the Rights Issue:	Up to 160,000,000 Consolidated Shares (assuming no further issue or repurchase of Shares or Consolidated Shares 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 further issue or repurchase of Shares or Consolidated Shares 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 61,971,142 outstanding Share Options granted by the Company exercisable into 61,971,142 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 or Consolidated Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date, the 80,000,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) 100% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) 50% of the total number of issued Consolidated Shares 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. 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\$0.3 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 16.7% to the theoretical closing price of HK\$0.360 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.0% to the theoretical closing price of HK\$0.400 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 31.2% to the theoretical closing price of HK\$0.436 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.109 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 33.0% to the theoretical closing price of approximately HK\$0.448 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.112 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 30.6% to the theoretical closing price of approximately HK\$0.432 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.108 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (vi) a discount of approximately 14.3% to the theoretical ex-rights price of approximately HK\$0.350 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a premium of approximately 11.9% to the audited consolidated net asset value per Consolidated Share of approximately HK\$0.268 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$21.4 million (or RMB18.3 million) as disclosed in the annual report of the Company for the year ended 31 December 2021 and 80,000,000 Consolidated Shares assuming the Share Consolidation has become effective); and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 16.5% represented by the theoretical diluted price of approximately HK\$0.374 to the benchmarked price of approximately HK\$0.448 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.100 and the average closing price of HK\$0.112 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

The Subscription Price was determined with reference to, among other things, (i) the recent closing prices of the Shares since 14 March 2022 up to and including the Last Trading Date, the average of which was approximately HK\$0.106 (equivalent to the theoretical average closing price of HK\$0.424 per Consolidated Share); (ii) the prevailing market conditions of the capital market in Hong Kong; and (iii) 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 will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) 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\$0.28, if fully subscribed.

Basis of provisional allotment

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

LETTER FROM THE BOARD

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, Wanchai, Hong Kong by 4:30 p.m. on Thursday, 22 September 2022.

The last day of dealings in the Shares on a cum-rights basis is Tuesday, 20 September 2022. The Shares will be dealt with on an ex-rights basis from Wednesday, 21 September 2022.

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

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 22 September 2022.

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 was no Shareholder with registered address (as shown) on the register of members of the Company which is outside Hong Kong.

LETTER FROM THE BOARD

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.

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.

LETTER FROM THE BOARD

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 among themselves and with the Consolidated 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 one (1) Rights Share for every one (1) Consolidated 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.

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 Wednesday, 26 October 2022, 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.

LETTER FROM THE BOARD

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.

THE PLACING AGREEMENT

On 14 July 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 22 August 2022), 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. Details of the Placing Arrangement are as follows:

Date:	14 July 2022 (after trading hours)
Parties:	(i) the Company, as issuer; and (ii) the Placing Agent
Placing Agent:	Suncorp 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.

LETTER FROM THE BOARD

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 of the Unsubscribed Rights Shares and 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.
Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be):	<p>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.</p> <p>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.</p>
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 <i>pari passu</i> in all respects among themselves and with the Consolidated Shares then in issue.
Termination:	The Placing Arrangement shall end on 26 October 2022 or any other date by mutual written agreement between the Placing Agent and the Company.

LETTER FROM THE BOARD

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.

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 passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares);
- (ii) the Share Consolidation having become effective;
- (iii) the GEM 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;

LETTER FROM THE BOARD

- (iv) 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
- (v) 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), (ii) and (iii) above) by notice in writing to the Company.

Completion:

Placing completion shall take place at the offices of the Placing Agent on 28 October 2022 or such other date as the Company and the Placing Agent may agree in writing.

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.

LETTER FROM THE BOARD

Application for listing

The Company will apply to the GEM 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 7,500 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.

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

LETTER FROM THE BOARD

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, 28 October 2022.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation, 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 Share Consolidation having become effective by no later than the Prospectus Posting Date;
- (iii) 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);
- (iv) 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;
- (v) 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; and
- (vi) the Placing Agreement not being terminated.

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.

LETTER FROM THE BOARD

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 Friday, 23 September 2022 to Thursday, 29 September 2022 (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 period.

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:

	<i>HK\$</i> (approximately)
Gross proceeds	24.0 million
Net Proceeds	22.7 million
Net price per Rights Share	0.28

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.

As set out in the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”), the Group recorded a net loss of approximately RMB54.7 million for the year ended 31 December 2021 as compared to a net loss of approximately RMB22.9 million for the year ended 31 December 2020. The Directors are of the view that the increase in net loss was attributable to, among others, (i) the impairment loss recognised on property, plant and equipment; (ii) the increase in selling expenses which mainly included transportation costs for its logistic team, staff costs, advertising expenses, entertainment expenses and consumables; and (iii) the increase in finance cost due to increase in borrowings and lease liabilities during the year ended 31 December 2021.

As further disclosed in the Annual Report, the Group recorded a net cash outflow from operating activities of approximately RMB24.5 million and a net decrease in cash and cash equivalents in the amount of approximately RMB16.5 million for the year ended 31 December 2021 as compared to the previous year. In light of the cash position and lossmaking performance of the Group, the Company intends to raise funds through the Rights Issue to improve the financial condition of the Group by reducing its gearing and interest burden.

LETTER FROM THE BOARD

As at 31 May 2022, the Group has an outstanding amount of bank and other borrowings of RMB138.2 million. Among the current liabilities of the Group, the Company was indebted to a lender, which is a commercial bank in the PRC established under the approval by the China Banking Regulatory Commission and an Independent Third Party, with bank borrowings of an aggregate outstanding principal and interest amount of RMB38.0 million (or HK\$44.5 million) as at 31 May 2022 and carries interest rates ranged from 5.1% to 5.7% per annum which will fall due on or before 23 August 2022 (the “**Borrowings**”). 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\$1.3 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. Accordingly, the Directors intended to utilise the entire net proceeds from the Rights Issue of approximately HK\$22.7 million for the repayment of part of the Borrowings, which expects to reduce the financial cost and enhance the financial position of the Group. 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 HK\$22.7 million, all of such net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of part of the Borrowings. For the avoidance of doubt, the net proceeds from the Rights Issue will not be utilized by the Directors for the repayment of borrowings due to a director of a subsidiary of 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.

