

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Child Care Corporation Limited, you should at once hand this circular together with the enclosed proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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

China Child Care Corporation Limited

中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Underwriter to the Rights Issue



Financial adviser to the Company

VEDA | CAPITAL
智略資本

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders

Nuada Limited

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

It should be noted that the Shares will be dealt in on an ex-entitlement basis from Monday, 11 December 2017. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 22 December 2017 to Wednesday, 3 January 2018 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. (Hong Kong time) on Friday, 12 January 2018 (or such later time as the Company and the Underwriter may agree), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

A letter from the Board is set out on pages 10 to 29 of this circular. The recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue is set out on page 30 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue is set out on pages 31 to 53 of this circular.

A notice convening the EGM to be held at Room Golden Bay, 2/F, Golden Bay Resort, 168 South Huandeng Road (Huandeng Nan Lu), Dadeng Islands, Xiamen, Fujian Province, The People's Republic of China, at 9:00 a.m. on Thursday, 7 December 2017 is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrars in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

17 November 2017

CONTENTS

	<i>Page</i>
Definitions	1
Expected timetable	6
Termination of the Underwriting Agreement	8
Letter from the Board	10
Letter from the Independent Board Committee	30
Letter from the Independent Financial Adviser	31
Appendix I : Financial and Other Information of the Group	I-1
Appendix II : Unaudited Pro Forma Financial Information of the Group	II-1
Appendix III : General Information	III-1
Notice of EGM	EGM-1

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 29 September 2017 in relation to, among other things, the Rights Issue
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business day(s)”	a day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks are generally open for business in Hong Kong
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	China Child Care Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 1259)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed thereto under the Listing Rules
“Directors”	Director(s) of the Company (from time to time)
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders, pursuant to which the Qualifying Shareholders may apply for the Rights Shares in excess of such Shareholders’ assured entitlement under the Rights Issue in the agreed form

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held to consider and approve, among other things, the Rights Issue (including the Underwriting Agreement) and the transactions contemplated thereunder
“Golden Sparkle”	Golden Sparkle Limited, being the legal and beneficial owner of 263,308,500 Shares, as at the Latest Practicable Date
“Golden Sparkle Irrevocable Undertaking”	the irrevocable undertaking given by Golden Sparkle in favour of the Company and the Underwriter to subscribe for 263,308,500 Rights Shares which it is entitled to under the Rights Issue.
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	Nuada Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) other than the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates
“Independent Third Party(ies)”	person(s) or company(ies) who/which is/are not connected with the Company and its connected persons (as defined under the Listing Rules)

DEFINITIONS

“Last Trading Day”	29 September 2017, being the last trading day of the Shares on the Stock Exchange on which the Company and the Underwriter entered into the Underwriting Agreement
“Latest Practicable Date”	14 November 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information referred to in this circular
“Latest Time for Acceptance”	4:00 p.m. on Monday, 8 January 2018 or such later time or date as may be agreed between the Underwriter and the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-Qualifying Shareholders”	those Overseas Shareholder(s) whom the Directors, based on legal advice provided by the Company’s legal advisers, consider it necessary or expedient not to extend the Rights Issue on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Non-Undertaken Share Options”	up to 49,600,000 share options carrying rights to subscribe for up to 49,600,000 Option Shares
“Option Share(s)”	up to 94,826,500 Shares which may be allotted and issued by the Company upon exercise of the 94,826,500 outstanding share options
“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 address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Prospectus”	the Rights Issue prospectus in the agreed form expected to be dated the Prospectus Posting Date
“Prospectus Documents”	the Prospectus, the PAL(s) and the EAF(s)
“Prospectus Posting Date”	Wednesday, 20 December 2017 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholder(s) whose name(s) is/are registered on the register of the members of the Company on the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Tuesday, 19 December 2017, or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Share in issue and held on the Record Date at the Subscription Price per Rights Share on the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“Rights Share(s)”	not less than 1,158,436,000 Shares and not more than 1,208,036,000 Shares to be issued and allotted under the Rights Issue
“Settlement Date”	Friday, 12 January 2018, being the fourth Business Day following the Latest Time for Acceptance (or such other date as the Underwriter and the Company may agree in writing)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“Share(s)”	existing ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.35 per Rights Share
“Takeovers Code”	the Hong Kong Code on the Takeovers and Mergers
“Undertaken Options Holders”	the holder(s) of the Share Options who have irrevocably undertaken to the Company and the Underwriter that they will not exercise any of their Share Options from the date of such undertaking up to and including the Record Date
“Undertaken Share Options”	being 45,226,500 share options
“Untaken Shares”	the Underwritten Shares which have not been taken up by the Qualifying Shareholders
“Underwriter”	Head & Shoulders Securities Limited, a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Underwriting Agreement”	the underwriting agreement dated 29 September 2017 and entered into between the Company and the Underwriter in relation to the Rights Issue
“Underwritten Shares”	all the Rights Shares, being not less than 895,127,500 Rights Shares and not more than 945,175,500 Rights Shares underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue set out below is indicative only:

Event	2017
Latest time for lodging transfer of Shares in order to be qualified for attendance and voting at the EGM	4:30 p.m. on Thursday, 30 November
Register of members of the Company closes (both days inclusive)	Friday, 1 December to Thursday, 7 December
Latest time for lodging proxy forms for the EGM (not less than 48 hours prior to the time of the EGM)	9:00 a.m. on Tuesday, 5 December
Expected date and time of the EGM	9:00 a.m. on Thursday, 7 December
Announcement of the result of the EGM	Thursday, 7 December
Last day of dealings in the Shares on a cum-entitlement basis	Friday, 8 December
First day of dealings in the Shares on an ex-entitlement basis	Monday, 11 December
Latest time for lodging transfers of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 12 December
Register of members of the Company closes (both days inclusive)	Wednesday, 13 December to Tuesday, 19 December
Record date for the Rights Issue	Tuesday, 19 December
Despatch of the Prospectus Documents	Wednesday, 20 December
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Friday, 22 December
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Thursday, 28 December

EXPECTED TIMETABLE

Event	2018
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Wednesday, 3 January
Latest Time for Acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares	4:00 p.m. on Monday, 8 January
Latest time for termination of the Underwriting Agreement and for the Rights Issue to become unconditional	4:00 p.m. on Friday, 12 January
Announcement of results of acceptance of the Rights Shares	Monday, 15 January
Despatch of certificates for fully-paid Rights Shares and refund cheques (if any) on or before	Tuesday, 16 January
Dealings in fully-paid Rights Shares commence	9:00 a.m. on Wednesday, 17 January

All references to time in this circular are references to Hong Kong time. Dates stated in this circular 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.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS ISSUE

If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Monday, 8 January 2018, being the Latest Time for Acceptance,

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

Under such circumstances, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new 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 hereof), of a political, military, financial, economic or other nature, 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 reasonable 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
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable 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
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules, the Takeovers Code 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 reasonable opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement, if prior to 4:00 p.m. on the Settlement Date, any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to 4:00 p.m. on the Settlement Date.

If prior to 4:00 p.m. on the Settlement Date, any such notice as referred to above is given by any of the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If the Underwriter terminates the Underwriting Agreement in accordance with the terms thereof, the Rights Issue will not proceed. A further announcement would be made if the Underwriting Agreement is terminated by the Underwriter.

LETTER FROM THE BOARD

China Child Care Corporation Limited

中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

Executive Directors:

Mr. Tsai Wallen (*Chairman*)

Mr. Huang Xinwen

Mr. Ma Chi Ming

Non-executive Directors:

Mr. Li Zhouxin

Mr. Ren Yunan

Independent non-executive Directors:

Ms. Chan Sze Man

Mr. Ma Kwun Yung Stephen

Ms. Bu Yanan

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

Level 54

Hopewell Centre

183 Queen's Road East

Hong Kong

17 November 2017

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. On 29 September 2017 (after trading hours of the Stock Exchange), the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which, the Underwriter has conditionally agreed to underwrite not less than 895,127,500 Rights Shares and not more than 945,175,500 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. On the same day, the Board 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\$0.35 per Rights Share, to raise gross proceeds of not less than approximately HK\$405,452,600 (before expenses) (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than approximately HK\$422,812,600 (before expenses) (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the Non-Undertaken Share Options in full on or before the Record Date) by issuing not less

LETTER FROM THE BOARD

than 1,158,436,000 (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than 1,208,036,000 Rights Shares (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the Non-Undertaken Share Options in full on or before the Record Date).

The purpose of this circular is to provide you with, among other things, (i) further details about the Rights Issue; (ii) a letter from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (iv) the financial information and other general information of the Group; and (v) the notice convening the EGM.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,158,436,000 Shares
Number of Rights Shares	:	Not less than 1,158,436,000 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 1,208,036,000 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon the exercise in full of the subscription rights attached to the Non-Undertaken Share Options on or before the Record Date)
Number of Underwritten Shares	:	Not less than 895,127,500 Rights Shares and not more than 945,175,500 Rights Shares, representing all the Rights Shares less the number of Rights Shares undertaken by Golden Sparkle under the Golden Sparkle Irrevocable Undertaking
Number of issued Shares upon completion of the Rights Issue	:	Not less than 2,316,872,000 Shares and not more than 2,416,072,000 Shares

LETTER FROM THE BOARD

- Amount to be raised before expenses : Not less than HK\$405,452,600 and not more than HK\$422,812,600
- Right of excess applications : Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

As at the Latest Practicable Date, the Company has 94,826,500 outstanding share options, which entitle the holders to convert into 94,826,500 Option Shares. Save for the aforesaid share options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

Holders of the 45,226,500 share options have irrevocably undertaken to the Company and the Underwriter that they will not exercise any of their share options from the date of such undertaking up to and including the Record Date.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, the 1,158,436,000 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 100% of the existing issued share capital of the Company; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Assuming the Non-Undertaken Share Options are exercised in full and 49,600,000 Option Shares are allotted and issued pursuant thereto on or before the Record Date, the 1,208,036,000 Rights Shares proposed to be allotted and issued represent (i) approximately 104.28% of the existing issued share capital of the Company; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

Golden Sparkle Irrevocable Undertaking

Pursuant to the Golden Sparkle Irrevocable Undertaking, Golden Sparkle (which is interested in 263,308,500 Shares representing approximately 22.73% of the total issued share capital of the Company as at the Latest Practicable Date) has irrevocably undertaken to the Company and the Underwriter that it will subscribe for 263,308,500 Rights Shares which it is entitled under the Rights Issue.

As at the Latest Practicable Date, save for the Golden Sparkle Irrevocable Undertaking, the Company has not obtained undertakings from any other Shareholders that they will subscribe for any or all of the Rights Shares to be provisionally allotted to them.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price is HK\$0.35 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and/or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (1) a discount of approximately 23.08% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (2) a discount of approximately 13.15% to theoretical ex-entitlement price of approximately HK\$0.403 per Share based on the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (3) a discount of approximately 24.24% to the average of the closing prices of HK\$0.462 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (4) a premium of approximately 16.67% over the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions. Taking into account of the reasons for the Rights Issue and the use of proceeds as details in the section headed "REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS" in this circular, the Directors (including the independent non-executive Directors after having considered the advice from the Independent Financial Adviser) consider the terms of the Rights Issue, including the Subscription Price which has been set at a reasonable discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their entitlements so as to participate in the potential growth of the Company in the future, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) upon full acceptance of the relevant provisional allotment of Rights Shares will be approximately HK\$0.344.

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 by the Qualifying Shareholders as at the close of business on the Record Date.

Acceptance of all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

LETTER FROM THE BOARD

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

1. be registered as a member of the Company at the close of business on the Record Date; and
2. be a Qualifying Shareholder.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 13 December 2017 to Tuesday, 19 December 2017 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

In order to be registered as members of the Company at the close of business on the Record Date, all transfer documents (together with the relevant share certificates) must be lodged with Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Tuesday, 12 December 2017 (Hong Kong time).

Overseas Shareholders and Non-Qualifying Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

The Company has checked its register of members and confirmed that, as at the Latest Practicable Date, the Company did not have any Overseas Shareholders. However, if there are any Overseas Shareholders from the Latest Practicable Date up to the Record Date, in compliance with Rule 13.36(2)(a) of the Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Shares will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents. The Company will send copies of the Prospectus to the Non-Qualifying Shareholders for their information only.

