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# THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Longhui International Holdings Limited, you should at once hand the Prospectus Documents to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

A copy of each of the Prospectus Documents, having attached thereto the documents specified in the paragraph headed "13. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix III to this Prospectus, has been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong, The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of the Prospectus Documents.

Dealings in the Shares and the Rights Shares in both nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC and you should consult your stockbroker or licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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## LONGHUI INTERNATIONAL HOLDINGS LIMITED

### 龍輝國際控股有限公司

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

**(Stock Code: 1007)**

### PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY ONE (1) SHARE HELD ON RECORD DATE

Financial adviser to the Company



Merdeka Corporate Finance Limited

Underwriter to the Rights Issue



Merdeka Securities Limited

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Capitalised terms used in this cover page have the same meanings as defined in this Prospectus.

The Rights Issue is underwritten only on a best effort basis. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or transferees of nil-paid Rights Shares and not subscribed by subscribers procured by the Underwriter will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Pursuant to the Company's constitutional documents, the applicable laws in Hong Kong and the Cayman Islands and the Listing Rules, there is no requirement for a minimum level of subscription in the Rights Issue. The Rights Issue is subject to fulfillment of the conditions of the Rights Issue as set out in the section headed "Letter from the Board — Conditions of the Rights Issue" in this Prospectus and the Underwriting Agreement contains provisions granting the Underwriter the right to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at or prior to the latest time for the Rights Issue to become unconditional (which is currently expected to be 4:00 p.m. on Thursday, 11 February 2021). If the Underwriting Agreement does not become unconditional or if any of the conditions of the Rights Issue are not fulfilled at or prior to the latest time for the Rights Issue to become unconditional, the Rights Issue will not proceed.

Dealings in the Shares have been on an ex-rights basis from Friday, 15 January 2021. Dealings in the Rights Shares in the nil-paid form will take place from Friday, 29 January 2021 to Friday, 5 February 2021 (both days inclusive). Any person contemplating dealing in the Shares and/or Rights Shares in their nil-paid form up to the latest time when the conditions of the Rights Issue are fulfilled (which is expected to be 4:00 p.m. on Thursday, 11 February 2021) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers.

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Wednesday, 10 February 2021. The procedure for acceptance and transfer is set out on pages 13 to 16 of this Prospectus.

27 January 2021

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled. The expected timetable is subject to change. Further announcement(s) will be made in the event of any changes to the timetable as and when appropriate.*

| <b>Event</b>  | <b>Date (Hong Kong time)</b>                |
|---|---|
| First day of dealings in nil-paid Rights Shares . . . . .   | Friday, 29 January 2021                     |
| Latest time for splitting the PAL . . . . .   | 4:30 p.m. on Tuesday,<br>2 February 2021    |
| Last day of dealing in nil-paid Rights Shares . . . . .   | Friday, 5 February 2021                     |
| Latest time for acceptance of and<br>payment for the Rights Shares and<br>application and payment for<br>excess Rights Shares . . . . .   | 4:00 p.m. on Wednesday,<br>10 February 2021 |
| Latest time for the termination of the<br>Underwriting Agreement and for the<br>Rights Issue to become unconditional . . . . .  | 4:00 p.m. on Thursday,<br>11 February 2021  |
| Announcement of results of the Rights Issue . . . . .   | Friday, 19 February 2021                    |
| Despatch of share certificates for fully-paid<br>Rights Shares and refund cheques (if any)<br>for wholly and partially unsuccessful<br>excess applications to be posted . . . . . | Monday, 22 February 2021                    |
| Commencement of dealings in fully-paid Rights Shares . . . . .  | 9:00 a.m. on Tuesday,<br>23 February 2021   |

All references to time and dates in this Prospectus are references to Hong Kong time and dates. Dates stated in this Prospectus for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Rights Issue will be announced by the Company as and when appropriate.

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## EXPECTED TIMETABLE

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### **EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND FOR APPLICATION AND PAYMENT FOR EXCESS 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 “extreme conditions” caused by super typhoons, 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 the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; and
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the Latest Acceptance Date. Instead the deadline for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force 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 Latest Acceptance Date, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

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## DEFINITIONS

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

|                           |  |
|---------------------------|--|
| “Announcement”            | the announcement of the Company dated 27 October 2020 in relation to, among other things, the Share Consolidation and the Rights Issue   |
| “associate(s)”            | has the meaning ascribed thereto under the Listing Rules   |
| “Board”                   | the board of Directors   |
| “Business Day”            | a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business |
| “CCASS”                   | the Central Clearing and Settlement System established and operated by HKSCC   |
| “Circular”                | the circular of the Company dated 24 December 2020 in respect of, among others, the Share Consolidation and the Rights Issue   |
| “Company”                 | Longhui International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange  |
| “connected person(s)”     | has the meaning ascribed thereto under the Listing Rules   |
| “controlling shareholder” | has the meaning ascribed thereto under the Listing Rules   |
| “Convertible Bonds”       | the 5-year zero coupon convertible bonds in the aggregate principal amount of HK\$129,470,312.50 issued by the Company on 4 July 2018  |
| “COVID-19”                | novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness  |
| “Director(s)”             | the director(s) of the Company   |
| “EAF(s)”                  | the excess application form(s) for application for excess Rights Shares issued to the Qualifying Shareholders in connection with the Rights Issue  |

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## DEFINITIONS

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|                                |   |
|--------------------------------|---|
| “EGM”                          | the extraordinary general meeting of the Company convened and held on 12 January 2021 at which the Share Consolidation and the Rights Issue were approved by the Shareholders and the Independent Shareholders respectively |
| “Existing Share(s)”            | ordinary share(s) of HK\$0.00002 each in the share capital of the Company prior to the Share Consolidation having become effective  |
| “Group”                        | the Company and its subsidiaries  |
| “HKSCC”                        | Hong Kong Securities Clearing Company Limited   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the PRC  |
| “Independent Shareholders”     | Shareholder(s) who were not required to abstain from voting at the EGM under the Listing Rules  |
| “Independent Third Party(ies)” | third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company  |
| “Irrevocable Undertaking”      | the irrevocable undertaking dated 27 October 2020 given by Shui Chak Group Limited to the Company as set out in the paragraph headed “Irrevocable Undertaking” in the Letter from the Board                                 |
| “Last Trading Day”             | 27 October 2020, being the last trading day for the Shares before the publication of the Announcement   |
| “Latest Acceptance Date”       | Wednesday, 10 February 2021, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company may determine  |
| “Latest Practicable Date”      | 22 January 2021, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information referred to in this Prospectus  |
| “Latest Time for Acceptance”   | 4:00 p.m. on the Latest Acceptance Date   |
| “Latest Time for Termination”  | 4:00 p.m. on Thursday, 11 February 2021, being the first Business Day following the Latest Acceptance Date, being the latest time for the termination of the Underwriting Agreement   |
| “Listing Committee”            | has the meaning ascribed thereto under the Listing Rules  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange   |

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## DEFINITIONS

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|                                 |   |
|---------------------------------|---|
| “Non-Qualifying Shareholder(s)” | those Overseas Shareholder(s) in respect of whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place |
| “Overseas Letter”               | a letter from the Company to the Non-Qualifying Shareholders explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue   |
| “Overseas Shareholder(s)”       | Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is/are in (a) place(s) outside Hong Kong, if any   |
| “PAL(s)”                        | the renounceable provisional allotment letter(s) issued to the Qualifying Shareholders in connection with the Rights Issue  |
| “PRC”                           | the People’s Republic of China, which for the purpose of this Prospectus excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Prospectus”                    | this prospectus dated 27 January 2021 and issued by the Company in relation to the Rights Issue   |
| “Prospectus Documents”          | this Prospectus, the PAL and the EAF  |
| “Prospectus Posting Date”       | Wednesday, 27 January 2021, being the date of despatch of: (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus for information only to the Non-Qualifying Shareholders   |
| “Qualifying Shareholder(s)”     | Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company as at close of business on the Record Date  |
| “Record Date”                   | Tuesday, 26 January 2021, being the date by reference to which entitlements under the Rights Issue are expected to be determined  |
| “Registrar”                     | the branch share registrar and transfer office of the Company in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong  |