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. The Company considers 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 Company subsequently decided to conduct the Rights Issue on non-underwritten basis and to adopt the Placing Arrangement simultaneously in order to ensure sufficient funds could be raised.

LETTER FROM THE BOARD

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 Board considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis.

Based on the above, 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.**

SHAREHOLDING STRUCTURES

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares or Consolidated shares 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 the Share Consolidation becoming effective; (iii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (v) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date		Immediately upon the Share Consolidation becoming effective		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	%	Number of Shares	%
Independent Places	-	0.00	-	0.00	-	0.00	-	0.00	80,000,000	50.00
Other public Shareholders	320,000,000	100.00	80,000,000	100.00	160,000,000	100.00	80,000,000	100.00	80,000,000	50.00
	<u>320,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>160,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>160,000,000</u>	<u>100.00</u>

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.

LETTER FROM THE BOARD

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.

POSSIBLE ADJUSTMENTS IN RELATION TO OTHER SECURITIES OF THE COMPANY

As at the Latest Practicable Date, there were 61,971,142 outstanding Share Options granted by the Company exercisable into 61,971,142 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.

RISK FACTORS

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

Business risk

The customer base of the Group mainly comprised paint and coatings suppliers and other manufacturers of packaging products. All of the five largest customers are located in Guangdong Province. As such, the business performance is affected by the general economic environment of the downstream industries, especially the paint and coatings industry in Guangdong Province which may be affected by various factors beyond the Group's control, including but not limited to GDP growth rate, consumer confidence, levels of inflation, unemployment levels and interest rates. A slowdown in the downstream industries may in turn result in decreased demand for the Group's products and ultimately a material adverse effect on the Group's business, financial position and results of operations.

LETTER FROM THE BOARD

Reliance on major customers

As disclosed in the annual report of the Company for the year ended 31 December 2021 (the “**Annual Report**”), the sales to the Group’s five largest customers for the year ended 31 December 2021 (the “**Year**”) accounted for approximately 64.7% of the total revenue. The Group had not entered into any long-term contract with purchase obligations with these customers and cannot assure that these five largest customers will continue to conduct business with the Group at the same or increased levels or at all. If any of the major customers were to substantially reduce the volume and/or the value of their businesses with the Group and the Group were unable to expand its business with existing customers or attract new customers at desired levels, the Group may experience slower or no growth at all or decrease in revenue, and the Group’s financial position and results of operations would be materially and adversely affected.

Reliance on major suppliers

As disclosed in the Annual Report, purchases from the Group’s five largest suppliers for the Year accounted for approximately 65.5% of the total purchases. The Group had not entered into long-term contract with purchase obligations with its suppliers. There is no guarantee that the Group will not suffer from any shortage of suppliers in the future. Should any of the major suppliers reduce the volume supplied to the Group, the Group may need to find alternative suppliers on similar sale terms and conditions acceptable. If the Group fail to do so in a timely manner, its production may have to be interrupted, its production costs may increase and the business, financial condition, results of operations and growth prospects may therefore be materially and adversely affected.

Reliance on raw materials

During the Year, the costs of raw materials mainly represented tinplate coil consumed. The Group’s ability to pass on such raw material cost increases is, to a large extent, subject to the intensity of market competition and the general economic conditions. In addition, there is no assurance that the Group can continue to secure adequate supplies of tinplate coil at a competitive cost level to meet its production requirements, particularly in periods of high demand. Therefore, the revenue and profitability of the Group may be adversely affected in the event of unsteady supply or price fluctuation of tinplate coil for the production.

LETTER FROM THE BOARD

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, the Company has no controlling Shareholder as defined under the GEM Listing Rules and none of the Directors and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transaction 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\$0.374 per Share, HK\$0.448 per Share and 16.5%, respectively. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

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 Friday, 16 September 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 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, Wanchai, 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.

LETTER FROM THE BOARD

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 Friday, 30 September 2022.

The resolutions proposed to be approved at the EGM will be taken by poll in accordance with the GEM Listing Rules. An announcement will be made by the Company after the EGM on the results of the EGM.

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

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this circular. Accordingly, the Share Consolidation may or may not proceed.

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.

LETTER FROM THE BOARD

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

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. Vinco Financial Limited 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 35 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 36 to 56 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
Wang Yun
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)

25 August 2022

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 25 August 2022 (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.

Vinco Financial Limited 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 the Independent Financial Adviser, 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 VINCO FINANCIAL

The following is the full text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue which has been prepared for the purpose of incorporation in this circular:

VINCO  榮高
Vinco Financial Limited

25 August 2022

*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 ONE (1) RIGHTS SHARE FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) fairness and reasonableness of the terms of the proposed Rights Issue; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions at the EGM, details of which are set out in the “Letter from the Board” in the circular (the “Circular”) issued by the Company to the Shareholders dated 25 August 2022 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to, among other things, (i) the Share Consolidation; (ii) the Change in Board Lot Size; (iii) the Rights Issue. On 14 July 2022, the Company proposes to raise up to approximately HK\$24.0 million before expenses by way of a rights issue of 80,000,000 Rights Shares at the Subscription Price of HK\$0.3 each and on the basis of one (1) Rights Share for every one (1) Consolidated 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).

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the number of the issued Shares by more than 50%, 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.

LETTER FROM VINCO FINANCIAL

As at Latest Practicable Date, the Company has no controlling Shareholder as defined under the GEM Listing Rules and the Directors and their respective associates are not interested in any Shares. Accordingly, no person would be required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 22 August 2022) and the transaction contemplated thereunder at the EGM.