The Overseas Shareholder(s) (if any) should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Company pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholder(s) should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

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

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Shares

Subject to the fulfillment of the conditions set out in the section headed “Conditions of the Underwriting Agreement” in this circular, share certificates for all fully-paid Rights Shares are expected to be posted on or before Tuesday, 16 January 2018 to those entitled thereto by ordinary post at their own risk. If the Rights Issue is terminated, refund cheques will be despatched on or before Tuesday, 16 January 2018 by ordinary post at their own risk. Each Shareholder will receive one share certificate for all allotted fully paid Rights Shares.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are also expected to be posted on or before Tuesday, 16 January 2018 by ordinary post to the applicants at their own risk.

Application for excess Rights Shares

Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

Applications for excess Rights Shares can only be made by Qualifying Shareholders and only by completing the EAFs (in accordance with the instructions printed thereon) for application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for by no later than the Latest Time for Acceptance. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

1. subject to availability of excess Rights Shares for all such applications, preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to top-up odd lots holdings to whole lot holdings and that such applications are not made with the intention to abuse this mechanism; and
2. subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to the Qualifying Shareholders based on a sliding scale with reference to the number of the excess Rights Shares applied for by them with flexibility to round up to whole board lots at the discretion of the Directors (i.e. the Qualifying Shareholders applying for a smaller number of the Rights Shares will be allocated a higher percentage of the excess Rights Shares they have applied for; whereas the Qualifying Shareholders applying for a larger number of Rights Shares will be allocated a lower percentage of the excess Rights Shares than those applying for a smaller number).

LETTER FROM THE BOARD

In the event that the Company discovered that certain excess applications may have been made with the intention to abuse the mechanism under principle (1) above, the Board reserves the rights and absolute discretion to reject any excess applications which appears to them to be made with intention to abuse the top up odd lots mechanism while other applications are not affected and will be allocated according to the above principles (1) and (2).

Investors with their Shares held by a nominee company (including HKSCC) should note that the Board will regard the nominee company (including HKSCC Nominees Limited) whose name appears on the register of members of the Company as a single Shareholder under the aforesaid arrangement in relation to the top-up of odd-lots for allocation of excess Right Shares. Accordingly, the Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to individual beneficial owners who hold Shares through a registered nominee. Investors with their Shares held by a nominee company are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own name prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

Investors whose Shares are held by their nominee(s) (including HKSCC) and who would like to have their names registered on the register of members of the Company, must lodge all necessary documents with the Registrar for completion of the relevant registration by 4:30 p.m. on Tuesday, 12 December 2017.

Fractions of the Rights Shares

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

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue.

Subject to the granting of the approval for the listing of, and permission to deal in, the Rights Shares on the Stock Exchange, the Rights Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

LETTER FROM THE BOARD

Dealings in the Rights Shares in both their nil-paid and fully-paid forms (both in board lots of 1,000 Shares), which are registered in the register of members of the Company, will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

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

UNDERWRITING ARRANGEMENT

Underwriting Agreement

Date	:	29 September 2017 (after trading hours of the Stock Exchange)
Issuer	:	the Company
Underwriter	:	the Underwriter
Number of Underwritten Shares	:	not less than 895,127,500 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than 945,175,500 Rights Shares (assuming no further issue or repurchase of Shares other than the issue of new Shares upon the exercise in full of the subscription rights attached to the Non-Undertaken Share Options on or before the Record Date)
Commission	:	1.5% of the total Subscription Price of the maximum number of the Underwritten Shares

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Underwriter and its respective ultimate beneficial owners are Independent Third Parties. As at the Latest Practicable Date, the Underwriter is not interested in any Shares.

In the course of considering the Rights Issue, the Company has approached 2 securities houses as prospective underwriters. The Board considers that the Underwriter has offered the Company the most competitive terms, including the underwriting commission and the capacity of having the Rights Issue fully underwritten. The Board further considers that the terms of the Underwriting Agreement are consistent with market practice.

LETTER FROM THE BOARD

The Company will pay the Underwriter an underwriting commission of 1.5% of the total Subscription Price of the maximum number of the Underwritten Shares. The commission rate was determined after arm's length negotiation between the Company and the Underwriter by reference to the market rate, the size of the Rights Issue and the current and expected market conditions. The Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser) are of the view that the terms of the Underwriting Agreement, including the commission, are fair and reasonable so far as the Company and the Shareholders are concerned.

Pursuant to the Underwriting Agreement, the Underwriter shall use its best endeavours to ensure that each of the subscribers or sub-underwriter(s) of the Untaken Shares procured by it (i) shall be an Independent Third Party of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors or chief executive of the Company or substantial Shareholders or their respective associates; (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue; and (iii) to procure that the minimum public float requirement under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on, among others:

- (i) the passing of the necessary resolution(s) by the Board to approve the Underwriting Agreement (including the Rights Issue and the transactions contemplated hereunder);
- (ii) the passing of the necessary resolution(s) at the EGM to approve the Underwriting Agreement and the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by the Independent Shareholders;
- (iii) the delivery to the Stock Exchange for authorisation and the registration by and filing with the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents and otherwise in accordance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (iv) the posting of copies of the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date;
- (v) the compliance with and performance by the Company of certain undertakings and obligations under the terms of the Underwriting Agreement;
- (vi) the compliance with and performance of all undertakings and obligations of Golden Sparkle under the Golden Sparkle Irrevocable Undertaking;
- (vii) the compliance with and performance of all undertakings and obligations of Undertaken Options Holders not to exercise any of the Undertaken Share Options held by each of them before the Record Date;
- (viii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) and such listings and permission to deal not having been withdrawn or revoked by no later than the first day of their dealings on the Stock Exchange;
- (ix) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days; and
- (x) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms hereof.

As at the Latest Practicable Date, save for condition (i) above, none of the conditions has been satisfied.

Save that (v) and (ix) which could be waived by the Underwriter, all other conditions set out above are not capable of being waived. In the event that the conditions (i), (ii), (iii) and (iv) have not been satisfied on or before the Prospectus Posting Date or in the event that the conditions (v), (vi), (vii), (viii), (ix) and (x) have not been satisfied and/or waived in whole or in part by the Underwriter (as the case may be) on or before 4.00 p.m. on the Settlement Date or such other time as specified therein (or, in each case, such later date as the Underwriter and the Company may agree in writing), the Underwriting Agreement shall terminate (save and except certain provisions, including announcements, fees and expenses, notice and governing law which shall remain in full force and effect) and all liabilities of the parties hereto shall cease and determine and neither party shall have any claim against the other, save for any antecedent breaches.

LETTER FROM THE BOARD

Termination of the Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to 4:00 p.m. on the Settlement Date, to terminate the Underwriting Agreement if:

- (1) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new 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 hereof), of a political, military, financial, economic or other nature, 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 reasonable 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
 - (c) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which would, in the reasonable 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
- (2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions for the purpose of this clause includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (3) the Prospectus when published contains information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the Listing Rules, the Takeovers Code 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 reasonable opinion of the Underwriter be material to the Group as a whole upon completion of the Rights Issue and is likely to affect materially and adversely the success of the Rights Issue.

LETTER FROM THE BOARD

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement, if prior to 4:00 p.m. on the Settlement Date, any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter.

Any such notice shall be served by the Underwriter prior to 4:00 p.m. on the Settlement Date.

If prior to 4:00 p.m. on the Settlement Date, any such notice as referred to above is given by any of the Underwriter, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

WARNING OF RISK OF DEALINGS IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors should note that the Rights Issue is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed.

The Shares will be dealt in on an ex-entitlement basis from Monday, 11 December 2017. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 22 December 2017 to Wednesday, 3 January 2018 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable) at or before 4:00 p.m. (Hong Kong time) on Friday, 12 January 2018 (or such later time as the Company and the Underwriter may agree), the Rights Issue will not proceed. Any Shareholders or other persons contemplating selling or purchasing Shares and/or Rights Shares in their nil-paid form who are in any doubt about their position are recommended to consult their professional advisers. Any Shareholders or other persons dealing in Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) and any persons dealing in the nil-paid Rights Shares during the period from Friday, 22 December 2017 to Wednesday, 3 January 2018 (both dates inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares and the nil-paid Rights Shares, and if they are in any doubt about their position, they should consult their professional advisers.

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, set out below is the shareholding structures of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue:

(a) Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
			Assume <u>ALL</u> Qualifying Shareholders taking up all the Rights Shares		Assuming <u>NO</u> Qualifying Shareholders (except Golden Sparkle) has taken up the Rights Shares	
	Shares	%	Shares	%	Shares	%
Substantial Shareholders						
Golden Sparkle (Note 1)	263,308,500	22.73	526,617,000	22.73	526,617,000	22.73
Dai Zhibiao	140,382,500	12.12	280,765,000	12.12	140,382,500	6.06
Directors						
Mr. Huang Xinwen	400,000	0.03	800,000	0.03	400,000	0.01
Mr. Ren Yunan	100,000	0.01	200,000	0.01	100,000	0.01
Sub-total	<u>404,191,000</u>	<u>34.89</u>	<u>808,382,000</u>	<u>34.89</u>	<u>667,499,500</u>	<u>28.81</u>
Public Shareholders						
The Underwriter (Note 2)	-	-	-	-	895,127,500	38.64
Other public Shareholders	<u>754,245,000</u>	<u>65.11</u>	<u>1,508,490,000</u>	<u>65.11</u>	<u>754,245,000</u>	<u>32.55</u>
Total	<u>1,158,436,000</u>	<u>100.00</u>	<u>2,316,872,000</u>	<u>100.00</u>	<u>2,316,872,000</u>	<u>100.00</u>

LETTER FROM THE BOARD

- (b) **Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to the Non-Undertaken Share Options on or before the Record Date**

	As at the Latest Practicable Date		Immediately after completion of the Rights Issue			
	Shares	%	Assume <u>ALL</u> Qualifying Shareholders taking up all the Rights Shares		Assuming <u>NO</u> Qualifying Shareholders (except Golden Sparkle) has taken up the Rights Shares	
	Shares	%	Shares	%	Shares	%
Substantial Shareholders						
Golden Sparkle <i>(Note 1)</i>	263,308,500	21.80	526,617,000	21.80	526,617,000	21.80
Dai Zhibiao	140,382,500	11.62	280,765,000	11.62	140,382,500	5.81
Directors						
Mr. Huang Xinwen	400,000	0.03	800,000	0.03	400,000	0.01
Mr. Ren Yunan	100,000	0.01	200,000	0.01	100,000	0.01
Sub-total	404,191,000	33.46	808,382,000	33.46	667,499,500	27.63
Public Shareholders						
The Underwriter <i>(Note 2)</i>	-	-	-	-	944,727,500	39.10
Other public Shareholders	754,245,000	62.43	1,508,490,000	62.43	754,245,000	31.22
Holder of the Non-Undertaken Share Options	49,600,000	4.11	99,200,000	4.11	49,600,000	2.05
Total	1,208,036,000	100.00	2,416,072,000	100.00	2,416,072,000	100.00

Notes:

- (1) These Shares were held by Golden Sparkle, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these Shares pursuant to Part XV of the SFO.

LETTER FROM THE BOARD

- (2) Under the Underwriting Agreement, in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares, the Underwriter shall use its best endeavours to ensure that each of the subscribers or sub-underwriter(s) of the Underwritten Shares procured by it (1) shall be Independent Third Party of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors or chief executive or substantial Shareholders or their respective associates; (2) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Rights Issue; and (3) to procure that the minimum public float requirement under the Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activity in the past twelve (12) months immediately preceding the Latest Practicable Date.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of an online platform, trading of commodities, investment in securities, properties holding and investment holding.

The gross proceeds from the Rights Issue (assuming no further issue or repurchase of Shares on or before the Record Date) will be approximately HK\$405,452,600. The net proceeds from the Rights Issue after deducting all relevant expenses are estimated to be approximately HK\$398,752,600. The net price per Rights Share (assuming no further issue or repurchase of Shares on or before the Record Date) is approximately HK\$0.344.