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## DEFINITIONS

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|---------------------------------------|---|
| “Rights Issue”                        | the proposed issue of a maximum of 318,680,121 Rights Shares at the Subscription Price by way of rights on the basis of one (1) Rights Share for every one (1) Share held on the Record Date payable in full on acceptance            |
| “Rights Share(s)”                     | the new Share(s) to be issued and allotted under the proposed Rights Issue  |
| “SFC”                                 | Securities and Futures Commission of Hong Kong  |
| “SFO”                                 | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)   |
| “Share Consolidation”                 | the consolidation of the every twenty (20) issued and unissued then Existing Shares into one (1) Share, which became effective on 14 January 2021   |
| “Share(s)”                            | ordinary share(s) of HK\$0.0004 each in the share capital of the Company  |
| “Shareholder(s)”                      | holder(s) of the issued Share(s)  |
| “Stock Exchange”                      | The Stock Exchange of Hong Kong Limited   |
| “Subscription Price”                  | HK\$0.142 per Rights Share  |
| “substantial shareholder(s)”          | has the same meaning ascribed thereto under the Listing Rules   |
| “Supplemental Underwriting Agreement” | the supplemental underwriting agreement dated 18 December 2020 and entered into between the Company and the Underwriter amending certain provisions of the Underwriting Agreement   |
| “Takeovers Code”                      | The Code on Takeovers and Mergers of Hong Kong  |
| “Underwriter”                         | Merdeka Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO   |
| “Underwriting Agreement”              | the underwriting agreement entered into between the Company and the Underwriter on 27 October 2020 in relation to the underwriting arrangement in respect of the Rights Issue (as amended by the Supplemental Underwriting Agreement) |

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## DEFINITIONS

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|                              |   |
|------------------------------|---|
| “Underwritten Shares”        | such number of Unsubscribed Rights Shares (excluding the Rights Shares to be provisionally allotted to Shui Chak Group Limited subject to the Irrevocable Undertaking and up to 159,250,437 Rights Shares) to be underwritten by the Underwriter on a best effort basis subject to the terms and conditions of the Underwriting Agreement   |
| “Unsubscribed Rights Shares” | consists of (i) the Rights Shares that are not subscribed by the Qualifying Shareholders or holders of nil-paid rights, excluding those Rights Shares to be provisionally allotted to Shui Chak Group Limited for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the paragraph headed “Irrevocable Undertaking” in the Letter from the Board; and (ii) the unsold entitlement of the Non-Qualifying Shareholders to the Rights Shares |
| “HK\$”                       | Hong Kong dollars, the lawful currency of Hong Kong   |
| “RMB”                        | Renminbi, the lawful currency of the PRC  |
| “%”                          | per cent.   |

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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The Underwriting Agreement contains provisions entitling the Underwriter, by notice in writing, to terminate its obligations thereunder on the occurrence of certain events. If at any time, prior to the Latest Time for Termination:

- (1) in the absolute opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive business days, excluding any suspension in connection with the clearance of the announcement or the Prospectus Documents or other announcements or circulars in connection with the Rights Issue; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (5) the Prospectus or circular or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the sole and absolute opinion of the Underwriter are material to the Group as a whole and are likely to affect materially and adversely the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it,

then the Underwriter shall at its sole and absolute discretion be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination.

**If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed.**

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LETTER FROM THE BOARD

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**LONGHUI INTERNATIONAL HOLDINGS LIMITED**

**龍輝國際控股有限公司**

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

**(Stock Code: 1007)**

*Executive Directors:*

Mr. Hung Shui Chak  
Mr. So Kam Chuen  
Mr. Yuan Mingjie

*Independent non-executive Directors:*

Mr. Tam Bing Chung Benson  
Mr. Cheung Ting Pong  
Mr. Johnson Wan

*Registered office:*

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

*Principal place of*

*business in Hong Kong:*  
Room 1502, 15/F.  
Lucky Building  
39 Wellington Street, Central  
Hong Kong

27 January 2021

*To the Qualifying Shareholders and, for information only, the Non-Qualifying Shareholders*

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE  
ON THE BASIS OF ONE (1) RIGHTS SHARE  
FOR EVERY ONE (1) SHARE HELD ON RECORD DATE**

**INTRODUCTION**

References are made to the Announcement and the Circular in relation to, among other things, the Share Consolidation and the Rights Issue. On 27 October 2020, the Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.142 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to any Non-Qualifying Shareholders.

At the EGM held on Tuesday, 12 January 2021, the relevant resolutions approving the Share Consolidation and the Rights Issue were duly passed by the Shareholders or the Independent Shareholders (as the case may be) by way of poll. Shui Chak Group Limited has abstained from voting in favour of the resolution relating to the Rights Issue at the EGM. The Share Consolidation became effective on 14 January 2021.

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## LETTER FROM THE BOARD

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The purpose of this Prospectus is to provide you with, among other things, details of the Rights Issue, financial information and other general information of the Group.

### RIGHTS ISSUE

#### Issue statistics

|   |   |  |
|---|---|--|
| Basis of the Rights Issue   | : | one (1) Rights Share (in nil-paid form) for every one (1) Share held at the close of business on the Record Date |
| Subscription Price  | : | HK\$0.142 per Rights Share   |
| Number of Shares in issue as at the Latest Practicable Date                           | : | 318,680,121 Shares   |
| Number of Rights Shares   | : | A maximum of 318,680,121 Rights Shares   |
| Aggregate nominal value of the Rights Shares  | : | HK\$127,472.0484   |
| Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares | : | A maximum of 637,360,242   |
| Maximum funds raised before expenses  | : | Up to approximately HK\$45.25 million  |

As at the Latest Practicable Date, there are outstanding Convertible Bonds in the principal amount of HK\$4,414,937.7075 convertible into 2,153,628 Shares. Save for the foregoing, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

The 318,680,121 Rights Shares to be potentially issued pursuant to the terms of the proposed Rights Issue represent (i) 100% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

#### Subscription Price

The Subscription Price is HK\$0.142 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

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## LETTER FROM THE BOARD

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The Subscription Price represents:

- (a) a premium of approximately 4.41% over the closing price of HK\$0.136 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 29.00% to the theoretical closing price of HK\$0.200 per Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.0100 per then Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a discount of approximately 29.00% to the average theoretical closing price of HK\$0.200 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0100 per then Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (d) a discount of approximately 29.70% to the average theoretical closing price of approximately HK\$0.202 per Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0101 per then Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (e) a discount of approximately 16.96% to the theoretical ex-rights price of approximately HK\$0.171 per Share (taking into account the effect of the Share Consolidation) based on the theoretical ex-rights price of approximately HK\$0.00855 per then Existing Share based on the closing price of HK\$0.0100 per then Existing Share as quoted on the Stock Exchange on the Last Trading Day; and
- (f) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 14.50% of the theoretical diluted price of HK\$0.171 per Share (after taking into account the effect of the Share Consolidation) to the benchmarked price of HK\$0.200 per Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.0100 per then Existing Share and the average closing prices of the Shares as quoted on the Stock Exchange in the five (5) consecutive trading days immediately prior to the Last Trading Day of HK\$0.0100 per then Existing Share).

The Subscription Price was determined by the Company with reference to, amongst other factors, (i) the recent closing prices of the Shares; (ii) the prevailing market conditions; and (iii) the funding and capital needs of the Company as set out in the paragraph headed “Reasons for the Rights Issue and Use of Proceeds” below. The Rights Issue will not result in a theoretical dilution effect of 25% or more.

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## LETTER FROM THE BOARD

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

### Qualifying Shareholders

The Company has sent (i) the Prospectus Documents to the Qualifying Shareholders; and (ii) the Overseas Letter together with the Prospectus only (without the PAL and the EAF), for information only, to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must, at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and
- (ii) not be a Non-Qualifying Shareholder.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by duly completing and signing the PAL (in accordance with the instructions printed therein) and lodging the same with a cheque or banker’s cashier order for the Rights Shares being applied for with the Registrar at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong on or before 4:00 p.m. on the Latest Acceptance Date.

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

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company.

### Non-Qualifying Shareholders

Overseas Shareholders may not be eligible to take part in the Rights Issue. The Prospectus Documents will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. The Prospectus (without the PAL and the EAF) and the Overseas Letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue have been despatched to the Non-Qualifying Shareholders for their information only.

According to the register of members of the Company as at the Latest Practicable Date, there were four Overseas Shareholders with registered address located in the PRC and the United States of America, which are interested in an aggregate of 625 Shares. Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the

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## LETTER FROM THE BOARD

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feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the advice provided by the legal advisers as to the laws of the PRC, as at the Latest Practicable Date, the laws of the PRC imposed no restrictions on extending the Rights Issue to such Overseas Shareholders located in the PRC, and the Company is not required to obtain any approvals for the despatch of the Prospectus Documents to such Overseas Shareholders. Based on the legal advice provided by the legal advisers as to the laws of the United States of America, the Directors are of the opinion that it would be expedient to exclude Overseas Shareholders in the United States of America from the Rights Issue due to legal restrictions under the relevant laws of the United States of America.

Having made enquiry regarding the legal restrictions with respect to the offer of the Rights Issue to the Overseas Shareholders, the Directors have formed the view that it is expedient for the Rights Shares to be offered to the Overseas Shareholders in the PRC but no Rights Shares (whether in nil-paid or fully-paid form) will be offered to the Overseas Shareholders in the United States of America. The Company will send the Prospectus and the Overseas Letter to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before dealings in nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be distributed by the Company to the Non-Qualifying Shareholders in Hong Kong dollars, at their own risk, pro rata to their respective entitlements provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled, together with any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares, will be available for excess application by the Qualifying Shareholders under the EAF(s).