The 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 make recommendations to the Independent Shareholders as to whether the Rights Issue is, or is not, on normal commercial terms, fair and reasonable, is in the interest of the Company and the Shareholders as a whole and whether to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

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

LETTER FROM VINCO FINANCIAL

B. BASIS OF OUR OPINION AND RECOMMENDATION

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

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

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

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

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

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We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 22 August 2022); (ii) bank loan agreements; (iii) annual report of the Company for the year ended 31 December 2021 (the “Annual Report 2021”); and (iv) the first quarterly report of the Company for the three months ended 31 March 2022, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

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

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

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.

2. Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 December 2021, as extracted from the relevant annual reports of the Company respectively:

	For the year ended	
	31 December	
	2021	2020
	(audited)	(audited)
	RMB\$'000	RMB\$'000
Revenue	45,622	40,257
Loss for the year	(54,703)	(22,919)

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	As at 31 December	
	2021	2020
	(audited)	(audited)
	RMB\$'000	RMB\$'000
Cash and cash equivalents	9,228	25,763
Total assets	203,275	260,114
Total liabilities	185,022	200,623
Net assets	18,253	59,491

Audited consolidated results for the two years ended 31 December 2021

As disclosed in the Annual Report 2021, the Group derived the revenue principally from the sale of tinplate packaging products in the PRC. During the year ended 31 December 2021 (“FY2021”), the Group’s revenue increased by approximately RMB5.3 million or approximately 13.2%, from approximately RMB40.3 million for the year ended 31 December 2020 (“FY2020”) to approximately RMB45.6 million in FY2021. Such increase was mainly due to the increase in sales order of the Group’s products which may cause by the economy recovery from the outbreak of COVID-19.

However, the Group has recorded a net loss of approximately RMB22.9 million in FY2020, and the net loss further increased to approximately RMB54.7 million in FY2021. The increase of net loss was mainly due to an impairment loss recognised on property, plant and equipment of approximately RMB53.0 million in FY2021.

In FY2021, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately RMB9.2 million, RMB203.3 million, RMB185.0 million and RMB18.3 million, respectively. The gearing ratio was approximately 701.2% in FY2021 as compared to approximately 198.7% in FY2020.

3. Background of and Reasons for the Rights Issue and the use of proceeds

Reasons for the Rights Issue and use of proceeds

As set out in the “Letter from the board”, in light of the cash position and loss making performance of the Group, the Company intends to raise funds through the Rights Issue to improve the financial condition of the Group by reducing its gearing and interest burden.

As at 31 May 2022, the Group has an outstanding amount of bank and other borrowings of RMB138.2 million. Among the current liabilities of the Group, the Company was indebted to a lender, which is a commercial bank in the PRC

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established under the approval by the China Banking Regulatory Commission and an Independent Third Party, with bank borrowings of an aggregate outstanding principal and interest amount of RMB38.0 million (or HK\$44.5 million) as at 31 May 2022 and carries interest rates ranged from 5.1% to 5.7% per annum which will fall due on or before 23 August 2022 (the “Borrowings”). 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\$1.3 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. Accordingly, the Directors intended to utilise the entire net proceeds from the Rights Issue of approximately HK\$22.7 million for the repayment of part of the Borrowings, which expects to reduce the financial cost and enhance the financial position of the Group. 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 HK\$22.7 million, all of such net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be applied towards the repayment of part of the Borrowings. For the avoidance of doubt, the net proceeds from the Rights Issue will not be utilized by the Directors for the repayment of borrowings due to a director of a subsidiary of the Company. For our due diligence purpose, we have obtained and reviewed the terms of the bank loan agreement and ascertained the disclosure as set out above.

Fund raising alternatives

As advised by the Directors, 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. Furthermore, 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.

After considering the fund raising alternatives mentioned above, the fact that the placing commission for the Unsubscribed Arrangement will only be incurred if (i) there are any Unsubscribed Shares to be placed by the Placing Agent; and (ii) such Unsubscribed Shares are placed successfully, we are of the view that a rights issue would be in the overall interest of the Company and the Shareholders as a whole. 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. The Company considers 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

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effort basis). As such, the Company subsequently decided to conduct the Rights Issue on non-underwritten basis and to adopt the Placing Arrangement simultaneously in order to ensure sufficient funds could be raised.

After taking into account the benefits and potential cost of each of the alternatives, we are of the view and concur with the view of the Directors that placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. We are of the view and concur with the view of the management of the Company that the Rights Issue allows the Group to reduce its gearing level and interest burden at a more cost effective and beneficial method and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Rights Issue

The Company proposes to raise up to approximately HK\$24.0 million under the Rights Issue. The net proceeds from the Rights Issue after deducting related expenses will be not more than approximately HK\$22.7 million at the Subscription Price of HK\$0.3 per Rights Share on the basis of one (1) Rights Share for every one (1) Consolidated Share held on the Record Date. The details are set out as follows:

Basis of Rights Issue	:	One (1) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.3 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	320,000,000 Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation becoming effective	:	80,000,000 Consolidated Shares (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 80,000,000 Rights Shares (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK\$16,000,000

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Number of Consolidated Shares in issue immediately upon completion of the Rights Issue	:	Up to 160,000,000 Consolidated Shares (assuming no further issue or repurchase of Shares or Consolidated Shares 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 further issue or repurchase of Shares or Consolidated Shares on or before the Record Date and all the Rights Shares will be taken up)

As at the Latest Practicable Date, there are 61,971,142 outstanding Share Options granted by the Company exercisable into 61,971,142 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 or Consolidated Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date, the 80,000,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) 100% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) 50% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

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.

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.

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Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders 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. 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.