The Group intends to apply the net proceeds from the Rights Issue of approximately HK\$398,752,600 (assuming no further issue or repurchase of Shares on or before the Record Date) as follow:

Use of proceeds	Amount (HK\$)	%
Expansion of the Group's money lending business (more details as set below)	200,000,000	50.16
The capital commitment for the acquisition of the property as announced by the Company on 21 September 2017	80,000,000	20.06
For potential acquisitions identified by the Group (more details as set below)	80,000,000	20.06
General working capital of the Company	38,752,600	9.72
Total net proceeds	398,752,600	100.00

LETTER FROM THE BOARD

The Group has continued to explore opportunities to diversify its businesses in order to enhance the income stream and continue to improve Shareholders' return. As disclosed in the interim report of the Company for the six months period ended 30 June 2017 ("IR 2017"), the Group expects that the money lending business will record a high growth. The Group will invest more financial resources to expand this business in the future, including possible promotion and marketing through media platform and will also expand the mortgage business to corporate clients.

The Group commenced its money lending business in the fourth quarter of 2016 and the target customers of the Group are those who seek for loans of significant amount and are able to provide guarantees for the relevant loans. As disclosed in the IR 2017, the money lending business of the Group generated interest income of approximately RMB16.3 million (equivalent to approximately HK\$18.4 million) and recorded a segment profit of approximately RMB7.5 million (equivalent to approximately HK\$8.5 million). As at 31 October 2017, the Group has outstanding (i) unsecured loan of approximately HK\$17,898,000 with average effective interest rate of approximately 20.55% per annum with terms ranging from 6 month to 42 months; and (ii) mortgage loan of approximately HK\$174,529,000 with average effective interest rate of approximately 15.83% per annum with terms ranging from 12 months to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

The Group observed that there is an increasing number of property owners, who have proven income and repayment capability, undergoing a difficulty in getting financing from the banking system due to the tight restriction and stress test by Hong Kong Monetary Authority, and the Group is of the view that an expansion of its money lending business through participation of the provision of personal loans and mortgage loans could allow the Group to take the opportunity to enjoy the potential benefits brought by such financing contraction.

The Group believes that the proceeds from the Rights Issue will (i) boost up the Group's loan book by HK\$200,000,000; (ii) diversify the Group's loan book in terms of the type of collateralized asset and client base, taking less reliance on the property market; and (iii) provide more flexible repayment model to facilitate client cash flow. It is preliminary anticipated by the Group that out of the HK\$200,000,000 of the proceeds from the Rights Issue, (i) HK\$198,000,000 will be utilised for lending (representing 99.0% of the proceeds for development of the money lending business), of which 20% will be utilised on the non-asset backed credit segment, which includes/potentially includes personal installment loan and personal interest only loan and 80% will be utilised on the asset backed lending segment; (ii) HK\$1,000,000 will be utilised for expansion of office and recruitment of personnel (representing 0.5% of the proceeds for development of the money lending business); and (iii) HK\$1,000,000 will be utilised for marketing and advertising (representing 0.5% of the proceeds for development of the money lending business).

Therefore, the Group is of the view that the HK\$200,000,000 proceed from the Rights Issue can help the Group to strengthen the Group's existing loan book in terms of loan size, the type of collateralized asset and client base, which is in the interest of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

The Group has been proactively looking for potential acquisition opportunities to strengthen and/or diversify its income stream in order to maximise the return of the Shareholders. It is expected that up to HK\$80,000,000 out of the net proceeds from the Rights Issue will be applied as fund for financing the potential acquisitions to provide the Company with the flexibility and ability to capture any appropriate business opportunities in a timely manner. As at the Latest Practicable Date, the Company has identified and in the course of reviewing various potential projects, including, but not limited to, the followings:

- (1) a company that has established in Japan over 20 years which is principally engaged in the design and distribution of children's socks and shoes. The consideration for such potential acquisition shall be approximately US\$6 million. If such acquisition is materialised, the funding shall be contributed by the 4th quarter of 2017;
- (2) a Hong Kong property agency apps which provides functions of searching first and second hand properties, provision of updated news and information with respect to the properties market, provision of aerial photography and 360 degree panorama photography of properties, provision of group communicating platform etc.. The consideration of such acquisition is approximately US\$5 million. If such acquisition is being materialised, the funding shall be contributed by the 4th quarter of 2017;
- (3) a well-established Hong Kong wine distributor which currently possesses clients around the globe and seek for additional fund for the purposes of the purchase of vineyard in Gladstone and maximization of its current production capacity and improvement of distribution channel. The Group expects that the capital commitment for such investment, if materialised, shall be between the ranges of US\$5 million to US\$10 million and shall be contributed by the 4th quarter of 2017; and
- (4) a series of restaurants in relation to food & beverages which currently have strong presence in different commercial areas in Hong Kong. The Group expects that the capital commitment for such investment, if materialised, shall be approximately US\$3 million and shall be contributed by the 4th quarter of 2017.

However, no definitive agreements in relation to the aforesaid acquisitions have been entered into by the Company as at the Latest Practicable Date.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) believe that the proposed Rights Issue can strengthen the Group's equity base and liquidity without incurring interest costs, thereby bolstering its ability to capitalise on greater business opportunities. The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) also consider that the proposed Rights Issue offers all the Shareholders equal opportunity to subscribe for their pro-rata provisional allotment of the Rights Shares and participate in the future growth of the Company.

LETTER FROM THE BOARD

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing or an open offer. The Directors noted that bank borrowings, if available, carry interest costs and creditors rank before shareholders, and placings dilute the interests of Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the proposed Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The proposed Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

Having considered the alternatives mentioned above, the Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the Underwriting Agreement is entered into upon normal commercial terms and that the terms of the proposed Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

The Directors are aware of the potential dilution effects. Nonetheless, the Directors (excluding the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the foregoing should be balanced against by the factors such as (i) Independent Shareholders are offered a chance to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the EGM; (ii) Qualifying Shareholders are offered a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining or to increasing (by way of excess applications) their respective shareholdings in the Company at a relatively low price as compared to the market price of the Shares; (iii) those Qualifying Shareholders who choose to accept the Rights Shares in full can maintain their respective shareholdings in the Company after the Rights Issue; (iv) offering the Subscription Price at a discount to the market price would encourage Qualifying Shareholders to participate in the Rights Issue and accordingly maintain or to increase (by way of excess applications) their shareholdings in the Company and this is not an uncommon practice in similar rights issue arrangements on the Stock Exchange; (v) Qualifying Shareholders have the opportunity to realise their nil-paid Rights Shares in the market; (vi) Shareholding dilution is inherent in rights issues in general and the entire potential dilution effect on the shareholding of the Shareholders will only occur if all the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, which will be an extreme situation; and (vii) the Rights Issue allows the Company to maintain a sufficient level of liquid assets for working capital and/or any investment opportunities indeed arise in the future.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS

As a result of the Rights Issue, the exercise price and the number of share options will be adjusted in accordance with the respective terms and conditions of the share options scheme and the Listing Rules. The Company will instruct its auditors or Independent Financial Adviser to certify the adjustment. Further announcements will be made in respect with the said adjustment as and when appropriate.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

In accordance with Rule 7.19(6) of the Listing Rules, as the Rights Issue will increase the issued share capital of the Company by more than 50%, the Rights Issue is subject to the approval of the Independent Shareholders at the EGM by way of poll. Pursuant to Rule 7.19(6)(a) of the Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the Latest Practicable Date, the Company has no controlling shareholder. The Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 7.19(6)(a) of the Listing Rules.

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in respect of the Rights Issue. With the approval of the Independent Board Committee, Nuada Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. The EGM will be held at Room Golden Bay, 2/F, Golden Bay Resort, 168 South Huandeng Road (Huandeng Nan Lu), Dadeng Islands, Xiamen, Fujian Province, PRC at 9:00 a.m. on Thursday, 7 December 2017 for the purpose of, among others, considering and, if thought fit, to approve the proposed Rights Issue.

The register of members of the Company will be closed from Friday, 1 December 2017 to Thursday, 7 December 2017 (both days inclusive) for determining the entitlements to attend and vote at the EGM. No transfer of Shares will be registered during this period.

In order to qualify for attending and voting at the EGM, all transfer documents (together with the relevant share certificates) must be lodged with Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 30 November 2017 (Hong Kong time).

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, being Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and the PAL(s) and EAF(s) are expected to be despatched to the Qualifying Shareholders on Wednesday, 20 December 2017. The Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) believe that the terms of the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM.

Independent Shareholders are advised to read carefully the letter from the Independent Board Committee regarding the Rights Issue on page 30 of this circular and the advice of the Independent Financial Adviser, the text of which is set out on pages 31 to 53 of this circular regarding the Rights Issue.

ADDITIONAL INFORMATION

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

For and on behalf of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue:

China Child Care Corporation Limited
中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1259)

17 November 2017

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 17 November 2017 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable insofar as the Independent Shareholders are concerned. Nuada Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 31 to 53 of the Circular, we are of the opinion that the Rights Issue (including the terms and conditions of the Underwriting Agreement) is on normal commercial terms, is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of the
Independent Board Committee
China Child Care Corporation Limited

Ms. Chan Sze Man

Mr. Ma Kwun Yung Stephen
Independent Non-executive Directors

Ms. Bu Yanan

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from Nuada Limited dated 17 November 2017 prepared for the purpose of inclusion in the Circular.

Nuada Limited

Unit 1805-08, 18/F
OfficePlus @Sheung Wan
93-103 Wing Lok Street
Sheung Wan, Hong Kong
香港上環永樂街 93-103 號
協成行上環中心 18 樓 1805-08 室

17 November 2017

*To the Independent Board Committee and the Independent Shareholders of
China Child Care Corporation Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, details of which are set out in the section headed "Letter from the Board" (the "**Board's Letter**") in the Company's circular dated 17 November 2017 (the "**Circular**") to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 September 2017, the Underwriter and the Company entered into the Underwriting Agreement, pursuant to which, the Underwriter has conditionally agreed to underwrite not less than 895,127,500 Rights Shares and not more than 945,175,500 Rights Shares subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfillment of the conditions precedent contained therein. On the same day, the Board 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\$0.35 per Rights Share, to raise gross proceeds of not less than HK\$405,452,600 (before expenses) (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than HK\$422,812,600 (before expenses) (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the Non-Undertaken Share Options in full on or before the Record Date) by issuing not less than 1,158,436,000 (assuming no further issue or repurchase of Shares on or before the Record Date) and not more than 1,208,036,000 Rights Shares (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the Non-Undertaken Share Options in full on or before the Record Date).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to make recommendation to the Independent Shareholders in respect of the Rights Issue. With the approval of the Independent Board Committee, we, Nuada Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the past two years prior to the date of our appointment as the Independent Financial Adviser, we did not act as financial adviser or independent financial adviser to the Company. We are independent from, and are not associated with the Company, the Underwriter or their respective substantial shareholder(s), or any party acting, or presumed to be acting, in concert with any of the above, or any company controlled by any of it/them. Apart from normal professional fees for our services to the Company in connection with this engagement, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent under Rule 13.84 of the Listing Rules and are eligible to give independent advice in respect of the Rights Issue to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date. Should there be any material changes after the Latest Practicable Date, the Shareholders should be notified by the Company as soon as possible.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business affairs of the Group.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Rights Shares or otherwise, since these are particular to their own circumstances. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation in relation to the Rights Issue, we have considered the following principal factors and reasons:

1. Background information of the Group

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of an online platform, trading of commodities, investment in securities, properties holding and investment holding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the summary of the financial information of the Group for the two years ended 31 December 2015 (“FY2015”) and 2016 (“FY2016”) as extracted from the annual report of the Company for FY2016 (the “Annual Report 2016”), and for the two six-month period ended 30 June 2016 (“Interim 2016”) and 2017 (“Interim 2017”) as extracted from the interim report of the Company for Interim 2017 (the “Interim Report 2017”):

	For the six months ended		For the year ended	
	30 June 2017 RMB'000 (unaudited)	30 June 2016 RMB'000 (unaudited and restated)	31 December 2016 RMB'000 (audited)	31 December 2015 RMB'000 (audited)
Revenue	364,834	269,598	999,544	913,716
– Personal care products and other products	247,173	269,598	715,064	913,716
– Money lending business	16,253	–	4,091	–
– Operation of an online platform	8,924	–	4,796	–
– Trading of commodities	92,316	–	275,593	–
– Properties holding	168	–	–	–
– Investment in securities	–	–	–	–
Segment profit/(loss)	(118,511)	20,811	(69,089)	(40,539)
– Personal care products and other products	(129,197)	19,750	(86,449)	(40,539)
– Money lending business	7,524	–	2,226	–
– Operation of an online platform	6,560	–	4,584	–
– Trading of commodities	3,962	–	10,550	–
– Properties holding	(7,350)	1,061	–	–
– Investment in securities	(10)	–	–	–
(Loss)/profit for the year/period attributable to equity holders of the Company	(32,492)	13,085	(111,189)	(50,309)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For FY2016

At the beginning of 2016, the Group is principally engaged in the manufacturing and sale of personal care products. In the fourth quarter of 2016, the Group commenced three new businesses, namely (i) operation of an online platform; (ii) money lending business; and (iii) trading of commodities.