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

### **Application for the Rights Shares**

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

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## LETTER FROM THE BOARD

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### **Procedures for acceptance, splitting of provisional allotment and payment and/or transfer of the Rights Shares**

A PAL is enclosed with this Prospectus (for Qualifying Shareholders only) which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, by not later than 4:00 p.m. on Wednesday, 10 February 2021. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier’s orders which must be issued by, a licensed bank in Hong Kong and made payable to “**LONGHUI INTERNATIONAL HOLDINGS LIMITED — PAL ACCOUNT**” and crossed “**Account Payee Only**”.

It should be noted that unless the duly completed PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Wednesday, 10 February 2021, whether by the original allottee or any person in whose favour the provisional allotment have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled, and the related Rights Shares will be available for excess application by other Qualifying Shareholders under the EAF. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the original PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 2 February 2021 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL. It should be noted that Hong Kong ad valorem stamp duty is payable in connection with the transfer of your rights to subscribe for the relevant Rights Shares to the transferee(s) and the acceptance by the transferee(s) of such rights.

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

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier’s orders accompanying

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## LETTER FROM THE BOARD

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completed PALs will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercises the right to terminate its obligations under the Underwriting Agreement before the Latest Time for Termination and/or if any of the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" below are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Monday, 22 February 2021.

No receipt will be issued in respect of any application monies received.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by duly completing and signing a PAL (in accordance with the instructions printed therein) and lodging the same with a separate cheque or a banker's cashier order for the sum payable for the Rights Shares accepted for with the Registrar at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by the Latest Time for Acceptance.

### **Fractional entitlements to the Rights Shares**

On the basis of the entitlement to subscribe for one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

### **Application for excess Rights Shares**

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements of the Non-Qualifying Shareholders, any Rights Shares provisionally allotted but not validly accepted by the Qualifying Shareholders or otherwise not subscribed for by transferees of nil-paid Rights Shares and for any unsold Rights Shares arising out of the aggregation of fractional entitlements.

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## LETTER FROM THE BOARD

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Application for excess Rights Shares can be made only by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate cheque or banker's cashier order for the excess Rights Shares being applied for with the Registrar at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong by not later than 4:00 p.m. on Wednesday, 10 February 2021.

The Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis, according to the principle that any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for but no reference will be made to Rights Shares comprised in applications by PAL or the existing number of Shares held by Qualifying Shareholders. No preference will be given to applications for topping up odd lots to holding whole board lots holdings. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

In the event that the Directors note unusual patterns of excess Rights Shares applications, the Directors will review those applications and if the Directors have reason to believe that any application may have been made with the intention to abuse the above mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Directors.

Pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling shareholder or its associates (together, the “**Relevant Shareholders**”), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Rights Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Shareholders with Shares held by a nominee (or which are 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. Accordingly, such Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually. Shareholders with Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of their relevant Shares under the names of the beneficial owners prior to the Record Date for the purpose of the Rights Issue.

Any Qualifying Shareholder wishing to apply for any Rights Shares in addition to his/her/its provisional allotment must complete and sign the enclosed EAF in accordance with the instructions printed thereon and lodge the same, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares

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## LETTER FROM THE BOARD

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applied for, with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Wednesday, 10 February 2021. All remittances must be made by cheque or cashier’s order in Hong Kong dollars. Cheques must be drawn on an account with, and cashier’s orders must be issued by, a licensed bank in Hong Kong and made payable to “**LONGHUI INTERNATIONAL HOLDINGS LIMITED — EAF ACCOUNT**” and crossed “**Account Payee Only**”.

The allocation of excess Rights Shares (if any) made to the Qualifying Shareholders will be announced on or about Friday, 19 February 2021. If no excess Rights Shares are allotted to the Qualifying Shareholders, a cheque for the amount tendered on application is expected to be returned by refund cheque in full without interest by ordinary post at his/her/its own risk by the Registrar on or before Monday, 22 February 2021. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, a cheque for the surplus application monies are also expected to be returned by refund cheque to that Qualifying Shareholder without interest by ordinary post to his/her/its registered address at his own risk by the Registrar on or before Monday, 22 February 2021.

All cheques or cashier’s orders accompanying completed EAFs will be presented for payment immediately upon receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and return of the EAF with a cheque or a cashier’s order will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant jurisdictions in connection of the EAF and any acceptance of it, have been, or will be, duly complied with. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees Limited has given, or be subject to, any of the above representation or warranty. Completion and return of the EAF with a cheque or a cashier’s order will constitute a warranty by the applicant that the cheque or the cashier order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any EAF in respect of which the cheque or cashier’s order is dishonoured on first presentation.

If the Underwriter exercises the right to terminate the Underwriting Agreement at or before the Latest Time for Termination or if the conditions of the Underwriting Agreement are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the nil-paid Rights Shares shall have been validly transferred, or in case of joint acceptances, to the first-named person, without interest by means of cheques despatched by ordinary post to their respective registered address at their own risk on or before Monday, 22 February 2021.

The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including refund cheques for wholly or partially unsuccessful applications for excess Rights Shares, will be sent by ordinary post at the risk of the person(s) entitled thereto to their registered addresses as at the Record Date by the Registrar on the respective despatch dates. The Company may, at its discretion, treat an EAF as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the EAF is not completed in accordance with the relevant instructions.

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## LETTER FROM THE BOARD

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### **Rights Issue on a best effort underwritten basis**

As the Rights Issue will proceed on a best effort basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) or EAF(s) may unwittingly incur an obligation to make a general offer for the Shares and Convertible Bonds under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder 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 7.19(5)(b) of the Listing Rules. Investors are advised to exercise caution when dealing in the Shares. There is no minimum amount to be raised under the Rights Issue.

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

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

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

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.

### **Certificates of the Rights Shares and refund cheques**

Subject to fulfilment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be sent on or about Monday, 22 February 2021 by ordinary post to those entitled thereto, at their own risk, to their registered addresses. Refund cheques in respect of wholly or partially unsuccessful applications for the excess Rights Shares (if any) are expected to be sent on or about Monday, 22 February 2021 by ordinary post to the applicants, at their own risk, to their registered addresses.

If the Rights Issue does not proceed, the monies received in respect of the relevant provisional allotments will be returned to the Qualifying Shareholders or such other person to whom the nil-paid rights have been validly renounced or transferred or, in the case of joint acceptances, to the first-named person, without interest and by means of refund cheques despatched by ordinary post at the risk of such Qualifying Shareholders or such other person to their registered addresses by the Registrar on or around Monday, 22 February 2021.

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## LETTER FROM THE BOARD

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### **Application for listing of the Rights Shares**

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

The board lot size of the nil-paid Rights Shares shall be the same as that of the fully-paid Rights Shares, i.e. 20,000 Shares in one board lot.

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 requirement of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC.

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

Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Qualifying Shareholders who do not fully take up the Rights Shares to which they are provisionally allotted should note that their shareholdings in the Company will be diluted.

### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Merdeka Securities Limited, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share from Thursday, 28 January 2021 to 4:10 p.m. on Monday, 15 March 2021 (both dates inclusive). Merdeka Securities Limited confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholders; and (ii) they are Independent Third Parties.

Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Mr. Chow Man Ho of Merdeka Securities Limited at Room 1108, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong (telephone number: (852) 2868 1063 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period). Holders of odd lots of Shares

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## LETTER FROM THE BOARD

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should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

### **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. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares in both their nil-paid and fully-paid forms.

### **Irrevocable Undertaking**

As at the Latest Practicable Date, Shui Chak Group Limited is interested in 161,583,312 Shares, representing approximately 50.70% of the total number of the existing issued Shares.

Pursuant to the Irrevocable Undertaking, (i) Shui Chak Group Limited has undertaken to the Company that it will subscribe for 161,583,312 Rights Shares which comprise the full acceptance of their provisional entitlement in respect of 161,583,312 Shares beneficially held by it; and (ii) it will not dispose of the 161,583,312 Shares owned by it and such Shares will remain beneficially owned by it up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

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

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

The Rights Issue is conditional upon the following conditions being fulfilled:

- (a) the passing of the necessary resolutions at the EGM to approve the Share Consolidation and the Share Consolidation having become effective;
- (b) the passing by the Independent Shareholders who are entitled to vote and not required to abstain from voting under the Listing Rules of the necessary resolution(s) at the EGM to approve the Rights Issue;
- (c) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly

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## LETTER FROM THE BOARD

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authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;

- (d) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (e) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the Business Day prior to the first day of their dealings;
- (f) the compliance with and performance of all the undertakings and obligations of Shui Chak Group Limited or any of its nominee(s), under the Irrevocable Undertaking;
- (g) compliance with the requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands; and
- (h) the obligations of the Underwriter becoming unconditional and that the Underwriting Agreement is not terminated in accordance with the terms of the Underwriting Agreement at or before the Latest Time for Termination.