Subscription Price

The Subscription Price of HK\$0.3 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 16.7% to the theoretical closing price of HK\$0.360 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.090 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 25.0% to the theoretical closing price of HK\$0.400 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;

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- (iii) a discount of approximately 31.2% to the theoretical closing price of HK\$0.436 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.109 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 33.0% to the theoretical closing price of approximately HK\$0.448 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.112 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 30.6% to the theoretical closing price of approximately HK\$0.432 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.108 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 14.3% to the theoretical ex-rights price of approximately HK\$0.350 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.100 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a premium of approximately 11.9% to the audited consolidated net asset value per Consolidated Share of approximately HK\$0.268 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$21.4 million (or RMB18.3 million) as disclosed in the annual report of the Company for the year ended 31 December 2021 and 80,000,000 Consolidated Shares assuming the Share Consolidation has become effective); and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 16.5% represented by the theoretical diluted price of approximately HK\$0.374 to the benchmarked price of approximately HK\$0.448 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.100 and the average closing price of HK\$0.112 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

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As stated in the Letter from the Board, the Subscription Price was determined with references to, among other things, the recent market prices of the Shares, the current market conditions 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 Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the theoretical closing prices of the Shares and the trading liquidity of the Shares for the period from 14 July 2021, being the 12-month period prior to the date of the Announcement, up to and including the Last Trading Day (“Review Period”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the adjusted daily closing price per the Consolidated Share (“Closing Price”) versus the Subscription Price of HK\$0.3 per Rights Share during the Review Period:



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

During the Review Period, the highest Closing Price was HK\$0.540 recorded from 4 January 2022 to 13 January 2022 and the lowest HK\$0.228 recorded on 26 August 2021. The Subscription Price of HK\$0.3 represents a discount of approximately 44.4% to the highest Closing Price during the Review Period and a premium of approximately 31.6% to the lowest Closing Price during the Review Period. The average Closing Price of the Review Period was approximately HK\$0.384, which means the Subscription Price has a discount of approximately 21.8% over the average Closing Price during the Review Period.

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As illustrated in the chart above, during the Review Period, the Closing Price was traded generally higher than the Subscription Price. The daily Closing Price increased from HK\$0.228 on 26 August 2021 to HK\$0.540 on 4 January 2022. Since then, the Closing Price has been fluctuating between HK\$0.380 and HK\$0.540. We noted that the substantial rise in Closing Price from HK\$0.300 on 20 December 2021 to HK\$0.540 on 4 January 2022 and the substantial drop in Closing Price from HK\$0.540 on 13 January 2022 to HK\$0.380 on 9 February 2022. As discussed with the management of the Group, they were not aware of any reason for such substantial change in Closing Price in December 2021 and in January 2022. We have also reviewed the announcements disclosed during such period and we are not aware of any information which caused the substantial change in Closing Price.

“Table A”	Total trading volume <i>(Note 1)</i>	Number of trading days	Average Daily Volume <i>(Note 2)</i>	Approximately % of average daily trading volume to total number of issued Shares <i>(Note 3)</i>
2021				
July (commencing from 14 July 2021)	5,312,000	13	408,615	0.13%
August	6,910,000	22	314,091	0.10%
September	11,226,000	21	534,571	0.17%
October	7,738,000	18	429,889	0.13%
November	1,001,000	22	45,500	0.01%
December	9,655,000	22	438,864	0.14%
2022				
January	1,526,000	21	72,667	0.02%
February	1,590,000	17	93,529	0.03%
March	2,250,000	23	97,826	0.03%
April	1,348,000	18	74,889	0.02%
May	2,336,000	20	116,800	0.04%
June	723,000	21	34,429	0.01%
July (up to the Last Trading Day)	130,000	9	14,444	0.00%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

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Notes:

- (1) Total trading volume for the month/period is sourced from the website of the Stock Exchange.
- (2) Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day.
- (3) The calculation is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period. As at the Last Trading Day, the Company has no controlling Shareholder as defined under the GEM Listing Rules.

In order to determine whether the Subscription Price at a discount would be attractive to the Qualifying Shareholders to participate in the Rights Issue, we noted as shown in the Table A, the highest average daily volume was approximately 535,000 Shares in September 2021, representing approximately 0.17% of the total number of issued Shares as at Latest Practicable Date. We noted that the trading liquidity of the Shares were very thin during the Review Period, with all months less than 0.2% to the then total number of issued Shares as at the end of their respective month. With reference to the thin trading liquidity of the Shares during the Review Period and the basis of one Rights Shares for every Consolidated Share of the Rights Issue, Qualifying Shareholders who select to take up in full the respective assured entitlements under the Rights Issue would increase its number of Shares. We anticipate that the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that the Subscription Price at a discount to the average Closing Price would encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company.

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Comparison to other rights issue

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue, by the companies listed on GEM announced within approximately 12 months prior to the Last Trading Day (the “Comparison Period”) to understand the trend of the recent market practice. Based on our research, we have identified a total of 23 rights issue comparables (the “Comparables”) during the Comparison Period.

We noted that the business activities of the Comparables may not be directly comparable to the business activities carried out by the Group. We noted that the terms of the rights issue announced by the Comparables may not be directly comparable to the terms of the Rights Issue announced by the Group due to the differences in business activities and performances. Although the Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Comparables are suitable to serve as general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Comparables and the Company are listed on GEM; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, theoretical ex-rights price, maximum dilution on the shareholding and theoretical dilution effect; (iii) a 12-month period for the selection of the Comparables has resulted in the generation of a reasonable sample size; and (iv) the Comparables were included without any artificial selection or filtering on our part thus they represented a true and fair view of the recent market trends for rights issue.

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“Table B”