As depicted above, the Group recorded revenue and segment loss from personal care products and other products of approximately RMB715.1 million and RMB86.4 million respectively for FY2016, as compared to approximately RMB913.7 million and RMB40.5 million respectively for FY2015. As stated in the Annual Report 2016, the decrease in revenue was primarily due to continuous effect from slowing growth of economy of the PRC and the shift of spending habit of the consumers to e-commerce. For the new businesses of the Group, revenue of approximately RMB4.1 million, RMB4.8 million and RMB275.6 million was recorded for money lending business, operation of an online platform and trading of commodities respectively. All the new businesses of the Group recorded segment profit for FY2016, which amounted to approximately RMB2.2 million, RMB4.6 million and RMB10.6 million for money lending business, operation of an online platform and trading of commodities respectively.

The Company recorded an audited consolidated revenue of approximately RMB999.5 million for FY2016, representing an increase of approximately 9.4% from approximately RMB913.7 million for FY2015. With reference to the Annual Report 2016, we understand that such increase was attributable to the combined effect of (i) the decrease in sales in personal care products and other products; and (ii) the new income sources from money lending business, operation of an online platform and trading of commodities which commenced in the fourth quarter of 2016.

The loss for the year attributable to equity holders of the Company increased from approximately RMB50.3 million for FY2015 to approximately RMB111.2 million for FY2016, representing an increase of approximately 121.1%. We noted from the Annual Report 2016 that such increase in loss was primarily attributable to (i) the facts that revenue from personal care products and other products business decreased as mentioned above but the investments in brand building, promotion and the fixed expenses of the Company remained; (ii) the provisions for impairment of goodwill and loss on change on fair value of investment properties of RMB22.0 million and RMB7.3 million respectively (for FY2015: RMB17.5 million and gain on change in fair value of approximately RMB3.8 million, respectively); and (iii) an allowance for doubtful debts for trade and bills receivables of approximately RMB4.8 million (FY2015: Nil).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For Interim 2017

For Interim 2017, the Group started two new business segments, namely securities investment and properties holding.

The Group recorded revenue and segment loss from personal care products and other products of approximately RMB247.2 million and RMB129.2 million respectively for Interim 2017, as compared to revenue of approximately RMB269.6 million and profit of RMB19.8 million for Interim 2016. As noted from the Interim Report 2017, the aforementioned results of such business segment was primarily due to (i) the slowdown of economy in the PRC; (ii) the change in consumers' consumption habits to electronic commerce; (iii) the continuous investment in brand and marketing promotion; and (iv) no reduction in the fixed costs of the Group. For the performance of the new businesses of the Group for Interim 2017, the Group recorded (i) revenue and segment profit of approximately RMB16.3 million and RMB7.5 million respectively for money lending business; (ii) revenue and segment profit of approximately RMB8.9 million and RMB6.6 million respectively for operation of an online platform; (iii) revenue and segment profit of approximately RMB92.3 million and RMB4.0 million respectively for trading of commodities; (iv) revenue and segment loss of approximately RMB0.2 million and RMB7.4 million respectively for properties holding, as compared to a restated segment profit of approximately RMB1.1 million for FY2015; and (v) revenue and segment loss of nil and RMB10,000 from investment in securities.

With reference to the Interim Report 2017, the Company recorded an unaudited consolidated revenue of approximately RMB364.8 million for Interim 2017, representing an increase of approximately 35.3% from approximately RMB269.6 million for Interim 2016. Such decrease was the net effect of (i) the decrease in sales of personal care products and other products, mainly due to slowdown of economy in the PRC and the change in consumers' consumption habits to electronic commerce; and (ii) the new income sources from money lending business, operation of an online platform, trading of commodities and properties holding which commenced between the fourth quarter of 2016 and the Interim 2017.

The Group recorded loss for the period attributable to equity holders of approximately RMB32.5 million for Interim 2017, as compared to profit of approximately RMB13.1 million for Interim 2016. We noted from the Interim Report 2017 that such loss was primarily attributable to the combined effect of (i) the increase in gross profit of the Group of approximately RMB1.4 million; (ii) the rise in selling and distribution expenses and administrative expenses of approximately RMB139.1 million as the Group remained heavily invested in brand building and promotion; and (iii) a trade receivable written off of approximately RMB6.3 million for Interim 2017 (for Interim 2016: Nil).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2017, the Group had bank balances and cash, net current assets and net assets of approximately RMB221.8 million, RMB614.2 million and RMB1,421.2 million respectively. As advised by the management of the Company, the Group recorded bank balances and cash of approximately RMB89.4 million as at 30 September 2017. The decrease in bank balances and cash were mainly attributable to the combined effect of (i) the increase in loan receivable of the Group of approximately RMB130.1 million; (ii) the partial proceeds of approximately HK\$70.0 million from the disposal of 45% equity interest in 福建和潤供應鏈管理有限公司 (in English, for identification purpose only, Fujian Herun Supply Chain Management Co., Ltd.), details of which are set out in the circular of the Company dated 15 June 2017; (iii) the combined effect of the repayment of trade and bills payables and increase in trade and bill receivables in aggregate of approximately RMB59.6 million; and (iv) the repayment of amount due to associate of approximately RMB7.0 million subsequent to Interim 2017.

2. Reasons for the Rights Issue and use of proceeds

The gross proceeds from the Rights Issue (assuming no further issue or repurchase of Shares on or before the Record Date) will be HK\$405,452,600. The net proceeds from the Rights Issue after deducting all relevant expenses are estimated to be HK\$398,752,600. The net price per Rights Share (assuming no further issue or repurchase of Shares on or before the Record Date) is approximately HK\$0.344. The Group intends to apply the net proceeds from the Rights Issue of HK\$398,752,600 (assuming no further issue or repurchase of Shares on or before the Record Date) as to (i) HK\$200.0 million for expansion of the Group's money lending business; (ii) HK\$80.0 million for the capital commitment for the acquisition of the target company as announced by the Company on 21 September 2017 (the "Acquisition"); (iii) HK\$80.0 million for potential acquisitions identified by the Group; and (iv) the remaining of approximately HK\$38.8 million for general working capital of the Company.

(i) *Expansion of the Group's money lending business*

The Group has continued to explore opportunities to diversify its businesses in order to enhance the income stream and continue to improve Shareholders' return. As understood from the Interim Report 2017, the Group expects that the money lending business will record a high growth. The Group will invest more financial resources to expand this business in the future, including possible promotion and marketing through media platform and will also expand the mortgage business to corporate clients.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group commenced its money lending business in the fourth quarter of 2016. With reference to the Annual Report 2016 and the Interim Report 2017, the money lending business segment generated interest income of approximately RMB4.1 million and RMB16.3 million for FY2016 and Interim 2017 respectively, and recorded a segment profit of approximately RMB2.2 million and RMB7.5 million for FY2016 and Interim 2017 respectively. As advised by the management of the Company, as at 31 October 2017, the Group has outstanding (i) unsecured loan of approximately HK\$17,898,000 with average effective interest rate of approximately 20.55% per annum with terms ranging from 6 months to 42 months; and (ii) mortgage loan of approximately HK\$174,529,000 with average effective interest rate of approximately 15.83% per annum with terms ranging from 12 months to 240 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

We are advised by the management of the Company that the Group observed that there is an increasing number of property owners, who have proven income and repayment capability, undergoing a difficulty in getting financing from the banking system due to the tight restriction and stress test by Hong Kong Monetary Authority, and the Group is of the view that an expansion of its money lending business through participation of the provision of personal loans and mortgage loans could allow the Group to take the opportunity to enjoy the potential benefits brought by such financing contraction.

As advised by the management of the Company, in operating the money lending business, credit risk managers and sales team are monitored by the management team. To expand the money lending business, the Group expects to hire additional staff members for supporting the sales team. The existing client base is relied on the direct sales cases, sales' return customers and referrals of company management as well as some business partnership. Clients are also referred to the Company via several agency companies registered by the Group. The Group plans to further promote its money lending business via social media advertisement to increase the penetration rate and awareness of public. A website for the Group's money lending business has already been launched in November 2017 for facilitating potential clients to obtain the loan information of the Group. To capture more potential clients, the Group targets to diversify its loan portfolio through increasing the number of borrowers.

We are given to understand from the management of the Company that the Group has started to offer personal loans with the new sales team on broad since July 2017. Since then, the Group offers both unsecured personal loan and mortgage loan. The new personal loan team has successfully closed more than 50 cases and brought in new pool of personal loan clients, which helps the company to diversify the loan book into different areas. We further noticed from the management of the Company that as at the Latest Practicable Date, the Group was under negotiation with over 10 clients for mortgage loans, with repayment period ranging from 1 year to 25 years and interest rate from 8.5% to 20% per annum.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With the help of the Group's additional human resources and the promotion plan as discussed above, the Group aims to boost up the Group's loan book by HK\$198,000,000; and (ii) provide more flexible repayment model to facilitate clients' needs.

We have enquired with the management of the Company relating to the measures for managing and mitigating the risks regarding money lending business. We noted that before approving a loan, the Group will conduct background search on the client and the property (if any), including but not limited to the client's employer company search, employment verification and land search for ownership of property. For mortgage loan, property valuation is also required. A credit proposal will be prepared by the sales team including the background search results and proposed terms of the loan for the risk management officer and management team to approve. Further, we are advised by the management of the Company that monthly review on the loans will also be conducted to minimise the credit risk of money lending business. In case there is any abnormality, the Group will take necessary action(s) including but not limited to contacting clients, conducting credit review and calling loans.

We have reviewed the biography of the management and key staff members of the money lending business. We note that the management of the money lending business are all with relevant academic background and/or working experiences in the field of finance and/or accounting and/or money lending industry and at least half of the management has over 10 years of experience in financial industry. For the key staff members, we understand that they are with relevant working experiences in their respective technical fields.

As discussed above, the Group intends to apply HK\$200.0 million of the net proceeds raised from the Rights Issue for expansion of the money lending business, which aligns with the Group's development plan as discussed above. It is preliminary anticipated by the Group that out of the HK\$200.0 million of the proceeds from the Rights Issue, (i) HK\$198.0 million will be utilised for lending (representing 99.0% of the proceeds for development of the money lending business), of which 20% will be utilized on the non-asset backed credit segment, which includes/potentially includes personal installment loan and personal interest only loan and 80% will be utilized on the asset backed lending segment; (ii) HK\$1.0 million will be utilised for expansion of office and recruitment of personnel (representing 0.5% of the proceeds for development of the money lending business); and (iii) HK\$1.0 million will be utilised for marketing and advertising (representing 0.5% of the proceeds for development of the money lending business).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To understand the prospect of the money lending industry of Hong Kong, we have reviewed the information from the Hong Kong Monetary Authority in relation to loans and advances granted by authorised institutions in Hong Kong for understanding the outlook of the money lending market in Hong Kong. According to “Monthly Statistical Bulletin (November 2017 – Issue No. 279)” published by Hong Kong Monetary Authority, the total loans and advances granted by authorised institutions in Hong Kong grew from approximately HK\$5,566.8 billion as at the end of 2012 to approximately HK\$8,023.4 billion as at the end of 2016, representing a compound annual growth of approximately 9.6%. The statistics demonstrated the continuous growth of the money lending industry in Hong Kong.

(ii) The capital commitment for the Acquisition

Reference is made to the announcement of the Company dated 21 September 2017. On September 2017, the Group acquired the entire equity interest in Earn Rich Properties Limited (“**Earn Rich**”) with a consideration of HK\$13,500,000. As disclosed in such announcement and advised by the management of the Company, the consideration of the Acquisition is determined between the parties taking into account (i) the valuation of the Property (as defined below) of HK\$110,000,000 as at 4 September 2017 conducted by an independent valuer; (ii) the net asset values of the Earn Rich and Nice Source (as defined below); and (iii) the capital commitment on the part of the Group on the Property. Pursuant to the provisional agreement entered into between Earn Rich and the Independent Third Parties, Earn Rich agreed to acquire (“**Nice Source Acquisition**”) the entire share capital of Nice Source Properties Limited (“**Nice Source**”) for a consideration of HK\$90,800,000, of which (i) an initial deposit of HK\$4,500,000 was paid by Earn Rich; (ii) further deposit of HK\$4,580,000 was paid on or before 9 November 2017; and (iii) the remaining balance of HK\$81,720,000 shall be paid on the completion of the Nice Source Acquisition, which shall take place on or before 11 December 2017.