As at the Latest Practicable Date, the above conditions (a) to (d) have been fulfilled and all the other conditions remain unfulfilled. The above conditions precedent are incapable of being waived. If any of the above conditions precedent is not satisfied by the Latest Time for Termination (or such other date as the Company and the Underwriter may mutually agree in writing), the Rights Issue will not proceed.

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## LETTER FROM THE BOARD

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### THE UNDERWRITING AGREEMENT

On 27 October 2020 (after trading hours of the Stock Exchange), the Company entered into the Underwriting Agreement (as amended by the Supplemental Underwriting Agreement) with the Underwriter. Details of the Underwriting Agreement are set out below:

Date : 27 October 2020 (after trading hours) (as amended by the Supplemental Underwriting Agreement on 18 December 2020)

Underwriter : Merdeka Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO.

To the best knowledge and information of the Directors, as at the Latest Practicable Date, the Underwriter is independent of and not connected with the Company or its connected persons and has complied with Rule 7.19(1)(a) of the Listing Rules that they are licensed under the SFO for Type 1 regulated activity and their ordinary business includes underwriting of securities.

Number of Underwritten Shares : Subject to the terms and conditions of the Underwriting Agreement, the Underwriter agreed to procure, on a best effort basis, the subscription (but will not itself subscribe) for the Underwritten Shares not being taken up (other than the Rights Shares to be provisionally allotted to Shui Chak Group Limited subject to the Irrevocable Undertaking).

Commission : The higher of HK\$100,000 or 1.50% of the aggregate Subscription Price in respect of such number of the Rights Shares actually procured by the Underwriter for subscription pursuant to the Underwriting Agreement.

### Termination of the Underwriting Agreement

Terms in relation to the termination of the Underwriting Agreement are summarized in the section headed “TERMINATION OF THE UNDERWRITING AGREEMENT” in this Prospectus.

**If the Underwriter gives a notice of termination to the Company in accordance with the terms of the Underwriting Agreement, all obligations of the Underwriter under the Underwriting Agreement shall cease and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement. If the Underwriter exercises its rights to terminate the Underwriting Agreement, the Rights Issue will not proceed.**

## LETTER FROM THE BOARD

### CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Shareholders have taken up all the entitled Rights Shares; (iii) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (except Shui Chak Group Limited pursuant to the Irrevocable Undertaking) have taken up any entitled Rights Shares; and (iv) immediately after completion of the Rights Issue assuming none of the Qualifying Shareholders (except Shui Chak Group Limited pursuant to the Irrevocable Undertaking) have taken up any entitled Rights Shares and all the Unsubscribed Rights Shares were subscribed for through the Underwriter:

|   | As at the Latest Practicable Date |               | Immediately after completion of the Rights Issue (assuming all Shareholders have taken up all the entitled Rights Shares) |               | Immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders except Shui Chak Group Limited pursuant to the Irrevocable Undertaking have taken up any entitled Rights Shares) and none of the Unsubscribed Rights Shares were subscribed for through the Underwriter |               | Immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders (except Shui Chak Group Limited pursuant to the Irrevocable Undertaking) have taken up any entitled Rights Shares and all the Unsubscribed Rights Shares were subscribed for through the Underwriter |               |
|---|-----------------------------------|---------------|---|---------------|--|---------------|---|---------------|
|   | Number of issued Shares           | Approximate % | Number of issued Shares   | Approximate % | Number of issued Shares  | Approximate % | Number of issued Shares   | Approximate % |
| <b>Controlling Shareholder</b>          |                                   |               |   |               |  |               |   |               |
| Shui Chak Group Limited ( <i>Note</i> ) | 161,583,312                       | 50.70         | 323,166,624   | 50.70         | 323,166,624  | 67.29         | 323,166,624   | 50.70         |
| <b>Director</b>                         |                                   |               |   |               |  |               |   |               |
| So Kam Chuen                            | 2,235,731                         | 0.70          | 4,471,462   | 0.70          | 2,235,731  | 0.47          | 2,235,731   | 0.35          |
| <b>Public Shareholder</b>               |                                   |               |   |               |  |               |   |               |
| Other Shareholders                      | 154,861,078                       | 48.60         | 309,722,156   | 48.60         | 154,861,078  | 32.24         | 154,861,078   | 24.30         |
| Subscribers procured by the Underwriter | —                                 | —             | —   | —             | —  | —             | 157,096,809   | 24.65         |
|   | <u>318,680,121</u>                | <u>100.00</u> | <u>637,360,242</u>  | <u>100.00</u> | <u>480,263,433</u>   | <u>100.00</u> | <u>637,360,242</u>  | <u>100.00</u> |

*Note:* Shui Chak Group Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Hung Shui Chak, the chairman of the Company and an executive Director.

As the Rights Issue is underwritten on a best effort basis, any Rights Shares not subscribed under the PAL, EAF or through the Underwriter will not be issued by the Company and the Rights Issue will be scaled down accordingly.

As illustrated in the abovementioned scenarios and pursuant to the Underwriting Agreement, given the fact that any subscribers, which may or may not be procured by the Underwriter, shall be Independent Third Parties, their respective shareholdings shall fall into public shareholdings such that there shall not be a public float issue under the Listing Rules upon completion of the Rights Issue. In addition, the Underwriter undertakes that, upon completion of the Rights Issue, the public float requirements under the Listing Rules shall be fulfilled by the Company.

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## LETTER FROM THE BOARD

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

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the Latest Practicable Date.

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

The Group is principally engaged in the hotpot restaurant business in the PRC.

As disclosed in the interim report of the Company for the six months ended 30 June 2020, the Group suffered loss for the period attributable to owners of the Company of approximately RMB52.47 million which was mainly attributable to the outbreak of the COVID-19 pandemic since early 2020, which has materially and adversely impacted the revenue from the Group's restaurant operations. As at 30 June 2020, the Group had cash and bank balances amounting to approximately RMB1.72 million comparing to cash and bank balance of approximately RMB5.34 million as at 31 December 2019, and the net current liabilities of the Group increased from approximately RMB182.47 million as at 31 December 2019 to approximately RMB200.32 million as at 30 June 2020. The Board considered it necessary to conduct fund raising activities to strengthen the financial position of the Group as the outbreak of the COVID-19 pandemic had severely impacted the Group's business for the first half of 2020.

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

In comparison, the Rights Issue is pre-emptive in nature, allowing the Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (a) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability) or through excess application; or (b) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Assuming the Rights Issue is fully subscribed, the net proceeds from the Rights Issue after deducting the relevant expenses are estimated to be approximately HK\$43.25 million. The Company intends to apply the net proceeds from the Rights Issue as to (i)

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## LETTER FROM THE BOARD

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approximately HK\$25.88 million for the repayment of the existing indebtedness of the Group from Independent Third Parties; (ii) approximately HK\$3.75 million for the repayment of bank loan; and (iii) approximately HK\$13.62 million for the general working capital of the Group, including the rental payment of the Group's restaurants located in the PRC, staff costs and settlement of the Group's day-to-day operating expenses.

Set out below are the information of the existing indebtedness of the Group as of 31 December 2020:

| Lender             | Date of loan  | Amount<br>(RMB)   | Maturity Date   | Interest<br>Rate |
|--------------------|---|-------------------|---|------------------|
| Lender A (notes 1) | 16/3/2020   | 1,000,000         | 15/3/2021   | 0%               |
|                    | 17/3/2020   | 1,000,000         | 16/3/2021   | 0%               |
|                    | 18/3/2020   | 1,000,000         | 17/3/2021   | 0%               |
| Lender B (notes 2) | 1/1/2020  | 6,000,000         | 31/12/2020  | 0%               |
| Lender C (notes 3) | During the period<br>between 27/6/2019<br>and 17/8/2020 | 24,310,000        | During the period<br>between 26/6/2020<br>and 17/8/2021 | 0%               |
|                    | Total   | <u>33,310,000</u> |   |                  |
| Bank of Shanghai   | 25/3/2020   | <u>3,000,000</u>  | 25/3/2021   | 4.55%            |
|                    | Total   | <u>3,000,000</u>  |   |                  |

*Notes:*

- (1) Lender A is a company incorporated in the PRC and is an independent third party to the Company.
- (2) Lender B is a company incorporated in the PRC and is an independent third party to the Company.
- (3) Lender C is an individual and is an independent third party to the Company. Lender C has provided various loans to the Company during the period from 27 June 2019 to 17 August 2020.

The Rights Issue is underwritten only on a best effort basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event the Rights Issue is undersubscribed, any Unsubscribed Rights Shares (excluding those Rights Shares to be provisionally allotted to Shui Chak Group Limited for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the paragraph headed "Irrevocable Undertaking" above) will be subscribed by subscribers procured by the Underwriter, on a best effort basis, pursuant to the Underwriting Agreement. Any Unsubscribed Rights Shares not subscribed by the subscribers procured by the Underwriter will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue.