Date of announcement	Company (stock code)	Basis of entitlement	Maximum amount of funds to be raised from the rights issue HK\$ million	Discount of the subscription price over the closing price per share on the trading day prior to announcement in relation to the respective right issues (Approximately %)	Discount of the subscription price over the closing price per share on the trading day prior to announcement in relation to the respective right issues (Approximately %)	Theoretical dilution effect (Note 2) (Approximately %)	Excess Applications/placing (Note 3)	Underwriting arrangement	Placing Commission (%)	Underwriting commission (%)	Minimum underwriting/ placing fee (Note 4) Yes/No
17/6/2022	Ocean Star Technology Group Limited (8297)	1 for 2	31.5	-41.2	-32.0	33.3	Excess application	Underwritten on a best effort basis	N/A	1.0	No
10/6/2022	Genesee Holdings Limited (8282)	1 for 2	22.4	-40.4	-31.2	13.9	Excess application	Underwritten on a best effort basis	N/A	1.5	No
26/5/2022	FR Enterprises (Holdings) Group Limited (8347)	1 for 2	17.1	-5.6	-3.7	33.3	Excess application	Underwritten on a best effort basis	N/A	5.0	No
16/5/2022	K Group Holdings Limited (8475)	2 for 1	50.2	-28.8	-12.3	66.7	Excess application	Underwritten on a best effort basis	N/A	3.0	No
12/5/2022	KOALA Financial Group Limited (8266)	2 for 1	83.5	-4.8	-1.6	66.7	Excess application	Underwritten on a best effort basis	N/A	3.0	No
28/4/2022	Palinda Group Holdings Limited (8179)	1 for 2	29.3	-39.8	-30.6	33.3	Excess application	Fully-underwritten	N/A	7.1	No
28/4/2022	Life Concepts Holdings Limited (8036)	3 for 2	48.6	-7.0	-2.9	9.3	Excess application	Underwritten on a best effort basis	N/A	1.0	No
3/3/2022	China Eco-Farming Limited (8166)	1 for 2	8.9	-10.1	-7.0	33.3	Excess application	Underwritten on a best effort basis	N/A	2.0	No
28/2/2022	Zoncom Holdings Limited (8387)	1 for 2	23.1	-16.7	-11.4	33.3	Placing	Non-underwritten	N/A	N/A	No
21/1/2022	Connersone Financial Holdings Limited (8112)	3 for 1	65.4	-11.6	-3.2	14.6	Excess application	Fully-underwritten	N/A	3.5	No
19/1/2022	RMH Holdings Limited (8457)	1 for 2	43.2	-29.6	-21.9	21.9	Excess application	Underwritten on a best effort basis	N/A	2.5	No
14/1/2022	Beaver Group (Holdings) Company Limited (8275)	3 for 2	44.6	-24.1	-11.3	14.5	Placing	Non-underwritten	N/A	3.5	No
5/1/2022	China Information Technology Development Limited (8178)	1 for 2	25.7	-34.8	-26.1	11.7	Excess application and placing	Non-underwritten	1.5	N/A	No
29/12/2021	Prosperous Printing Company Limited (8385)	3 for 2	52.8	-34.3	-17.0	60.0	Excess application	Underwritten on a best effort basis	N/A	1.0	No
24/12/2021	Harvey Group Holdings Limited (8219)	1 for 2	11.0	-22.8	-16.3	33.3	Placing	Non-underwritten	3.5	N/A	No
26/11/2021	Vertical International Holdings Limited (8375)	1 for 2	20.2	-40.8	-31.6	14.2	Excess application	Fully-underwritten	N/A	4.0	No
8/11/2021	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	229.0	-8.1	-7.3	9.1	Excess application	Non-underwritten	N/A	N/A	N/A
2/11/2021	Grand T G Gold Holdings Limited (8299)	3 for 1	157.2	-16.7	-5.4	11.9	Placing	Partially underwritten	the higher of HK\$400,000 and 2.5 (Note J)	N/A	Yes, at least HK\$400,000
20/10/2021	Jee Power Holdings Limited (8133)	1 for 2	10.4	-54.5	-44.4	33.3	Excess application	Underwritten on a best effort basis	N/A	1.5	No
28/2/2021	Lee Wong Group Holdings Limited (8317)	2 for 1	52.3	-18.8	-7.1	12.5	Placing	Non-underwritten	2.5	N/A	No
29/7/2021	Wedgate Global Logistics Ltd (8292)	3 for 1	52.3	-17.9	-5.2	13.4	Placing	Non-underwritten	2.5	N/A	No
16/7/2021	P.B. Group Limited (8331)	1 for 1	27.8	-36.4	-22.2	50.0	Placing	Fully-underwritten	1.0	N/A	No
13/7/2021	Sun Entertainment Group Limited (8082)	4 for 5	146.2	-53.5	-38.6	44.4	Excess application	Non-underwritten	N/A	N/A	N/A
	Maximum	/	229.0	-4.8	-1.6	75.0	/	/	3.5	7.1	/
	Minimum	/	8.9	-54.5	-44.4	1.9	/	/	1.0	N/A	/
	Average	/	54.5	-26.0	-17.0	46.7	/	/	2.3	2.4	/
14/7/2022	The Company (8291)	1 for 1	24.0	-25.0	-14.3	50.0	Placing	Non-underwritten	2.5	N/A	No

Notes:

- In order to calculate the average, minimum and maximum percentage of the placing commission of the Comparable Transactions, we have excluded the minimum placing commissions and absolute placing commissions.
- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules.
- Pursuant to Rule 10.31(1) of the GEM Listing Rule.
- N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.

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Based on the Table B, we noted that (i) the subscription prices to the closing price on the Last Trading Day prior to the announcement of the Comparables ranged from a discount of approximately 4.8% to a discount of approximately 54.5%, with an average discount of approximately 26.0%. The discount of the Subscription Price to the theoretical closing price per Consolidated Share as at the Last Trading Day of approximately 25.0% is within the range; (ii) the theoretical ex-rights price per Consolidated Share based on the closing price per share on the last trading day prior to announcement in relation to the respective Comparables ranged from a discount of approximately 1.6% to a discount of approximately 44.4%, with an average discount of approximately 17.0%. The discount of the Subscription Price to the theoretical ex-rights price per Consolidated Share on the Last Trading Day of approximately 14.3% is within the range; (iii) the theoretical dilution effect of the Comparables ranged from approximately 1.9% to approximately 23.6%, with an average discount of approximately 12.9%. Due to the facts that (a) the theoretical dilution effect represented by the Rights Issue of approximately 16.5% falls within the range of the Comparables; (b) the net proceeds from the Rights Issue would improve the Group's financial condition; and (c) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the theoretical dilution effect represented by the Rights Issue is acceptable so far as the Independent Shareholders are concerned; and (iv) the maximum dilution on the shareholding of the Comparables ranged from approximately 9.1% to approximately 75.0%, with an average of approximately 46.7%. The maximum dilution on the shareholding of the Rights Issue of approximately 50.0% falls within the range of the Comparables. Taking into consideration the maximum dilution on the shareholding of the Rights Issue falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and so far as the Independent Shareholders are concerned.