Nice Source is currently holding a property (the “**Property**”) located at Workshop C6 on G/F of Block C and Workshop C7 on 1/F of Block C, Hong Kong Industrial Centre, Nos. 489–491 Castle Peak Road, Kowloon with an aggregate gross floor area of approximately 6,086 square feet. Based on a valuation report on the Property provided by the Company, the market value of the Property was HK\$110,000,000 as at 21 September 2017. As confirmed by the management of the Company, as at the Latest Practicable Date, the Property was subject to a bank mortgage and it is a condition that the mortgage shall be discharged so that the Property is free from encumbrances upon completion of the Nice Source Acquisition. We are further advised by the management of the Company that the parties were in the course of reviewing the draft formal agreement and it is expected that the completion of the Nice Source Acquisition shall took place between December 2017 and January 2018.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors consider that the Acquisition allows the Group to enlarge and diversify its investment properties portfolio, strengthen the income base of the Group and provide capital appreciation potential to the Group. The total monthly rent of the Property is HK\$487,900. The Company intends to hold the Property for long-term investment purposes. The Board believes that the Acquisition represents a good investment opportunity in Hong Kong's industrial property for the Company and will improve the Company's operating performance in the medium to long run.

As noted from the statistics available on the website of Rating and Valuation Department of Hong Kong, the average monthly rental of private flatted factories in Hong Kong Island, Kowloon and the New Territories increased from HK\$128 per square meter, HK\$135 per square meter and HK\$90 per square meter respectively in 2012 to HK\$175 per square meter, HK\$181 per square meter and HK\$128 per square meter respectively in 2016, representing a compound annual growth of approximately 8.1%, 7.6% and 9.2% respectively. The statistics showed a positive trend in the rental market of industrial property in Hong Kong.

(iii) Potential acquisitions identified by the Group

As stated in the Board's Letter, the Group has been proactively looking for potential acquisition opportunities to strengthen and/or diversify its income stream in order to maximise the return of the Shareholders. It is expected that up to HK\$80,000,000 out of the net proceeds from the Rights Issue will be applied as fund for financing the potential acquisitions to provide the Company with the flexibility and ability to capture any appropriate business opportunities in a timely manner. As at the Latest Practicable Date, the Company has identified and in the course of reviewing various potential projects (the "**Potential Projects**"), including (i) a Japan designing and distributing company for children's socks and shoes; (ii) a Hong Kong property agency apps; (iii) a Hong Kong wine distributor; and (iv) a series of restaurants in Hong Kong. Please refer to the section headed "Reasons for the Rights Issue and use of proceeds" in the Board's Letter for details of the Potential Projects.

We have enquired with the Company and understood that the Company is in negotiation and/or preliminary due diligence with the potential vendors. In order to secure the Potential Project, a memorandum of understanding or formal agreement may be entered into between the parties and subsequently, certain amount of deposit will have to be provided. We are advised by the management of the Company that no definitive agreements in relation to the Potential Projects have been entered into by the Company as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We are advised by the management of the Company that the aggregate consideration of the Potential Projects are estimated to be between approximately US\$19.0 million and US\$24.0 million (equivalent to approximately HK\$148.2 million and HK\$187.2 million respectively) based on the negotiations by the Company. We are advised by the Directors that it is necessary to consider raising further fund to finance the Potential Projects at current stage as if any of the Potential Projects materialises, and in the event that the Company does not have sufficient immediately available funds to settle deposits and/or consideration for the Potential Project(s), it may be inflexible, if not impracticable, for the Group to complete the Potential Project(s), which may lead to the progress of negotiation and completion of the Potential Project(s) being hampered and delayed due to the need of such funds as and when required. We are advised by the management that if all the Potential Projects do not proceed, the Company would utilize the HK\$80.0 million for other potential acquisitions as and when opportunities arise.

Having considered that (i) the estimated consideration for the Potential Projects is based on preliminary negotiations and due diligences and deposits are required for securing the Potential Projects; and (ii) if the Potential Projects are all materialized, a minimum of approximately HK\$148.2 million may be used as consideration, we understand that the amount of approximately HK\$80.0 million, at current stage, allows the Company to have financial flexibility to make payments for (or cash deposits in the event that the Company has insufficient cash to cover the total consideration of the Potential Projects) any of the Potential Projects if and when the Company decides to make further progress on the said project(s). As such, we are of the view that the Company allocating approximately HK\$80.0 million from the net proceeds of the Rights Issue for the Potential Projects is reasonable.

(iv) General working capital of the Company

As discussed in section headed "1. Background information of the Group" above, the Group recorded cash and cash equivalents of approximately RMB89.4 million as at 30 September 2017. As shown in the Interim Report 2017, net cash of approximately RMB134.5 million was used in operating activities of the Group for Interim 2017, which implied that the monthly cash used for operation was approximately RMB22.4 million. Based on the above, we consider that the Group's intension to apply approximately HK\$38.8 million for general working capital of the Group is reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(v) Fund raising alternatives considered

As advised by the Directors, apart from the Rights Issue, the Directors have considered other debt or equity fund raising alternatives such as bank borrowings, placing or an open offer. We are given to understand from the Directors noted that (i) bank borrowings shall increase the interest burden of the Group and adversely affecting its gearing and the creditors shall rank before the Shareholders; (ii) placing will result in immediate and definite dilution to the shareholding of existing Shareholders without giving them the opportunity to take part in the exercise; (iii) open offer, which is similar to rights issue, prevent the Shareholders from selling the nil-paid rights in the market; and (iv) the proposed Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. We are advised by the management of the Company that the Company has approached three financial institutions, including the Underwriter, for potential fund raising activities in order to fulfill the capital needs for the Company. However, due to the inactiveness of the other two underwriters in negotiating detailed terms with the Company, the Company entered into the Underwriting Agreement with the Underwriter.

Having considered the above, we are of the view and concur with the view of the Directors that the Rights Issue is a preferred mean to raise funds over other alternatives.

(vi) Conclusion

Given the above, in particular (i) that the expansion of the money lending business, the Acquisition and the Potential Projects can strengthen the Group's existing business and strengthen the Group's income stream; (ii) the positive prospect of the money lending market and industrial property rental market in Hong Kong; (iii) that the net proceeds from the Rights Issue provide flexibility and ability for the Group to capture any appropriate business opportunities, particularly the Potential Projects, in a timely manner; (iv) the cash position of the Company of approximately RMB89.4 million as at 30 September 2017 and net cash used in operating activities of approximately RMB22.4 million per month based on the net cash used in operating activities for Interim 2017; and (v) that the Rights Issue is a preferred mean to raise funds over other alternatives, we are of the view and concur with the view of the Directors that the proposed Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of the Rights Issue and the Underwriting Agreement

Set out below are the major terms of the Rights Issue:

Basis of the Rights Issue	:	one (1) Rights Share for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.35 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	1,158,436,000 Shares
Number of Rights Shares	:	Not less than 1,158,436,000 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 1,208,036,000 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon the exercise in full of the subscription rights attached to the Non-Undertaken Share Options on or before the Record Date)
Number of Underwritten Shares	:	Not less than 895,127,500 Rights Shares and not more than 945,175,500 Rights Shares, representing all the Rights Shares less the number of Rights Shares undertaken by Golden Sparkle under the Golden Sparkle Irrevocable Undertaking
Number of issued Shares upon completion of the Rights Issue	:	Not less than 2,316,872,000 Shares and not more than 2,416,072,000 Shares
Right of excess applications	:	Qualifying Shareholders may apply for the Rights Shares in excess of their provisional allotment

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, the Company has 94,826,500 outstanding share options, which entitle the holders to convert into 94,826,500 Option Shares. Save for the aforesaid share options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date. Holders of the 45,226,500 share options have irrevocably undertaken to the Company and the Underwriter that they will not exercise any of their share options from the date of such undertaking up to and including the Record Date.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date and up to the Record Date, the 1,158,436,000 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent (i) 100% of the existing issued share capital of the Company; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue. Assuming the Non-Undertaken Share Options are exercised in full and 49,600,000 Option Shares are allotted and issued pursuant thereto on or before the Record Date, the 1,208,036,000 Rights Shares proposed to be allotted and issued represent (i) approximately 104.28% of the existing issued share capital of the Company; and (ii) 50% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares immediately after completion of the Rights Issue.

(a) The Subscription Price and analysis

The Subscription Price is HK\$0.35 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and/or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 23.08% to the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 13.15% to the theoretical ex-rights price of approximately HK\$0.403 per Share based on the closing price of HK\$0.455 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 24.24% to the average closing price of approximately HK\$0.462 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 16.67% over the closing price of HK\$0.300 per Share as quoted on the Stock Exchange on the Last Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Price was determined after arm's length negotiations between the Company and the Underwriter with reference to the market price of the Shares under the prevailing market conditions.

In order to analyse the historical price performance, we studied the historical closing prices of the Shares for the twelve-month period before the date of the Underwriting Agreement i.e. from 30 September 2016 to 29 September 2017 (the "Review Period"), and further up to the Latest Practicable Date, the details of which are set out below:



Source: the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the graph above, we note that the closing prices of the Shares have exhibited a general downward trend since October 2016. After reaching the trough of HK\$0.310 on 28 June 2017, the closing prices of the Shares increased gradually to the peak at HK\$0.475 on 27 September 2017. The closing prices of the Shares ranged from HK\$0.300 on 10 November 2017, 13 November 2017 and 14 November 2017 to HK\$0.650 on 5 October 2016, with an average of approximately HK\$0.439. The Subscription Price is close to lowest daily closing price at the price range of the Review Period. Among the 278 trading days during the Review Period, the daily closing price was lower than the Subscription Price of HK\$0.35 per Share for only 38 trading days.

We carried out a comparable analysis regarding the rights issues by companies listed on the Stock Exchange announced within the three-month period before the date of the Underwriting Agreement i.e. from 30 June 2017 to 29 September 2017. To the best of our knowledge, we identified an exhaustive list of 14 right issues under the aforesaid criteria (the “**Rights Issue Comparable(s)**”).

Given that (i) the three-month period is long enough to demonstrate the prevailing market practice prior to the date of the Underwriting Agreement; and (ii) sufficient samples are identified within such period, we consider the three-month period is adequate and appropriate to illustrate the terms of the rights issue under the recent market conditions. Shareholders should note that the business nature, financial position and prospects of the Company are not exactly the same as the companies in the Rights Issue Comparables and we have not conducted any in depth investigation into the business nature, financial position and prospects of the companies in the Rights Issue Comparables. Nevertheless, given that the terms of the Rights Issue Comparables were determined under similar market conditions and sentiments as the Rights Issue, we consider that the Rights Issue Comparables provide a general reference for the market practice in relation to rights issues.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the details of the Rights Issue Comparables:

No.	Date of initial announcement	Company	Stock code	Basis of entitlement	Premium/ (Discount) of subscription price over/(to) closing price on last trading day (%) (Note 1)	Excess Application (Y/N)	Underwriting commission (%)	Maximum dilution impact (%) (Note 2)
1	19/07/2017	V.S. International Group Limited	1002	1 for 4	(17.9)	Y	0.0	3.6
2	19/07/2017	Beautiful China Holdings Company Limited	706	3 for 4	(29.5)	Y	1.5	12.6
3	21/07/2017	Digital China Holdings Limited	861	1 for 4	(29.6)	Y	0.0	5.9
4	26/07/2017	China Agri-Products Exchange Limited	149	7 for 1	(62.7)	Y	2.5	54.9
5	28/07/2017	Mega Medical Technology Limited	876	1 for 3	21.3	Y	0.0	NA
6	14/08/2017	Roma Group Limited	8072	3 for 2	(34.2)	Y	7.0	20.5
7	15/08/2017	Carnival Group International Holdings Limited	996	1 for 4	(39.4)	Y	3.5	7.9
8	18/08/2017	China Polymetallic Mining Limited	2133	1 for 2	(50.8)	Y	1.5	16.9
9	22/08/2017	China State Construction International Holdings Limited	3311	1 for 8	(9.4)	Y	2.0	1.0
10	31/08/2017	China HKBridge Holdings Limited	2323	1 for 2	(21.4)	Y	1.0	7.1
11	04/09/2017	CircuTech International Holdings Limited	8051	2 for 5	(9.6)	Y	2.0	2.7
12	18/09/2017	The Sincere Company, Limited	244	3 for 5	(28.0)	N	0.0	10.5
13	21/09/2017	eForce Holdings Limited	943	4 for 1	(15.4)	Y	0.0	12.3
14	22/09/2017	TC Orient Lighting Holdings Limited	515	1 for 1	(48.0)	Y	1.5	24.0
		Mean			(26.8)		1.6	13.8
		Minimum			(62.7)		0.0	54.8
		Maximum			21.3		7.0	1.0
		The Company	1259	1 for 1	(23.1)	Y	1.5	11.6

Source: the Stock Exchange

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Based on the figures disclosed in the initial announcement of the Rights Issue Comparables respectively.