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## LETTER FROM THE BOARD

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Assuming the Rights Issue is undersubscribed, except for those Rights Shares to be provisionally allotted to Shui Chak Group Limited, the amount of net proceeds will be approximately HK\$20.94 million and the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue will be fully applied by the Company as to the repayment of the existing indebtedness of the Group from Independent Third Parties.

Depending on the level of subscription of the Rights Issue, the Company intends to utilise the net proceeds in the following order of priority:

- (1) fully settle the outstanding indebtedness of the Group from Independent Third Parties of approximately HK\$25.88 million;
- (2) repayment of the bank loans of approximately HK\$3.75 million; and
- (3) the remaining net proceeds (if any) will then be applied towards the general working capital of the Group, including the rental payment of the Group's restaurants located in PRC, staff costs and settlement of the Group's day-to-day operating expenses.

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

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

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon the conditions of the Rights Issue as set out in the paragraph headed "Conditions of the Rights Issue" above are fulfilled. Accordingly, the Rights Issue may or may not proceed.

The Shares have been dealt with on an ex-rights basis from Friday, 15 January 2021. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 29 January 2021 to Friday, 5 February 2021 (both days inclusive). Any Shareholder or other person dealing in Shares or in the nil-paid Rights Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled, will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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## LETTER FROM THE BOARD

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### POSSIBLE ADJUSTMENT TO THE CONVERTIBLE BONDS

Completion of the Rights Issue will lead to adjustments to the conversion price and/or the number of Shares to be issued upon conversion of the Convertible Bonds. The Company will notify the holders of the Convertible Bonds by way of announcement regarding the adjustments to be made pursuant to the terms and conditions of the Convertible Bonds and such adjustments will be certified by an approved merchant bank or the auditors of the Company (as and when appropriate).

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus. In case of any inconsistency between the English and Chinese versions of this Prospectus, the English version will prevail.

Yours faithfully,  
For and on behalf of the Board  
**Longhui International Holdings Limited**  
**Hung Shui Chak**  
*Chairman and executive Director*

**A. FINANCIAL INFORMATION OF THE COMPANY**

The financial information of the Group for each of the three years ended 31 December 2017, 2018, and 2019 and the six months ended 30 June 2020 are set out in the following documents which have been published on both the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.cre8ir.com/longhui/en/index.html](http://www.cre8ir.com/longhui/en/index.html):

- the annual report of the Company for the year ended 31 December 2017 published on 6 April 2018 (pages 52 to 119, accessible via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0406/ltn20180406953.pdf>);
- the annual report of the Company for the year ended 31 December 2018 published on 25 April 2019 (pages 65 to 219, accessible via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0425/ltn201904252083.pdf>);
- the annual report of the Company for the year ended 31 December 2019 published on 15 May 2020 (pages 67 to 207, accessible via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051500099.pdf>); and
- the interim report of the Company for the six months ended 30 June 2020 published on 14 September 2020 (pages 4 to 38, accessible via the link at <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0914/2020091400599.pdf>).

**B. STATEMENT OF INDEBTEDNESS**

As at the close of business on 31 December 2020, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

**Bank borrowings**

Loans from commercial banks in the aggregate principal amount of RMB3,000,000 which are secured by personal guarantees from Mr. Hung Shui Chak, the controlling shareholder of the Company.

**Other payables**

Unsecured and unguaranteed loans from independent third parties in the aggregate principal amount of RMB28,200,000.

**Lease liabilities**

The Group entered into several lease agreements for leasing of restaurants, offices and warehouses located in the PRC and recognised right-of-use assets and lease liabilities for the above-mentioned leases. Such lease liabilities amounted to RMB66,162,000 as at 31 December 2020, which were classified as to RMB16,976,000 as current liabilities and RMB49,186,000 as non-current liabilities.

**Convertible bonds**

Unsecured and unguaranteed liability component of the convertible bonds of approximately HK\$3,577,000 (equivalent to approximately RMB3,016,000).

**Contingent liabilities**

The Company acquired the entire equity interest in the Longhui International Catering Management Limited (the “**Accounting Acquirer**”) on 4 July 2018 (the “**Acquisition Date**”) was accounted for in the consolidated financial statements as reverse acquisition of the Company by the Accounting Acquirer (the “**Reverse Acquisition**”). The Group recognised deemed listing expenses of approximately RMB339,670,000 upon the application of the Reverse Acquisition on the Acquisition Date (the “**Deemed Listing Expenses**”).

On the Acquisition Date, the Group applied the Reverse Acquisition method of accounting and recognised the identifiable assets and liabilities of the Company as at that date, including the recorded accrued expenses and other payables of approximately RMB37,578,000.

These recorded accrued expenses and other payables do not include any of the unknown liabilities of the Company brought forward from 1 January 2018, which included the amount due to a deconsolidated subsidiary of approximately RMB882,000 (equivalent to approximately HK\$1,028,000) and unknown other payables of approximately RMB15,182,000 (equivalent to approximately HK\$17,694,000) (collectively, the “**Unknown Liabilities**”). For the details, please refer to Notes 2.1 and 32 to the consolidated financial statements in the annual report of the Company for the year ended 31 December 2019.

The Company had used its best effort to identify the nature of the Unknown Liabilities including publishing a public notice which invited any potential creditors to inform the Company of any debts or claims.

With the legal advice provided to the Company, according to Section 4(1)(a) of Cap. 347 provides that actions founded on simple contract shall not be brought after the expiration of 6 years from the date on which the cause of action accrued whereas s.4(3) states that an action upon a specialty shall not be brought after the expiration of 12 years from the date on which the cause of action accrued.

The Directors considered that the origin of the Unknown Liabilities is unlikely to be created under a deed and among other reasons, given actions founded on simple contract shall not be brought after 6 years from the date on which the cause of actions accrued pursuant to the Limitation Ordinance (Laws of Hong Kong Chapter 347), any potential creditors would be statutorily barred from taking action against another person 6 years after the date when the liabilities were due, unless such liabilities was created under deed, in which case, the limitation period shall be 12 years from the date of the liabilities were due. As the Unknown Liabilities were incurred during the year ended 31 December 2012 and 2013, the payment obligation is expired as at 31 December 2019.

Besides, the Company had entered into a debt assignment agreement with Global Courage Limited (“**Global Courage**”), pursuant to which Global Courage agrees to undertake all outstanding Unknown Liabilities.

Subject to the above matters, the possibility of outflow of economic resources in the settlement of Unknown Liabilities by the Group is not probable.

At the close of business on 31 December 2020, except as disclosed in this section, the Company did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, finance lease obligations, mortgages or charges, guarantees or other material contingent liabilities.

### 3. WORKING CAPITAL

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

### 4. MATERIAL CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 June 2020 which recorded a loss making position, the Directors confirm there has been no material change in the financial or trading position or outlook of the Company since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up and up to the Latest Practicable Date.

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

The outbreak of COVID-19 coronavirus since early 2020 has materially and adversely impacted the revenue from restaurant’s operations. For the six months ended 30 June 2020 (the “**Period**”), the Group’s revenue decreased by approximately 67.5% to approximately RMB77.3 million from approximately RMB237.9 million in the last corresponding period.

The Group’s foods and beverage and other materials consumables costs mainly represent the costs of food ingredients for the hotpot business. The foods and beverage and other materials consumables costs decreased by approximately 62.3% to approximately RMB34.7 million for the six months ended 30 June 2020 from approximately RMB92.1 million in the last corresponding period. Gross profit margin of the Group decreased to approximately 55.1% during the Period. Further to the closure of 41 restaurants, property rentals and related expenses decreased by approximately 32.8% to approximately RMB11.9 million for the six months ended 30 June 2020 from approximately RMB17.7 million in the last corresponding period.

The Group plans to open more restaurants in order to expand and develop the business of the Group in the coming financial years as intended. However, due to the current poor sentiment of the food and beverages market in the PRC and the uncertainty over the impact of the Sino-US trade war and the COVID-19 coronavirus outbreak, it is prudent for the Board to withhold the planned expansion.

Hotpot restaurants offering meat as their major food ingredient have a lower customer's average spending compared with those serving seafood. Therefore, more hotpot restaurants begin to offer more diversified food materials to target different customer segments. Seafood has been introduced in hotpot restaurants recently, which will attract more customers from the high-end segment. The Group will continue to target more high-end food ingredients as additional drive for the growth of revenue of its restaurants.

New food ingredients will be added to hotpot dining. As hotpot is more inclusive than other styles of cooking, new food ingredients can be easily introduced to hotpot dining. Hotpot restaurants are more willing to stay appealing to customers by offering new food ingredients in their menus rather than stick to their own understanding of hotpot stereotype.