Taking into consideration that, (i) the Subscription Price of the Rights Issue has a discount of 21.8% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were very thin during the Review Period and the Subscription Price at a discount may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the Subscription Price is within range of the Comparables; (iv) a review period of 12 months prior to the Announcement to be exhaustive for a representation of proposed rights issue in the recent market; and (v) the discount of the Subscription Price to the recent market price of the Share is necessary to encourage the Qualifying Shareholders to participate the Rights Issue under recent market uncertainties, we are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM VINCO FINANCIAL

Potential dilution effect on the interests of the Independent Shareholders

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares or Consolidated shares 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 the Share Consolidation becoming effective; (iii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (v) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date		Immediately upon the Share Consolidation becoming effective		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	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
Independent Placees	–	0.00	–	0.00	–	0.00	–	0.00	80,000,000	50.00
Other public Shareholders	<u>320,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>160,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>50.00</u>
Total:	<u>320,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>160,000,000</u>	<u>100.00</u>	<u>80,000,000</u>	<u>100.00</u>	<u>160,000,000</u>	<u>100.00</u>

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their pro-rata entitlement in full under the Rights Issue, their proportionate shareholding interests in the Company will remain unchanged after the Rights Issue. However, the Qualifying Shareholder who does not take up any of his/her/its entitlement in full under the Rights Issue and the Excluded Shareholder(s) (if any) should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue.

LETTER FROM VINCO FINANCIAL

In the case that none of the Qualifying Shareholders have taken up their respective entitlements under the Rights Issue, the maximum dilution impact on shareholding interest of those public Shareholders who do not participate in the Rights Issue will be approximately 50.00% based on the assumption that (a) no acceptance by the Qualifying Shareholders under the Rights Issue; and (b) all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent, the shareholding of the public shareholders will be decreased from 100.00% as at the Latest Practicable Date to approximately 50.00% immediately upon completion of the Rights Issue as shown in the above table in the section headed “Potential dilution effect on the interests of the Independent Shareholders” in the our letter. As discussed with the Directors, the potential dilution impact to the Shareholders who do not participate fully or partly in the Rights Issue is justifiable after taking into account that (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue in that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; (ii) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the prevailing market prices of the Shares; (iii) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iv) the inherent dilutive nature of rights issue in general if the existing Shareholders do not subscribe in full for their assured entitlements; and (v) the Rights Issue is expected to have an overall positive effect on the financial position of the Group in terms of its gearing and interest burden upon completion of Rights Issue. In view of the above, we concur with the Directors and we are of the view that the dilution impact of the Rights Issue is justifiable and is fair and reasonable.

Excess application

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 7 out of 23 Comparables did not offer excess application to their shareholders. Furthermore, 8 out of 23 Comparables were conducted on non-underwritten basis, among which 5 of them did not offer excess application to their shareholders. Therefore, we consider that the absence of excess application arrangement is not an uncommon market practice. As such, 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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Placing commission

As set out in the Letter from the Board, the terms of the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 22 August 2022), including the rate of placing commission, were determined after arm's length negotiation between the Company and the Placing Agents 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. For further details of the principal terms of the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 22 August 2022), please refer to section headed "The Placing Agreement" in the Letter from the Board. The Placing Agent to the Company will receive 2.5% of the placing price.

According to the Comparables as set out in Table B, the placing commission of the Comparables ranged from 1.0% to 3.5%, with average placing commission of approximately 2.3% respectively. As the placing commission is slightly higher than the average placing commission of the Comparables, but falls within the range of the Comparables, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

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

5. Financial effects of the Rights Issue

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets, before any adjustments, of the Group attributable to owners of the Company was approximately RMB18.3 million as at 31 December 2021.

Net assets

Assuming no other issue of Shares on or before the Record Date, (i) the unaudited pro forma adjusted consolidated net assets of the Group attributable to the owners of the Company would increase to approximately RMB36.8 million as at 31 December 2021 upon completion of the Rights Issue; and (ii) the unaudited pro forma adjusted consolidated net assets per share would be approximately RMB0.23 before the completion of the Rights Issue and approximately RMB0.23 upon completion of the Rights Issue as at 31 December 2021 (after taking into account the effect of the Share Consolidation).

Liquidity

According to the Annual Report 2021, as at 31 December 2021, the cash and cash equivalents of the Group was approximately RMB9.2 million and the Group had current assets of approximately RMB103.5 million, current liabilities of approximately RMB96.8 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 31 December

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2021 was approximately 1.07. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$22.7 million.

The current ratio of the Group will be increased from approximately 1.07 to approximately 1.26. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

Gearing Ratio

According to the Annual Report 2021, as at 31 December 2021, the gearing ratio of the Group (being the ratio of interest-bearing borrowings of the Group divided by the total equity) was approximately 701.2%. Upon completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Rights Issue of approximately HK\$22.7 million.

The gearing ratio of the Group will be improved from approximately 701.2% to approximately 297.9%. As such the gearing ratio of the Group is expected to improve upon completion of the Rights Issue.

As the Rights Issue will improve (i) the liquidity position of the Group represented by current ratio; and (ii) the gearing ratio of the Group, we are of the view that the Rights Issue are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 31 December 2021 or any future date; or (ii) the net assets per Share of the Company as at 31 December 2021 or any future date.