2. Dilution impact of each of the Rights Issue Comparables is calculated as:

$(\text{Discount represented by the subscription price to the closing price on the last trading day}) \times (\text{Number of new shares to be issued}) \div (\text{Number of issued shares as enlarged by the rights issue}) \times 100\%$

For the Rights Issue Comparable with subscription price set at a premium over the closing price of its shares on the last trading day, NA is shown.

As depicted in the table above, the premium/discount of the subscription prices of the Right Issue Comparables over/to their respective closing prices on last trading day range from the highest premium of approximately 21.3% to the highest discount of approximately 62.7%, with an average discount of approximately 26.8%. The discount of approximately 23.1% represented by the Subscription Price to the closing price of the Shares on the Last Trading Day falls within the range of discounts and is below the aforementioned average discount of the Rights Issue Comparables.

Taking into account the above analyses of the historical closing prices of the Shares and the Right Issue Comparables, we consider the Subscription Price to be fair and reasonable.

(b) Underwriting commission

As stated in the Board's Letter, the underwriting commission is 1.5% of the total Subscription Price of the maximum number of the Underwritten Shares.

With reference to the Rights Issue Comparables, the underwriting commissions of the Right Issue Comparables ranges from nil to 7.0%, with an average of approximately 1.6%. The underwriting commission of 1.5% is slightly below the average of that of the Rights Issue Comparables. Based on the above, we are of the view that the underwriting commission for the Underwriter is in line with the market practice.

(c) Application for excess Rights Shares

As stated in the Board's Letter, Qualifying Shareholders may apply, by way of excess application, for any unsold entitlements to the Rights Shares of the Non-Qualifying Shareholders and for any Rights Shares provisionally allotted but not accepted.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that 13 of the 14 Rights Issue Comparables allow application for excess Rights Shares. Given that the Qualifying Shareholders are provided the right to subscribe for Rights Shares in excess of their pro-rata entitlement (subject to availability) for those Rights Shares not taken up by the Qualifying Shareholders which enables them to share more of the future development of the Company, we consider that the arrangement for excess application under the Rights Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(d) Golden Sparkle Irrevocable Undertaking

Pursuant to the Golden Sparkle Irrevocable Undertaking, Golden Sparkle (which is interested in 263,308,500 Shares representing approximately 22.73% of the total issued share capital of the Company as at the Latest Practicable Date) has irrevocably undertaken to the Company and the Underwriter that it will subscribe for 263,308,500 Rights Shares which it is entitled under the Rights Issue.

As at the Latest Practicable Date, save for the Golden Sparkle Irrevocable Undertaking, the Company has not obtained undertakings from any other Shareholders that they will subscribe for any or all of the Rights Shares to be provisionally allotted to them.

We consider that the Golden Sparkle Irrevocable Undertaking demonstrates the confidence of the substantial Shareholder in the future prospect of the Group and its support in the Rights Issue. Accordingly, we consider the Golden Sparkle Irrevocable Undertaking is in the interests of the Company and the Shareholders as a whole.

(e) Potential dilution effect and dilution impact

The Rights Issue offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of 50.0%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Instead of analysing the dilution effect which only measures a rights issue's offer ratio, we study the potential dilution impact, which shows the value dilution by taking into account both the offer ratio and the discount represented by the subscription price to the market price. We note from the Rights Issue Comparables, except for the Rights Issue Comparable with subscription price set at premium over the closing price of the respective shares on the last trading day, that the potential dilution impact ranges from approximately 1.0% to approximately 54.8%, with an average of approximately 13.8%. The dilution impact of the Rights Issue of approximately 11.6% is below the aforesaid market average.

Having considered that (i) the Rights Issue is a preferred means to raise funds over other alternatives; (ii) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and the Qualifying Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (iii) the Qualifying Shareholders have the opportunity to realize their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iv) a rights issue has an inherent dilutive nature in general if the existing shareholders do not subscribe for in full their assured entitlements; and (v) the dilution impact of the Rights Issue is below the average of that of the Rights Issue Comparables, we are of the view that the potential dilution impact of the Rights Issue is justifiable.

(f) Conclusion

Despite the potential dilution impact of the Rights Issue which is an inherent nature of a rights issue for the Qualifying Shareholders electing not to subscribe for their pro-rata entitlement, balanced against the fact that (i) the Subscription Price is fair and reasonable as the discount represented by the Subscription Price is close to the lowest daily closing price during the Review Period and below the average discount of the Rights Issue Comparables; (ii) the underwriting commission is slightly below the average of that of the Rights Issue Comparables; (iii) the application for excess Rights Shares provides the Qualifying Shareholders the right to subscribe for Rights Shares in excess of their pro-rata entitlement (subject to availability) for those Rights Shares not taken up by the Qualifying Shareholders which enables them to share more of the future development of the Company; (iv) the Golden Sparkle Irrevocable Undertaking demonstrates the confidence of the substantial Shareholder in the future prospect of the Group and its support in the Rights Issue; and (v) the dilution impact of the Rights Issue is below the market average represented by the Rights Issue Comparable, we are of the view and concur with the Directors' view that the terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Possible financial effects of the Rights Issue

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

(a) Net tangible assets

Based on the unaudited pro forma statement of consolidated net tangible assets of the Group as set out in Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 was approximately RMB1,241.9 million and RMB1.0720 per Share prior to the Rights Issue as at 30 June 2017. Assuming there is no change in the issued share capital of the Company, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Right Issue would become approximately RMB1,588.1 million and RMB0.6855 per Share taking no account of any exercise of the Non-Undertaken Share Options. Assuming there is no change in the issued share capital of the Company other than the issue of new Shares upon exercise in full of the subscription rights attached to the Non-Undertaken Share Options, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Right Issue would become approximately RMB1,661.8 million and RMB0.6878 per Share.

(b) Working capital and liquidity

As stated in the Interim Report 2017, the unaudited consolidated bank balances and cash of the Group amounted to approximately RMB221.8 million as at 30 June 2017. As part of the net proceeds from the Rights Issue will be used as general working capital of the Group, the working capital and liquidity position of the Group would be improved upon completion of the Rights Issue.

Based on the foregoing, although the unaudited consolidated net tangible assets value per Share of the Group attributable to the owners of the Company will be diminished, the Rights Issue will enhance the net assets value of the Group and improve the working capital and liquidity position of the Group. Accordingly, we are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular,

- (i) the net proceeds for the Rights Issue is for the Group's business development and expansion, and general working capital;
- (ii) the Rights Issue is a preferred mean to raise funds over other alternatives;
- (iii) the Subscription Price is fair and reasonable as the discount represented by the Subscription Price is close to the lowest daily closing price during the Review Period and below the average discount of the Rights Issue Comparables;
- (iv) the other major terms of the Underwriting Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (v) the dilution impact on Qualifying Shareholders (who elect not to subscribe for their assured entitlement) is less severe as compared with the market average; and
- (vi) despite the diminishment of the unaudited consolidated net tangible assets per Share of the Group attributable to owners of the Company, the Rights Issue would have positive impact on the net assets, working capital and liquidity position of the Group,

we are of the view that the Rights Issue is on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the relevant resolutions to approve the Rights Issue to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kim Chan
Director

Mr. Kim Chan is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Nuada Limited who has over 17 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION

The (i) audited consolidated financial statements of the Group for the years ended 31 December 2014 and 31 December 2015 and 31 December 2016 together with the notes are disclosed in pages 55 to 123 of 2014 annual report, pages 55 to 130 of 2015 annual report and pages 74 to 170 of the 2016 annual report; and (ii) unaudited consolidated financial statements of the Group for the six months ended 30 June 2017 together with the notes are disclosed in pages 13 to 44 of 2017 interim report, respectively.

The said annual reports and interim report of the Company are available on both the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<http://www.princefrog.com.cn/>).

Please refer to the hyperlinks as stated below.

2014 annual report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN201504291491.pdf>

2015 annual report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0427/LTN201604271225.pdf>

2016 annual report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0426/LTN20170426637.pdf>

2017 interim report

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0919/LTN20170919317.pdf>

2. INDEBTEDNESS STATEMENT

At the close of business on 30 September 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding (i) bank loan amounted to HK\$124.0 million (equivalent to RMB105.6 million), which was secured by the Group's pledged bank deposit, and is due on 17 November 2017; (ii) unsecured promissory note payable by the Company with the principal amount of HK\$12.0 million (equivalents to RMB10.2 million), which bears interest at 5% per annum, and is due on 17 August 2018; (iii) unsecured promissory note payable by the Company with the principal amount of HK\$13.5 million (equivalents to RMB11.5 million), which is interest free, and is due on the maturity date as disclosed in the announcement made by the Company dated 21 September 2017; and (iv) unsecured amount due to a shareholder of a subsidiary amounted to HK\$3.6 million (equivalent to RMB3.0 million), which is unsecured, interest free, and repayable on demand.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

Save as aforesaid and apart from intra-group liabilities and normal accounts payable in the ordinary course of business, as at the close of business on 30 September 2017, the Group did not have any loan capital in issue and outstanding or agreed to be issued, bank loans or overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, guarantees, or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internally generated funds, existing facilities available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital to satisfy its requirements for the next twelve months from the date of this circular in the absence of any unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The principal activity of the Company is investment holding. The Group is principally engaged in the manufacturing and sale of personal care products, money lending, operation of an online platform, trading of commodities, investment in securities, properties holding and investment holding.

For the six months ended 30 June 2017, the Group recorded the unaudited revenue from personal care products of approximately RMB247.2 million, representing a decrease of about 8.3% over the same period of last year. The personal care products business recorded a loss of approximately RMB129.2 million during this period under review as compared with profit of approximately RMB19.8 million for the period ended 30 June 2016. As set out in the 2017 interim report, the substantial difference was primarily attributable to the decrease in the revenue of personal care products segment due to the slowdown in PRC economy and the change in consumers' consumption habits to electronic commerce and the Group continued to invest in brand and marketing promotion and the fixed costs of the Group were not reduced.

As further stated in the 2017 interim report, for the six months ended 30 June 2017, the money lending business contributed a total revenue of approximately RMB16.3 million, the operation of an online platform contributed a total revenue of approximately RMB8.9 million. In addition, the Group's business segment of trading of commodities as well as properties holding contributed a total revenue of approximately RMB92.3 million and RMB168,000 to the Group respectively.

APPENDIX I FINANCIAL AND OTHER INFORMATION OF THE GROUP

The Group will continue to strengthen, develop and diversify its business portfolio and to further establish a sustainable investment portfolio. Personal care products business is still the core of the Group's business portfolio. New businesses and existing business, including money lending business, operation of an online platform and trading of commodities are developing on an on-going basis, and their proportions in the Group's business portfolio may increase.

Given the slowdown of China's economic growth, and the consumption habits of Chinese consumers have been switched, including: (i) the switch of consumption patterns to electronic commerce and mobile internet; and (ii) the decline of brand loyalty of consumers, the Group is prudent to the future performance of our own brand in personal care product industry. In response to the above adverse business environment, the Group will continue to strengthen the promotion of sales to avoid further decline in sales revenue. Meanwhile, the Group will review the current investment and the return to avoid the continuous loss of personal care products business.