Delivery food service is growing fast in the PRC in the past few years. The Group plans to strengthen its competitiveness in the delivery segment to fully utilize the business hours of rush hours in a day such as lunch and dinner time to improve its revenue density. The Group will closely cooperate with online ordering and delivery platforms to promote the delivery business.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as if the Rights Issue had been completed on 30 June 2020.

The Unaudited Pro Forma Financial Information is prepared for illustrative purpose only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 June 2020 or at any future date.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2020, as extracted from the published interim report of the Company for the six months period ended 30 June 2020, and is adjusted for the effect of the Rights Issue described below:

|   | Unaudited pro<br>forma adjusted<br>consolidated<br>net tangible<br>assets of the<br>Group<br>attributable to<br>the owners of<br>the Company<br>as at 30 June<br>2020<br>immediately<br>after<br>completion of<br>the Rights<br>Issue<br>RMB'000<br>(Note 1) | Estimated<br>net proceeds<br>from the<br>Rights Issue<br>RMB'000<br>(Note 2) | Unaudited pro<br>forma adjusted<br>consolidated<br>net tangible<br>assets of the<br>Group<br>attributable to<br>the owners of<br>the Company<br>as at 30 June<br>2020<br>immediately<br>after<br>completion of<br>the Rights<br>Issue<br>RMB'000<br>(Note 3) | Unaudited<br>consolidated<br>net tangible<br>assets<br>per share<br>attributable to<br>owners of the<br>Company as at<br>30 June<br>2020 before<br>completion<br>of the Share<br>Consolidation<br>RMB<br>(Note 4) | Unaudited<br>consolidated<br>net tangible<br>assets<br>per share<br>attributable to<br>owners of the<br>Company as at<br>30 June<br>2020 after<br>completion<br>of the Share<br>Consolidation<br>RMB<br>(Note 5) | Unaudited pro<br>forma adjusted<br>consolidated<br>net tangible<br>assets<br>per share<br>attributable<br>to owners of<br>the Company<br>immediately<br>after<br>completion<br>of the<br>Rights Issue<br>RMB<br>(Note 6) | Unaudited pro<br>forma adjusted<br>consolidated<br>net tangible<br>assets<br>per share<br>attributable<br>to owners of<br>the Company<br>immediately<br>after<br>completion<br>of the<br>Rights Issue<br>HK\$<br>(Note 6) |
|---|--|--|--|---|--|--|---|
| Based on minimum<br>number of<br>161,583,312 Rights<br>Shares to be issued<br>at subscription price<br>of HK\$0.142 per<br>Rights share | (133,405)  | 19,108   | (114,297)  | (0.02)  | (0.42)   | (0.24)   | (0.26)  |
| Based on maximum<br>number of<br>318,680,121 Rights<br>Shares to be issued<br>at subscription price<br>of HK\$0.142 per<br>Rights share | (133,405)  | 39,459   | (93,946)   | (0.02)  | (0.42)   | (0.15)   | (0.16)  |

*Notes:*

- (1) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 is based on the unaudited consolidated net liabilities of the Group attributable to the owners of the Company as at 30 June 2020 of approximately RMB133,393,000 as adjusted to exclude intangible asset of approximately RMB12,000 as shown on the unaudited consolidated statement of the financial position of the Group as at 30 June 2020 as extracted from the published interim report of the Company for the six months period ended 30 June 2020.
- (2) The estimated net proceeds from the Rights Issue of the number of Rights Shares of approximately HK\$20,945,000 (equivalent to approximately RMB19,108,000) are based on 161,583,312 Rights Shares to be issued (in the proportion of one (1) rights share for every one (1) consolidated shares) at the subscription price of HK\$0.142 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,000,000 (equivalent to RMB1,825,000), assuming that the Rights Issue had been completed on 30 June 2020.

The estimated net proceeds from the Rights Issue of the number of Rights Shares of approximately HK\$43,253,000 (equivalent to approximately RMB39,459,000) are based on 318,680,121 Rights Shares to be issued (in the proportion of one (1) rights share for every one (1) consolidated shares) at the subscription price of HK\$0.142 per Rights Share, after deduction of the estimated related expenses of approximately HK\$2,000,000 (equivalent to RMB1,825,000), assuming that the Rights Issue had been completed on 30 June 2020.

- (3) The amount is calculated based on the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 June 2020 of RMB133,405,000 and 6,373,602,437 shares in issue as at 30 June 2020 (“**Existing Shares**”), without taking into account of the consolidation of every twenty (20) issued Existing Shares of HK\$0.00002 each into one consolidated Shares of HK\$0.0004 each (the “**Share Consolidation**”).
- (4) The unaudited consolidated net tangible assets per share attributable to the owners of the Company as at 30 June 2020 after the completion of the Share Consolidation is calculated based on the unaudited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 June 2020 of RMB133,405,000 and 318,680,121 consolidated shares (involve the consolidation of every twenty (20) Existing Shares into one (1) consolidated share) which is calculated on the Existing Shares subdivided by twenty (20).
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share as at 30 June 2020 immediately after the completion of the minimum issuance of the Share Consolidation and the Rights Issue is calculated based on 480,263,433 shares which comprise 318,680,121 consolidated shares (involve the consolidation of every twenty (20) Existing Shares into one (1) consolidated share) and 161,583,312 Rights Shares expected to be issued pursuant to the Irrevocable Undertaking, assuming only Shui Chak Group Limited had taken up their Rights Shares entitlement and the Rights Issue had been completed on 30 June 2020.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share as at 30 June 2020 immediately after the completion of the maximum issuance of the Share Consolidation and the Rights Issue is calculated based on 637,360,242 shares which comprise 318,680,121 consolidated shares (involve the consolidation of every twenty (20) Existing Shares into one (1) consolidated share) and 318,680,121 Rights Shares expected to be issued, assuming that all Shareholders have taken up the Rights Shares entitlement and the Rights Issue had been completed on 30 June 2020.

- (6) For the purpose of the Unaudited Pro Forma Financial Information, conversion of RMB and HK\$ is calculated at the exchange rate of RMB0.9123 to HK\$1.0. The exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, may be exchanged at this or any other rate or at all.
- (7) No adjustments have been made to the unaudited pro forma financial information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2020.

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

*The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the sole purpose of inclusion in this prospectus, in respect of the Unaudited Pro Forma Financial Information of the Company.*

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

國衛會計師事務所有限公司  
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

**To the Directors of Longhui International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Longhui International Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2020 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in pages II-1 to II-3 of Appendix II to the prospectus issued by the Company dated 27 January 2021 (the “**Prospectus**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages II-1 to II-3 of Appendix II to the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue on the basis of one rights share for every one consolidated share held on the record date at the subscription price of HK\$0.142 per rights share (the “**Rights Issue**”) on the Group's unaudited consolidated net tangible assets attributable to the owners of the Company as at 30 June 2020 as if the Rights Issue had taken place as at 30 June 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2020, on which an interim report has been published.

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

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with

reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **Our Independence and Quality Control**

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

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

### **Reporting Accountants’ Responsibilities**

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

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

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

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2020 would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully

**HLB Hodgson Impey Cheng Limited**  
*Certified Public Accountants*

Hong Kong, 27 January 2021

## 1. RESPONSIBILITY STATEMENT

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

## 2. SHARE CAPITAL

The authorised and issued share capital in the Company as at the Latest Practicable Date and immediately following completion of the Rights Issue (assuming the Rights Issue becoming unconditional and that all Rights Shares are fully subscribed under the Rights Issue) was and will be as follows:

- (i) As at the Latest Practicable Date:

|                               |        |                   |
|-------------------------------|--------|-------------------|
| <i>Authorised:</i>            |        | <i>HK\$</i>       |
| <u>950,000,000</u>            | Shares | <u>380,000.00</u> |
| <i>Issued and fully paid:</i> |        | <i>HK\$</i>       |
| <u>318,680,121</u>            | Shares | <u>127,472.05</u> |

- (ii) Immediately following 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 through the Underwriter):

|                               |   |                   |
|-------------------------------|---|-------------------|
| <i>Authorised:</i>            |   | <i>HK\$</i>       |
| <u>950,000,000</u>            | Shares  | <u>380,000.00</u> |
| <i>Issued and fully paid:</i> |   | <i>HK\$</i>       |
| <u>318,680,121</u>            | Shares in issue as at the Latest Practicable Date               | <u>127,472.05</u> |
| <u>318,680,121</u>            | Rights Shares to be allotted and issued under the Rights Issue  | <u>127,472.05</u> |
| <u>637,360,242</u>            | Shares in issue immediately upon completion of the Rights Issue | <u>254,944.10</u> |

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

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.

As at the Latest Practicable Date, there are outstanding Convertible Bonds in the principal amount of HK\$4,414,937.7075 convertible into 2,153,628 Shares. Save as the Convertible Bonds, the Company did not have any outstanding warrants, options or securities convertible into Shares.