C. RECOMMENDATION

Having taken into consideration of the following principal factors and reasons regarding the major terms of the Rights Issue including:

- (i) the proceeds from the Rights Issue for repayments of interest-bearing bank borrowings and the Directors expect to reduce the financial cost and enhance the financial position of the Group as stated under section headed “Reasons for the Rights Issue and use of proceeds” above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to strengthen its balance sheet without facing the increasing interest expense and minimise the cost of fund raising as stated under the paragraph headed “Fund raising alternatives” above in this letter;
- (iii) the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that the Subscription Price at

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a discount to the average Closing Price would encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company as stated under the paragraph headed “Subscription Price” above in this letter;

- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “Subscription Price” and “Comparison to other rights issue” in this letter; and
- (v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

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

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

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

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 2019 (page 39 to 106), 2020 (page 42 to 116) and 2021 (page 42 to 115), which are published on 1 April 2020, 1 April 2021 and 1 April 2022 respectively. The unaudited financial information of the Company are disclosed in the quarterly report of the Company for the three months ended 31 March 2022 (page 2 to 7) and the interim report of the Company for the six months ended 30 June 2022 (page 5 to 17), which are published on 13 May 2022 and 12 August 2022 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 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>);
- (b) the annual report of the Company for the year ended 31 December 2020 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0401/2021040100063.pdf>);
- (c) the annual report of the Company for the year ended 31 December 2021 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0401/2022040100342.pdf>);
- (d) the first quarterly report of the Company for the three months ended 31 March 2022 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0513/2022051301145.pdf>); and
- (e) the interim report of the Company for the six months ended 30 June 2022 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0812/2022081201566.pdf>).

2. STATEMENT OF INDEBTEDNESS**Indebtedness**

As at the close of business on 30 June 2022, 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 banks borrowings (<i>note 1</i>)	38,000
Loan from a director of a subsidiary of the Company (<i>note 2</i>)	82,750
Lease liabilities (<i>note 3</i>)	3,827

Note:

1. The Group recorded bank borrowings of approximately RMB38 million, which were secured by the Group's buildings and right-of-use assets and personal guarantees executed by the directors of the subsidiaries.
2. Loan from a director of a subsidiary of the Company of approximately RMB82.8 million were unsecured, non-trade nature and interest free.
3. The Group's lease liabilities of approximately RMB3.8 million were secured by the Group's machinery.

Save as aforesaid or as other wise disclosed herein, and apart from intra-group liabilities, at the close of business on 30 June 2022, 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, 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

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in manufacturing and sales of tinsplate packaging products in the PRC and Hong Kong. During the latest financial year ended 31 December 2021, the Group has seen an improvement in its overall financial performance caused by the economy recovery from the outbreak of covid-19. 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. 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. Despite of the uncertainty in the global economy, the Group will continue to make effort to maintain its competitiveness through (i) implementing cost reduction strategy to optimize its operational efficiency; and (ii) further consolidating its market share in the tinsplate packaging business and expanding domestically in PRC and Hong Kong. The Group also intends to expand its sales channel in order to focus on the soliciting of new customers for its product portfolio by means of (i) upgrading its existing production line; (ii) attending certain exhibition for coatings and coating related products; and (iii) expanding its 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 31 December 2021 (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 31 December 2021.

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 31 December 2021 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 31 December 2021, extracted from the published annual report of the Group for the six months ended 31 December 2021, with adjustment described below:

	Audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 <i>RMB'000</i>
Based on 80,000,000 Rights Shares at subscription price of HK\$0.3 per Rights Share	18,253	18,500	36,753

**Unaudited pro
forma adjusted
consolidated net
tangible assets of the
Group per share
attributable to
owners of the
Company as at
31 December 2021**

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 December 2021 before the completion of the Share Consolidation and Rights Issue (*Note 3*)

RMB0.06

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company as at 31 December 2021 after the completion of the Share Consolidation but before Rights Issue (*Note 4*)

RMB0.23

Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributed to owners of the Company after the completion of the Share Consolidation and Rights Issue (*Note 5*)

RMB0.23

Notes:

- (1) The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 has been extracted from the published annual report of the Company for the year ended 31 December 2021.
- (2) The estimated net proceeds from the Rights Issue is approximately RMB18,500,000 are based on 80,000,000 Rights Shares to be issued at subscription price of HK\$0.3 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 RMB1,060,000 which are converted from HK\$ to RMB at the rate of RMB1=HK\$1.2270 as at 31 December 2021.

- (3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Share Consolidation and Rights Issue is determined based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 of approximately RMB18,253,000 as disclosed in note 1 above, divided by 320,000,000 Shares of the Company in issue as at 31 December 2021.
- (4) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company prior to the completion of the Rights Issue is based on 80,000,000 shares in issue as at 31 December 2021 immediately after the completion of Share Consolidation as if the Share Consolidation had been completed on 31 December 2021.
- (5) The number of shares used for the calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company prior to the completion of the Rights Issue is based on 160,000,000 shares in issue as at 31 December 2021 immediately after the completion of Share Consolidation as if the Share Consolidation had been completed on 31 December 2021.

	Number of Shares
Issued and fully paid as at 31 December 2021	<u><u>320,000,000</u></u>
Number of shares of the Company upon the Share Consolidation	80,000,000
One Rights Share to be issued for every one consolidated share on the record date	<u>80,000,000</u>
Number of shares of the Company after Rights Issue share issue on the basis of one Rights Share for every one consolidated share on the record date	<u><u>160,000,000</u></u>

- (6) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 31 December 2021 immediately after the completion of the Rights Issue and Share Consolidation as if the Rights Issue and Share Consolidation had been completed on 31 December 2021, but does not take into account any shares which have been or may be issued upon the exercise of options granted under the share option scheme (if any) subsequent to December 2021.
- (7) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 31 December 2021.

Set out below is the text of a letter received from Elite Partners CPA Limited, the independent reporting accountants of the Company, 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 31 December 2021, 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 immediately after the completion of share consolidation on the basis of one right share at the subscription price of HK\$0.3 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 31 December 2021. As part of this process, information about the audited consolidated statement of financial position of the Group as at 31 December 2021, as extracted by the Directors from the Company’s audited consolidated financial information for the year ended 31 December 2021, 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 audited 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 31 December 2021 would have been as presented.