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

### 3. DISCLOSURE OF INTERESTS

#### (a) Interest of Directors and chief executives of the Company

As at the Latest Practicable Date, the interests or short position of the Directors and chief executives of the Company and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be 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 (b) pursuant to section 352 of the SFO, to be entered the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange are set out as follows:

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

| Name of Director                   | Nature of interest                 | Number of Shares/underlying Shares held | Approximately percentage or attributable percentage of shareholding |
|------------------------------------|------------------------------------|---|---|
| Mr. Hung Shui Chak<br>("Mr. Hung") | Interest of controlled corporation | 161,583,312 (L)<br>(Note 1)             | 50.70%  |
| Mr. So Kam Chuen<br>("Mr. So")     | Beneficial owner                   | 2,980,975 (L)<br>(Note 2)               | 0.94%   |

(L): denotes long position

*Notes:*

1. These 161,583,312 Shares are held by Shui Chak Group Limited. Shui Chak Group Limited is wholly-owned by Mr. Hung. Thus, Mr. Hung is deemed to be interested in the 161,583,312 Shares held by Shui Chak Group Limited pursuant to the SFO. Shui Chak Group Limited provided the Irrevocable Undertaking to the Company to subscribe for 161,583,312 Rights Shares at HK\$0.142 per Rights Share, i.e. its entitlement under the Rights Issue in full. Upon completion of the Rights Issue, it will hold 323,166,624 Shares.
2. These Shares include 2,235,731 Shares and underlying Shares representing a maximum of 745,244 new Shares to be issued to Mr. So upon full conversion of the convertible bonds issued to Mr. So on 4 July 2018.

**(b) Substantial Shareholders' interests in Shares and underlying Shares**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, the following person(s) (other than the Directors and the chief executive of the Company) has, or is deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, details of which are set out as follows:

*Long position in the Shares*

| Name of Shareholder                                 | Nature of interest  | Number of Shares held                     | Approximately percentage or attributable percentage of shareholding |
|---|---|---|---|
| Shui Chak Group Limited                             | Beneficial owner  | 161,583,312 (L)<br><i>(Note 1)</i>        | 50.70%  |
| Futec International Group Limited (“ <b>FIGL</b> ”) | Person having a security interest in shares   | 161,583,312 (L)<br><i>(Note 2)</i>        | 50.70%  |
| Mr. Lau Kan Sum (“ <b>Mr. Lau</b> ”)                | Founder of a discretionary trust who can influence how the trustee exercises his discretion | 161,583,312 (L)<br><i>(Notes 2 and 3)</i> | 50.70%  |
| TMF (Cayman) Ltd.                                   | Trustee   | 161,583,312 (L)<br><i>(Notes 2 and 3)</i> | 50.70%  |
| Petite Arbre Limited                                | Interest of controlled corporation  | 161,583,312 (L)<br><i>(Notes 2 and 3)</i> | 50.70%  |
| Mr. Yau Kwok Wing Tony (“ <b>Mr. Yau</b> ”)         | Interest of controlled corporation  | 161,583,312 (L)<br><i>(Notes 2 and 4)</i> | 50.70%  |

(L): denotes long position

*Notes:*

1. These 161,583,312 Shares are held by Shui Chak Group Limited. Shui Chak Group Limited is wholly-owned by Mr. Hung, who is also its sole director. Thus, Mr. Hung is deemed to be interested in the 161,583,312 Shares held by Shui Chak Group Limited pursuant to the SFO. Shui Chak Group Limited provided the Irrevocable Undertaking to the Company to subscribe for 161,583,312 Rights Shares at HK\$0.142 per Rights Share, i.e. its entitlement under the Rights Issue in full. Upon completion of the Rights Issue, it will hold 161,583,312 Shares.
2. FIGL is a company wholly-owned by Futec International Holdings Limited, which is wholly-owned by FIH (BVI) Limited, which is owned as to 50% by XJG Capital Management Limited and 50% by Century Ally Ventures Limited.
3. XJG Capital Management Limited is wholly-owned by Petite Arbre Limited, which is in turn wholly-owned by TMF (Cayman) Ltd., a trust company interested in the 161,583,312 Shares in its capacity as the trustee of a private fund, the founder of which is Mr. Lau. Mr. Lau is therefore deemed to be interested in the 161,583,312 Shares in which FIGL had a security interest.
4. Century Ally Ventures Limited is wholly-owned by Mr. Yau. Accordingly, under the SFO, Mr. Yau was deemed to be interested in the 161,583,312 Shares in which FIGL had a security interest.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares, debentures or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Company or had any options in respect of such Shares. As at the Latest Practicable Date, save as disclosed above, none of the Directors is a director or employee of any of the substantial shareholders of the Company.

#### **4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS**

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

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 Company.

## 5. DIRECTORS' SERVICE CONTRACTS

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

## 6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into under the ordinary course of business of the Group) have been entered into by the Company within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the Underwriting Agreement; and
- (b) the Supplemental Underwriting Agreement.

## 7. LITIGATION

The Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Company as at the Latest Practicable Date.

## 8. COMPETING INTERESTS

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 Company or had any other conflict of interests which any person has or may have with the Company.

## 9. EXPERT AND CONSENT

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

| <b>Name</b>                     | <b>Qualification</b>         |
|---------------------------------|------------------------------|
| HLB Hodgson Impey Cheng Limited | Certified Public Accountants |

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

As at the Latest Practicable Date, the above expert did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by, or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

#### 10. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

|  |  |
|--|--|
| <b>Board of Directors</b>                                | Mr. Hung Shui Chak ( <i>Chairman</i> )<br>Mr. So Kam Chuen<br>Mr. Yuan Mingjie<br>Mr. Tam Bing Chung Benson<br>Mr. Cheung Ting Pong<br>Mr. Johnson Wan                                       |
| <b>Principal place of business in Hong Kong</b>          | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong   |
| <b>Registered office</b>                                 | Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands   |
| <b>Auditors and reporting accountants of the Company</b> | <b>HLB Hodgson Impey Cheng Limited</b><br>( <i>Certified Public Accountants</i> )<br>31/F, Gloucester Tower<br>The Landmark, 11 Pedder Street<br>Central, Hong Kong                          |
| <b>Principal bankers</b>                                 | <b>The Bank of East Asia, Limited</b><br>10 Des Voeux Road Central<br>Central<br>Hong Kong<br><br><b>China CITIC Bank International Limited</b><br>61–65 Des Voeux Road Central<br>Hong Kong |
| <b>Legal adviser to the Company as to Hong Kong laws</b> | <b>Michael Li &amp; Co.</b><br>19th Floor, Prosperity Tower<br>39 Queen's Road Central<br>Central, Hong Kong   |

|  |  |
|--|--|
| <b>Independent financial adviser to the independent board committee and the Independent Shareholders</b> | <b>Alpha Financial Group Limited</b><br>Room A, 17/F, Fortune House<br>61 Connaught Road Central<br>Central, Hong Kong   |
| <b>Financial adviser to the Company</b>  | <b>Merdeka Corporate Finance Limited</b><br>Room 1108–1110<br>11/F Wing On Centre<br>111 Connaught Road<br>Central, Hong Kong  |
| <b>Underwriter</b>   | <b>Merdeka Securities Limited</b><br>Room 1108–1110<br>11/F Wing On Centre<br>111 Connaught Road<br>Central, Hong Kong   |
| <b>Cayman Islands principal share registrar and transfer office</b>                                      | <b>Conyers Trust Company (Cayman) Limited</b><br>Cricket Square<br>Hutchins Drive<br>P.O. Box 2681<br>Grand Cayman KY1-1111<br>Cayman Islands  |
| <b>Hong Kong share registrar and transfer office</b>   | <b>Computershare Hong Kong Investor Services Limited</b><br>Shops 1712–1716, 17th Floor<br>Hopewell Centre<br>183 Queen’s Road East<br>Wanchai, Hong Kong  |
| <b>Authorised representatives</b>  | Mr. Hung Shui Chak<br>Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong<br><br>Mr. Yuan Mingjie<br>Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
| <b>Company secretary</b>   | Mr. Wong Chun Kit  |

**Particulars of the Directors***(a) Name and address of Directors*

| <b>Name</b>                                    | <b>Address</b>   |
|--|--|
| <i>Executive Directors</i>                     |  |
| <b>Mr. Hung Shui Chak</b>                      | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
| <b>Mr. So Kam Chuen</b>                        | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
| <b>Mr. Yuan Mingjie</b>                        | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
| <i>Independent Non-executive<br/>Directors</i> |  |
| <b>Mr. Tam Bing Chung Benson</b>               | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
| <b>Mr. Cheung Ting Pong</b>                    | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |
| <b>Mr. Johnson Wan</b>                         | Room 1502, 15/F.<br>Lucky Building<br>39 Wellington Street<br>Central<br>Hong Kong |