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

- The related 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

Siu Jimmy

Practicing Certificate Number: P05898

Hong Kong, 25 August 2022

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>320,000</u>	<u>16,000</u>

(II) Immediately following the Share Consolidation having become effective (assuming no change in the number of issued Shares)

	Number of Consolidated Shares '000	Nominal value of the Consolidated Shares HK\$'000
Authorised:	500,000	100,000
Consolidated Shares of HK\$0.20 each	<u>80,000</u>	<u>16,000</u>

(III) Immediately following the completion of the Rights Issue (assuming no change in the number of issued Shares and full acceptance of Rights Shares by all Qualifying Shareholders or all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent)

	Number of Shares '000	Nominal value of ordinary Shares HK\$'000
Authorised:		
Consolidated Shares of HK\$0.20 each	<u>500,000</u>	<u>100,000</u>
Issued and fully paid:		
Consolidated Shares of HK\$0.20 each	80,000	16,000
Rights Shares to be issued pursuant to the Rights Issue of HK\$0.20 each	<u>80,000</u>	<u>16,000</u>
Consolidated Shares in issue immediately after completion of the Rights Issue	<u>160,000</u>	<u>32,000</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 GEM 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 61,971,142 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	1,220,619	3 years	0.180
	20 May 2021	3,000,000	3 years	0.131
Mr. Zou Yonggang	18 May 2020	1,220,619	3 years	0.180
	20 May 2021	3,000,000	3 years	0.131
Independent non-executive Directors				
Ms. Ha Yee Lan Elaine	18 May 2020	1,220,619	3 years	0.180
	20 May 2021	2,000,000	3 years	0.131
Employees of the Company				
	10 April 2019	8,544,333	10 years	0.511
	18 May 2020	8,544,333	3 years	0.180
Consultants of the Company				
	10 April 2019	800,000 (note (i))	10 years	0.78

Note:

- (i) 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

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
Mr. Wang Yun	Beneficial owner	4,220,619 (<i>Note 1</i>)	1.32%
Mr. Zou Yonggang	Beneficial owner	4,220,619 (<i>Note 1</i>)	1.32%
Ms. Ha Yee Lan Elaine	Beneficial owner	3,220,619 (<i>Note 1</i>)	1.01%

Note:

1. 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.

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 2021 (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; and
- (ii) a placing agreement dated 18 September 2020 entered into between the Company and Sorrento Securities Limited regarding the placing of unsubscribed rights share(s) and 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.

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
Vinco Financial Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) 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 2021, 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. 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. Wang Yun No. 14, Dade Yiheng Road, Chikan District, Zhanjiang City Guangdong Province, The PRC
	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 Wanchai Hong Kong
Principal bankers	Dah Sing Bank Limited Guangdong Shunde Rural Commercial Bank Company Limited, Ronggui Branch

Independent reporting accountants	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	Suncorp Securities Limited Unit 2305, 23/F The Center 99 Queen's Road Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Vinco Financial Limited Unit 2602, 26/F The Center 99 Queen's Road Central 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. Wang Yun, aged 43, 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 39, 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 54, 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 35, 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 40, 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.

Audit committee

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Wong Sui Chi, Ms. Ha Yee Lan Elaine and Mr. Wu Chi King. Mr. Wong Sui Chi is the chairman of the Audit Committee. The duties of the Audit Committee include, among others, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing the Company’s financial statements, the annual report and accounts, the half-year report and quarterly report, and significant financial reporting judgments contained therein; and (c) reviewing the financial controls, internal control and risk management systems.

Company Secretary

Mr. Chiu Wai Yip Raymond, aged 45, was appointed as a company secretary in October 2017. He 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\$1.3 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) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (iv) As at the Latest Practicable Date, save as disclosed elsewhere in this circular, there was no material contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group’s business.
- (v) 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 ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.wanchengholdings.com>) for 14 days from the date of this circular:

- (i) the annual reports of the Company for the three (3) years ended 31 December 2019, 2020 and 2021;
- (ii) the first quarterly report of the Company for the three (3) months ended 31 March 2022;
- (iii) the interim report of the Company for the six (6) months ended 30 June 2022;
- (iv) the letter from the Board, the text of which is set out on pages 7 to 34 of this circular;
- (v) the letter from the Independent Board Committee, the text of which is set out on page 35 of this circular;
- (vi) the letter from the Independent Financial Adviser, the text of which is set out on pages 36 to 56 of this circular;
- (vii) the letter issued by the independent reporting accountants regarding the unaudited pro forma financial information of the Company as set out in appendix II of this circular;
- (viii) the written consents referred to in the paragraph headed “9. Experts and Consents” in this appendix; and
- (ix) the material contracts referred to in the paragraph headed “8. Material contracts” in this appendix.

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 Friday, 16 September 2022 at 11:00 a.m. to consider and, if thought fit, to pass with or without amendments the following ordinary resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 25 August 2022 (the “**Circular**”)):

ORDINARY RESOLUTIONS

1. “**THAT** subject to the satisfaction of the conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 25 August 2022, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
 - (a) every four (4) issued and unissued shares of HK\$0.05 each in the share capital of the Company be consolidated into one (1) share of HK\$0.20 (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
 - (b) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit; and
 - (c) any one of the directors (the “**Directors**”) of the Company be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Share Consolidation and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Share Consolidation and the

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implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”

2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above and 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 80,000,000 new Consolidated Shares of HK\$0.20 each (“**Rights Shares**” and each a “**Rights Share**”) at the subscription price of HK\$0.30 per Rights Share on the basis of every one (1) Rights Share for every one (1) Consolidated 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 29 September 2022 (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;
 - (b) the placing agreement dated 14 July 2022 (as amended and supplemented by a supplemental placing agreement dated 22 August 2022) entered into between the Company and Suncorp 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;

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- (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
Wang Yun
Executive Director

Hong Kong, 25 August 2022

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 Friday, 9 September 2022 to Friday, 16 September 2022 (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 Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by 4:30 p.m. on Thursday, 8 September 2022.
- (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.

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- (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 notorially 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. Wang Yun and Mr. Zou Yonggang and the independent non-executive 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 Stock Exchange's website at www.hkexnews.hk for at least 7 days from the date of its posting and on the Company's website at <http://www.wanchengholdings.com>.