*(b) Profiles of Directors**Executive Directors*

Mr. Hung Shui Chak (“**Mr. Hung**”) (formerly known as Hung Pan), aged 51, was appointed as the chairman of the Board, an executive Director, a member of the nomination committee of the Company (the “**Nomination Committee**”) and an authorised representative of the Company in July 2018. He is also a director of various subsidiaries of the Company. Mr. Hung is primarily responsible for formulating the overall development strategies and business plan of the Group. Mr. Hung has engaged in the investment and operation of trading of raw materials in food and catering and automobile business in Hong Kong prior to 1990. He has vast experiences of investments in various businesses in the PRC and commenced in investments in the PRC. He has now accumulated over 9 years of experience in the management of food and catering industry in the PRC. Mr. Hung took the overall business development of the Group since 2012 and continues to oversee the management of the operations and business of the Group. He has guided the operations and business of the Group in adhering to quality and innovation in the operations since he took up the business development of the Group in 2009. Mr. Hung held a controlling interest in Carsone Car Detailing Service Company Limited\* (上海比鄰美車堂汽車美容有限公司) (“**Carsone**”), a company which principally engaged in motor detailing business in the PRC, and Mr. Hung disposed of his interest in Carsone to an independent third party in 2012 and now retains a minority interest of approximately 5.4% in Carsone. Mr. Hung also remains as a director of a holding company of Carsone. Mr. Hung is the sole shareholder and the sole director of Shui Chak Group Limited, a company incorporated in the British Virgin Islands with limited liability, the controlling Shareholder (as defined in the Listing Rules). Mr. Hung is deemed, by virtue of his interest in Shui Chak Group Limited, to be interested in 161,583,312 Shares under the SFO, representing approximately 50.70% of the issued share capital of the Company.

Mr. So Kam Chuen (“**Mr. So**”), aged 40, was appointed as an executive Director in July 2018. He is also a director of a subsidiary of the Company and the supervisor of a subsidiary of the Company. Mr. So is responsible for overseeing the overall management, day-to-day operation and production of the Group. He joined the Group in November 2004 and is serving as the Executive Chef and Brand General Manager of Faigo (輝哥) and Xiao Faigo (小輝哥) and has over 14 years of experience in the catering industry and operations management. He joined the catering business in Hong Kong after finishing school education in Hong Kong in 1997. During his service with the Group, Mr. So is responsible for overseeing the operations of all the restaurants of the Group, developing new cuisine, controlling the quality of food and services of Faigo (輝哥) and Xiao Faigo (小輝哥) to ensure the upscale of food and services.

Mr. Yuan Mingjie (“**Mr. Yuan**”), aged 41, was appointed as an executive Director and an authorised representative of the Company in July 2018. Mr. Yuan is responsible for overseeing the overall financial management and reporting and corporate finance matters of the Group. He has over 14 years of experience in

auditing and accounting in various industries. He was the Vice President and Corporate Secretary of CY Oriental Holdings Ltd., a company listed on the Toronto Stock Exchange (stock code: CYO:APH), from 2004 to 2008. He also served as an auditor at PricewaterhouseCoopers Zhong Tian CPAs Limited Company from 2001 to 2003. Mr. Yuan served as the Executive Vice President & Chief Operating Officer of Carsone from 2012 to 2018. Mr. Yuan was awarded a Bachelor Degree in English Language and Literature from Shanghai International Studies University (上海外國語大學) in 2001 and a Master Degree in Business Administration from Shanghai Jiao Tong University (上海交通大學) in 2012.

*Independent Non-executive Directors*

Mr. Tam Bing Chung Benson (“**Mr. Tam**”), aged 57, was appointed as an independent non-executive Director in March 2019. He is the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Tam is a member of The Institute of Chartered Accountants in England and Wales. He holds a Master of Science degree from University of Oxford and a Bachelor of Science (Engineering) degree in civil engineering from Imperial College of University of London. Mr. Tam is the founder and chairman of Venturous Group, a China-based family investment platform. From 2002 to 2012, he was a partner of Fidelity Growth Partners Asia (formerly named Fidelity Asia Ventures), an Asian venture capital firm with a principal focus on China. Prior to joining Fidelity Growth Partners Asia, Mr. Tam was an investment banker and a private equity investor in Europe and Asia with leading financial institutions. He is currently a director of several private companies. Mr. Tam is an independent non-executive director of Yeahka Limited (stock code: 9923), the issued shares of which are listed on the Stock Exchange. He is also an independent director of Momo Inc. (stock symbol: MOMO), the shares of which are listed on the NASDAQ Stock Exchange.

Mr. Cheung Ting Pong (“**Mr. Cheung**”), aged 41, was appointed as an independent non-executive Director in June 2020. He is the chairman of each of the audit committee and the nomination committee and a member of the remuneration committee of the Company. Mr. Cheung has over 15 years of experience in financial operations. He obtained a bachelor’s degree in business administration (accountancy) from the City University of Hong Kong in November 2002 and a master’s degree in business administration from the University of Manchester in the United Kingdom in November 2014. He has been a registered member of the Institute of Chartered Accountants in England and Wales since February 2010, a fellow member of Hong Kong Institute of Certified Public Accountants since May 2017. Mr. Cheung served as the company secretary of Munsun Capital Group Limited (now known as Bay Area Gold Group Limited), the shares of which are listed on the main board of the Stock Exchange (stock code: 1194), from November 2016 to January 2017, responsible for regulatory compliance of the company. He served as an executive director and a non-executive director of Sanbase Corporation Limited (“**Sanbase**”), the shares of which are listed on GEM of the Stock Exchange (stock code: 8501), from July 2017 to May 2018 and from May 2018 to October 2019 respectively. He was primarily responsible for strategic planning and public relations of Sanbase and

its subsidiaries. Mr. Cheung served as an executive director, chief financial officer and company secretary of Modern Dental Group Limited (“**Modern Dental**”), the shares of which are listed on the main board of the Stock Exchange (stock code: 3600), from March 2011 to October 2016. He was primarily responsible for supervising and handling of day to day management of Modern Dental. Further, he was also a key member of the strategic acquisition team and the acquisition projects during his tenure included: (1) acquisition of 100% interest in Cenatory Pty Limited (traded as Slater Dental Studio, a dental laboratory based in Australia); (2) strategic acquisitions relating to certain long-term European distributors of Modern Dental’s dental prosthetic devices and their related brand name; and (3) acquisition of 100% of the outstanding shares of RTFP Dental Inc., a dental laboratory services provider of customized dental restorations and prosthetics in North America. He also served various positions in Deloitte Touche Tohmatsu LLC (“**Deloitte**”) from September 2002 to September 2009 where his last position was senior auditor of audit department. During his service in Deloitte, he was primarily responsible for advising clients on accounting and auditing issues.

Mr. Johnson Wan (“**Mr. Wan**”), aged 41, was appointed as an independent non-executive Director in August 2020. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Wan obtained a bachelor’s degree in computer science and mathematics (finance) from University of Toronto in 2002, a master’s degree in statistics from University of Michigan in 2004 and a master’s degree in business administration from London Business School in 2008. He has more than 15 years of professional experience as an investment manager for Brilliance Capital Management, a director for Deutsche Bank managing its Asia Energy and Commodities research teams and a senior human resources consultant for Aon Hewitt. Mr. Wan is an independent non-executive director of each of New Provenance Everlasting Holdings Limited (stock code: 2326) and Kunming Dianchi Water Treatment Co., Ltd. (Stock Code: 3768). The issued shares of these two companies are listed on the Stock Exchange.

## 11. EXPENSES

The expenses in connection with the Rights Issue, including professional fees payable to lawyers, reporting accountants and financial printer, etc., are estimated to be approximately HK\$2 million and will be payable by the Company.

## 12. BINDING EFFECT

The Prospectus Documents and all acceptances of any offer or application contained therein are governed by and shall be construed in accordance with the laws of Hong Kong. The Prospectus Documents shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), so far as applicable.

**13. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

A copy of each of the Prospectus Documents and the written consent as referred to in the paragraph headed “9. Expert and Consent” in this Appendix, have been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong).

**14. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be made available for inspection during normal business hours at the office of the Company at Room 1502, 15/F., Lucky Building, 39 Wellington Street, Central, Hong Kong during the period of 14 days from the date of this Prospectus:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (iii) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group as set out in Appendix II to this Prospectus;
- (iv) the written consent referred to in the paragraph headed “9. Expert and Consent” in this Appendix;
- (v) the material contracts referred to in the paragraph headed “6. Material Contracts” in this Appendix;
- (vi) the Circular; and
- (vii) the Prospectus Documents.

**15. MISCELLANEOUS**

- (i) 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.
- (ii) The company secretary of the Company is Mr. Wong Chun Kit is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.
- (iii) This Prospectus and the accompanying PAL and EAF have been prepared in both English and Chinese. In the case of any discrepancies, the English version shall prevail over their respective Chinese version.