Looking ahead, the Group expects that the money lending business will record a high growth. The Group will invest more financial resources to expand this business in the future, including possible promotion and marketing through media platform. The Group may also consider putting certain marketing efforts to promote our brand through various public media. Looking forward, the management of the Group will expand the business into the personal loan market. In view of the uncertain economy outlook, the Group will operate and expand the business in a cautious and risk-balanced manner to maintain a balanced portfolio. The Group will also expand the mortgage business to corporate clients.

The Group will make better use of internal resources to expand businesses of different scopes to make the Group's business more diversified and to improve the profitability of the Group and the interests of Shareholders more effectively. The Group will notice and consider from time to time other investment opportunities, and as appropriate.

1. UNAUDITED PRO FORMA STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared in accordance with paragraph 4.29 of the Listing Rules and is set out 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 at 30 June 2017 as if the Rights Issue had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group have been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group had the Rights Issue been completed as at 30 June 2017 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group are prepared based on the unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 derived from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2017, as set out in the interim report of the Company for the six months ended 30 June 2017, and adjusted as described below:

Scenario 1: Assuming there is no change in the issued share capital of the Company

Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 <i>RMB'000</i> <i>(Note 1)</i>	Goodwill and intangible assets of the Group as at 30 June 2017 <i>RMB'000</i> <i>(Note 2)</i>	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 <i>RMB'000</i> <i>(Note 3)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 5)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue <i>RMB'000</i>
1,342,038	100,178	1,241,860	346,277	1,588,137

RMB

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share prior to the completion of the Rights Issue (*Note 4*) 1.0720

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue and taking no account of any exercise of the Non-Undertaken Share Options (*Note 6*) 0.6855

Notes:

1. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 of approximately RMB1,342,038,000 is calculated based on the share capital and reserves of the Group attributable to owners of the Company as at 30 June 2017 as presented in the unaudited condensed consolidated statement of financial position of the Group as at that date.
2. Goodwill and intangible assets of the Group as at 30 June 2017 are extracted from the unaudited condensed consolidated statement of financial position referred to in Note 1 above, and are comprised of the goodwill and intangible assets of RMB99,614,000 and RMB564,000 respectively as at that date.
3. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 represent the amount of the consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 less goodwill and intangible assets of the Group as at that date.
4. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before completion of the Rights Issue is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 of approximately RMB1,241,860,000 as disclosed in note 3 above, and 1,158,436,000 shares of the Company in issue as at 30 June 2017 and at the Latest Practicable Date.
5. The estimated net proceeds from the Rights Issue of approximately HK\$398,752,600 (equivalent to RMB346,277,000) are calculated based on 1,158,436,000 Rights Shares to be issued at the subscription price of HK\$0.35 per Rights Share, and after deducting estimated underwriting commission and other related expenses of HK\$6,700,000 to be incurred by the Company.
6. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue, and taking no account of any exercise of the Non-Undertaken Share Options, is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately RMB1,588,137,000 and on 2,316,872,000 Shares in issue and issuable, comprising 1,158,436,000 Shares in issue at the Latest Practicable Date as disclosed in note 4 above and 1,158,436,000 Rights Shares to be issued.
7. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

Scenario 2: Assuming there is no change in the issued share capital of the Company other than the issue of new Shares upon exercise in full of the subscription rights attached to the Non-Undertaken Share Options

Unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 <i>RMB'000</i> <i>(Note 1)</i>	Goodwill and intangible assets of the Group as at 30 June 2017 <i>RMB'000</i> <i>(Note 2)</i>	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 <i>RMB'000</i> <i>(Note 3)</i>	Estimated net proceeds from the Non-Undertaken Share Options <i>RMB'000</i> <i>(Note 5)</i>	Estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 6)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue <i>RMB'000</i>
1,342,038	100,178	1,241,860	58,622	361,352	1,661,834

RMB

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share prior to the completion of the Rights Issue *(Note 4)* 1.0720

Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue and taking into account of the exercise of the Non-Undertaken Share Options *(Note 7)* 0.6878

Notes:

1. The unaudited consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 of approximately RMB1,342,038,000 is calculated based on the share capital and reserves of the Group attributable to owners of the Company as at 30 June 2017 as presented in the unaudited condensed consolidated statement of financial position of the Group as at that date.
2. Goodwill and intangible assets of the Group as at 30 June 2017 are extracted from the unaudited condensed consolidated statement of financial position referred to in Note 1 above, and are comprised of goodwill and intangible assets of RMB99,614,000 and RMB564,000 respectively as at that date.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

3. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 represent the amount of the consolidated net assets of the Group attributable to owners of the Company as at 30 June 2017 less goodwill and intangible assets of the Group as at that date.
4. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before completion of the Rights Issue is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 of approximately RMB1,241,860,000 as disclosed in note 3 above, and 1,158,436,000 shares of the Company in issue as at 30 June 2017 and at the Latest Practicable Date.
5. The estimated net proceeds from the Non-Undertaken Share Options of RMB58,622,000 are calculated based on 49,600,000 shares of the Company to be issued at their relevant exercise price. The holders of the Non-Undertaken Share Options have the right to convert the whole or part of the share options at any time during the exercise period at their relevant exercise price.
6. The estimated net proceeds from the Rights Issue of approximately HK\$416,112,600 (equivalent to RMB361,352,000) are calculated based on 1,208,036,000 Rights Shares (based on 1,158,436,000 shares of the Company in issue as at 30 June 2017 and 49,600,000 shares of the Company to be issued under the Non-Undertaken Share Options as disclosed in notes 4 and 5 above) to be issued at the subscription price of HK\$0.35 per Rights Share, and after deducting estimated underwriting commission and other related expenses of HK\$6,700,000 to be incurred by the Company.
7. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share immediately after completion of the Rights Issue, and taking into account of the exercise of the Non-Undertaken Share Options, is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately RMB1,661,834,000 and on 2,416,072,000 Shares in issue and issuable, comprising 1,158,436,000 Shares shares of the Company in issue as at 30 June 2017, 49,600,000 shares to be issued under the Non-Undertaken Share Options and 1,208,036,000 Rights Shares to be issued as disclosed in notes 4, 5 and 6 above respectively.
8. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2017.

2. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION



To the Directors of China Child Care Corporation Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of the Group, comprising China Child Care Corporation Limited (the “**Company**”) and its subsidiaries, 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 2017, and related notes as set out on pages II-1 to II-4 of Appendix II of the circular issued by the Company dated 17 November 2017 (the “**Circular**”) in connection with the proposed rights issue on the basis of one rights share for every one share held (the “**Rights Issue**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-7 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Rights Issue on the Group’s consolidated net tangible assets as at 30 June 2017 as if the Rights Issue had taken place on 30 June 2017. As part of this process, information about the Group’s financial position has been extracted by the Directors from the interim report of the Company for the six months ended 30 June 2017, on which no audit or review report has been published.

Directors’ Responsibilities for the Unaudited Pro forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectively, 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 Accountant’s 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have complied the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

CCTH CPA Limited

Certified Public Accountants

Hong Kong

17 November 2017

Kwong Tin Lap

Practising certificate number P01953

Unit 5-6, 7/F., Greenfield Tower, Concordia Plaza,

1 Science Museum Road, Tsim Sha Tsui,

Kowloon, Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

(a) Share capital of the Company as at the Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>50,000,000</u>
<i>Issued and fully paid:</i>		
<u>1,158,436,000</u>	Shares	<u>11,584,360</u>

(b) Share capital of the Company immediately after completion of the Rights Issue (assuming no further issue or repurchase of Shares on or before the Record Date)

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>50,000,000</u>
<i>Issued and fully paid:</i>		
1,158,436,000	Shares	11,584,360
<u>1,158,436,000</u>	Rights Shares to be issued pursuant to the Rights Issue	<u>11,584,360</u>
<u>2,316,872,000</u>	Shares in issue immediately upon completion of the Rights Issue	<u>23,168,720</u>

- (c) **Share capital of the Company immediately after completion of the Rights Issue (assuming no further issue or repurchase of Shares other than as a result of the issue of Shares upon exercise of the Non-Undertaken Share Options in full on or before the Record Date)**

<i>Authorised:</i>		<i>HK\$</i>
<u>5,000,000,000</u>	Shares	<u>50,000,000</u>
 <i>Issued and fully paid:</i>		
1,208,036,000	Shares upon exercise of the Non-Undertaken Share Options	12,080,360
1,208,036,000	Rights Shares to be issued pursuant to the Rights Issue	12,080,360
<u>2,416,072,000</u>		<u>24,160,720</u>

All Rights Shares to be issued will rank pari passu in all respects with each other, including as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

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

As at the Latest Practicable Date, no capital of any member of the Group was under option, or agreed conditionally or unconditionally to put under option. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, the Company has 94,826,500 outstanding share options, which entitle the share options holders to convert into 94,826,500 Option Shares. Save for the aforesaid share options, the Company has no other outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares.

3. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company and each of their respective associates, in the Shares, underlying Shares or debentures of the Company or any associated corporation (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 and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Listing Rules, to be notified to the Company and the Stock Exchange:

Long position in the Shares:

Name of Director	Capacity of interests	Number of ordinary shares interested	Percentage of the Company's issued share capital (Note 1)
Huang Xinwen	Beneficial owner	400,000	0.03%
Ren Yunan	Beneficial owner	100,000	0.01%

Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of Director	Capacity of interests	Number of underlying shares interested	Percentage of underlying shares over the Company's issued share capital (Note 1)
Huang Xinwen	Beneficial owner	3,400,000	0.29%
Li Zhouxin	Beneficial owner	1,480,000	0.13%
Ren Yunan	Beneficial owner	3,900,000	0.34%

Note:

- The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any 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 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 were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to Mode Code, to be notified to the Company and the Stock Exchange.

4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken 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 or, who were, 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 member of the Group or had any option in respect of such capital:

Long position in the Shares

Name of substantial Shareholder	Capacity of interests	Number of issued ordinary Shares held	Approximate percentage of shareholding in Company (Note 1)
Golden Sparkle Limited	Beneficial owner (Note 2)	263,308,500	22.73%
Lai Wai Lam Ricky	Interest of controlled corporation (Note 2)	263,308,500	22.73%
Dai Zhibiao	Beneficial owner	140,382,500	12.12%
Jin Teresa	Underwriter (Note 3)	228,571,000	19.73%
Blackwall Ltd	Underwriter (Note 4)	228,571,000	19.73%
Ding Hai	Interest of controlled corporation (Note 4)	228,571,000	19.73%
Get Nice Financial Group Limited	Interest of controlled corporation (Note 5)	285,714,000	12.33%
Get Nice Holdings Limited	Interest of controlled corporation (Note 5)	285,714,000	12.33%
Get Nice Incorporated	Interest of controlled corporation (Note 5)	285,714,000	12.33%
Get Nice Securities Limited	Underwriter (Note 5)	285,714,000	12.33%

Notes:

- The percentage represents the number of ordinary shares interested divided by the number of the Company's issued Shares as at Latest Practicable Date.
- These Shares were held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky was deemed to be interested in these Shares pursuant to Part XV of the SFO.
- Jin Teresa is a sub-underwriter to the Rights Issue. Accordingly, Jin Teresa is deemed to be interested in these Shares pursuant to Part XV of the SFO.

4. Blackwall Ltd, a controlled corporation of Ding Hai, is a sub-underwriter to the Rights Issue. Accordingly, each of Blackwall Ltd and Ding Hai is deemed to be interested in these Shares pursuant to Part XV of the SFO.
5. Get Nice Securities Limited, a controlled corporation of each of Get Nice Incorporated, Get Nice Holdings Limited and Get Nice Financial Group Limited, is a sub-underwriter to the Rights Issue. Accordingly, each of Get Nice Securities Limited, Get Nice Incorporated, Get Nice Holdings Limited and Get Nice Financial Group Limited is deemed to be interested in these Shares pursuant to Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

5. COMPETING INTEREST OF DIRECTORS AND ASSOCIATES

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 business or interest that competes or may compete with the business of the Group or any other conflicts of interest which any such person has or may have with the Group.

6. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

1. As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2016 (being the date to which the latest published annual report for the audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and
2. none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Group which were not determinable by the Group within one year without payment of compensation, other than statutory compensation.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the sale and purchase agreement dated 8 December 2016 entered into between the Company (as the purchaser), Taupe Overseas Limited (as the vendor) and Mr. Shen Zongping (as the guarantor), pursuant to which the Company agreed to acquire 51% of the issued share capital of Marvel Paramount Holdings Limited at the cash consideration of HK\$117,300,000;
- (ii) the capital increase agreement dated 21 December 2016 entered into between (a) 青蛙王子(中國)日化有限公司 (Frog Prince (China) Daily Chemicals Co., Ltd.*) (“**Frog Prince (China)**”), being an indirect wholly-owned subsidiary of the Company; (b) Fujian Herun Supply Chain Management Cp., Ltd (“**Fujian Herun**”), being an indirect wholly-owned subsidiary of the Company; and (c) 深圳前海沃升資產管理中心(有限合夥) (Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership)*) (the “**Subscriber**”), pursuant to which the Subscriber agreed to make a capital contribution of RMB33,000,000 to Fujian Herun;
- (iii) the sale and purchase agreement dated 6 February 2017 entered into between the Company and Ever Smart Capital Limited (“**Ever Smart**”) pursuant to which Ever Smart agreed to sell and the Company agreed to acquire the convertible bonds which were convertible into 90,000,000 shares to be issued by Wajia Group Holdings Limited at an initial conversion price of HK\$0.65 per share at a consideration of HK\$58.5 million;
- (iv) the subscription agreement dated 20 March 2017 and entered into between the Company and Head and Shoulders Global Investment Fund SPC (the “**Fund**”) pursuant to which the Company agreed to subscribe for an aggregate amount of HK\$110,000,000 of non-voting participating share(s) of US\$0.01 par value each in the capital of the Fund redeemable either at the option of the holder thereof or by the Fund;
- (v) the promissory note in the principal amount of HK\$67,350,000 to be issued by GreaterChina Professional Services Limited for subscription by the Company;
- (vi) the sale and purchase agreement dated 27 April 2017 entered into the Company (as the purchaser) and Mr. Lam Chi Man (as the vendor), pursuant to the Company agreed to acquire the entire issued share capital of Apex Magic International Limited at the consideration of HK\$79,000,000, which was satisfied by cash of HK\$25,000,000 and the issue of 147,945,205 new Shares at the issue price of HK\$0.365 per Share;

- (vii) the share transfer agreement dated 5 May 2017 entered into between Frog Prince (China) (as the vendor) and 深圳前海沃升資產管理中心(有限合夥) (Shenzhen Qianhai Wosheng Asset Management Centre (Limited Partnership)*) (“**Shenzhen Qianhai Wosheng**”) (as the purchaser), pursuant to which Frog Prince (China) conditionally agreed to sell and Shenzhen Qianhai Wosheng agreed to acquire 45% equity interest in Fujian Herun (as the target) at a total consideration of RMB100,000,000;
- (viii) a sale and purchase agreement dated 21 September 2017 entered into between the Company (as the purchaser) and the sole shareholder of Earn Rich Properties Limited (as the vendor) in relation to the acquisition of entire issued share capital and the sale loan of Earn Rich Properties Limited (as the target) by the Company at the consideration of HK\$13,500,000 by the issue of the promissory note;
- (ix) the sale and purchase agreement dated 30 October 2017 entered into between the Company (as the vendor) and Prime Pacific Investments Limited (as the purchaser) in relation to the disposal of the 8% secured convertible notes due 2017 issued by Wanjia Group Holdings Limited in the principal amount of HK\$58,500,000 for a cash consideration of approximately HK\$61,895,000; and
- (x) the Underwriting Agreement.

9. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against the Group.

10. EXPERTS AND CONSENTS

The following are the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualification
CCTH CPA Limited (the “CCTH”)	Certified Public Accountants
Nuada Limited	a licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of CCTH and Nuada Limited (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2016 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the reference to its name included herein in the form and context in which it appears.

11. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in PRC	No. 8, North Wuqiao Road Lantian Economic Development Zone Zhangzhou City, Fujian Province, PRC
Head office and principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Auditors and reporting accountants	CCTH CPA Limited Unit 5-6, 7/F., Greenfield Tower Concordia Plaza 1 Science Museum Road Tsim Sha Tsui Kowloon, Hong Kong
Principal Banker	Agricultural Bank of China Limited – Zhangzhou Branch Bank of Communications Co., Ltd. – Hong Kong Branch 20 Pedder Street Central Hong Kong

Underwriter	Head & Shoulders Securities Limited Room 2511, 25/F Cosco Tower 183 Queen's Road Central Hong Kong
Financial Adviser to the Company	Veda Capital Limited Room 1106, 11/F Wing On Centre 111 Connaught Road Central Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	Nuada Limited Unit 1805-08, 18/F., Office Plus @Sheung Wan 93-103 Wing Lok Street Sheung Wan, Hong Kong
Legal Advisor as to Hong Kong Law for the Rights Issue	Michael Li & Co. 19/F., Prosperity Tower 39 Queen's Road Central Central, Hong Kong
Branch share registrar and transfer office in Hong Kong	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
Company secretary	Ms. So Yee Kwan (ACS, ACIS)
Authorised representative	Mr. Tsai Wallen Mr. Li Zhouxin
Audit Committee	Ms. Chan Sze Man (<i>Chairman</i>) Mr. Ma Kwun Yung Stephen Ms. Bu Yanan
Remuneration Committee	Ms. Ma Kwun Yung Stephen (<i>Chairman</i>) Mr. Ma Chi Ming Ms. Chan Sze Man
Nomination Committee	Ms. Chan Sze Man (<i>Chairman</i>) Mr. Ma Kwun Yung Stephen Ms. Bu Yanan

12. PARTICULAR OF THE DIRECTORS AND SENIOR MANAGEMENT

Particular of Directors

Name	Address
<i>Executive Directors</i>	
Mr. Tsai Wallen (Chairman and Chief Executive Officer)	Flat A, 2/F, Hand Fair Court, 255 Castle Peak Road, Sham Shui Po, Kowloon, Hong Kong
Mr. Huang Xinwen	Room 302, Building Eight, Huneixincun, No. 13 Hunei Road, Xiangcheng District, Zhangzhou City, Fujian Province, PRC
Mr. Ma Chi Ming	Flat A, 12/F, 8 Boardway, Mei Foo Sun Chung, Lai Chi Kok, Kowloon, Hong Kong
<i>Non-executive Directors</i>	
Mr. Li Zhouxin	Room 1415, Tower B, Wanda Soho, Zhangzhou City, Fujian Province, PRC
Mr. Ren Yunan	Floor 52, Building Thirty-Seven, Celestial Heights, No. 80, Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong
<i>Independent Non-executive Directors</i>	
Ms. Chan Sze Man	Flat F, 20/F, Tower 6, Harbour Green, 8 Sham Mong Road, Tai Kok Tsui, Kowloon, Hong Kong
Mr. Ma Kwun Yung Stephen	Flat B, 40/F, Block 5, 33 Castle Peak Road-Sham Tseng, Bellagio, Sham Tseng, New Territories, Hong Kong
Ms. Bu Yanan	Flat A, 10/F, Block 2, Amalfi, 8 Amalfi Drive, Discovery Bay, Hong Kong

Executive Director

Mr. Tsai Wallen (“Mr. Tsai”), aged 57, was appointed as an executive Director, chairman and chief executive officer of the Company on 19 July 2016, 28 November 2016 and 11 August 2017 respectively. Mr. Tsai served as an executive director of Dejin Resources Group Company Limited (a company listed on the Stock Exchange; stock code: 1163) from 3 June 2013 to 12 August 2015. Mr. Tsai had also worked as the general manager of Forestry Business at Dejin Resources Group Company Limited. Mr. Tsai started investing in Hong Kong stock market in 1993. Mr. Tsai has over 30 years of experience in realty, investment and timber business. Mr. Tsai graduated in San Francisco City College.

Mr. Huang Xinwen (“Mr. Huang”), aged 51, is an executive Director and a vice general manager of Frog Prince (China) Daily Chemicals Co., Ltd., which is a wholly-owned subsidiary of the Company. Mr. Huang has about 12 years of experience in the international trade, and is currently responsible for the Group’s international trade and production management. He joined the Group in May 1995 as a part time manager of the equipment division, and formally joined the Group as a manager of the international division in March 2003. In August 2004, he was appointed as the manager of the international trade department of the Group, and was appointed as the vice general manager of the Group in October 2006. Prior to joining the Group, he once served at the production department of an aluminum container company in Zhangzhou City, Fujian Province. He received a diploma in light industry machinery from Longxi Area Technical School in 1986.

Mr. Ma Chi Ming (“Mr. Ma”), aged 37, was appointed as an executive Director and a member of the remuneration committee of the Company on 27 January 2017. He obtained Certificate III in Information Technology and Certificate in English for Technical and further education from Sydney Institute of Technology in Australia in 1998 and 1997 respectively. He has over 10 years of experience in sales and business development, formulating marketing strategy as well as monitoring corporate strategy and administration. He also has over 3 years of management experience in money lending business. He is currently an independent non-executive director of L & A International Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange; stock code: 8195).

Non-executive Director

Mr. Li Zhouxin (“Mr. Li”), aged 33, was appointed as an executive Director on 27 January 2016 and re-designated to a non-executive Director with effect from 30 June 2017. He was the chief financial officer of the Company and resigned on 27 April 2017, primarily responsible for developing the Company’s strategic development plans, managing the Company’s financial affairs, and assessing the external investment projects and internal audit affairs. Mr. Li joined the Group in November 2011 as the director of strategic development center of Frog Prince (China) Daily Chemicals Co., Ltd., which is a wholly-owned subsidiary of the Company. Since 1 January 2014, he has served as the chief financial officer of Frog Prince (China) Daily Chemicals Co., Ltd., responsible for comprehensive financial management of Frog Prince (China) Daily Chemicals Co., Ltd.. Mr. Li is currently a director of Frog Prince (China) Daily Chemicals Co., Ltd.. Mr. Li is also a director of

Overseas Travel Science and Technology Limited and Prince Frog (HK) Daily Chemicals Company Limited, which is a wholly-owned subsidiaries of the Company. Mr. Li was also appointed as a director of Prince Frog Investment Limited, being a wholly-owned subsidiary of the Company, on 12 October 2016. Prior to joining the Group, Mr. Li worked as an auditor and assistant manager of the audit division at KPMG Consulting (China) Co. Ltd. from August 2007 to December 2010. From December 2010 to November 2011, he also served as finance manager at a company listed on the main board of NASDAQ. Mr. Li is currently the vice chairman of the 8th Executive Committee of the Youth Business Association of Fujian Province (福建省青年商會). Mr. Li graduated from Fuzhou University with a bachelor degree in finance in 2007. Mr. Li is a PRC certified public accountant (non-practising) and a certified management accountant recognised by Institute of Management Accountants United States of America. Mr. Li also holds a Certification in Risk Management Assurance accredited by The Institute of Internal Auditors.

Mr. Ren Yunan (“**Mr. Ren**”), aged 42, was appointed as an independent non-executive Director on 18 February 2011, re-designated to a non-executive Director on 16 October 2015. He has served as the vice chairman of the Board from 16 October 2015 to 27 January 2017. Mr. Ren graduated from Peking University with a bachelor degree in law in 1997 and received a master degree in law from Harvard Law School in 1999. Mr. Ren was appointed as a managing director to the private equity of CITIC Securities International Company Limited with effect from 5 April 2017.

Mr. Ren was appointed as a non-executive director and chairman of the board of director of AVIC Joy Holdings (HK) Limited (a company listed on the Main Board of the Stock Exchange; stock code: 260), as an independent non-executive director of International Entertainment Corporation (a company listed on the Main Board of the Stock Exchange; stock code: 1009) in May 2017, as an independent non-executive director of Ronshine China Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 3301) in January 2016, and as a non-executive director of Labixiaoxin Snacks Group Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1262) in February 2015. From June 2016 to October 2016, Mr. Ren has served as a supervisor (as shareholders’ representative) of the fifth session of the supervisory committee of Dongjiang Environmental Company Limited, (a company listed both on the Main Board of the Stock Exchange under the stock code of 895 and the Small and Medium Enterprise Board of the Shenzhen Stock Exchange under the stock code of 2672). From March 2012 to June 2015, Mr. Ren has served as an independent director and the chairman of audit committee of IDI, Inc. (a company listed on New York Stock Exchange AMEX; stock code: IDI). From April 2015 to May 2017, Mr. Ren has served as an independent director of SPI Energy Co., Ltd (a company listed on the NASDAQ; stock code: SPI).

Independent non-executive Directors

Ms. Chan Sze Man (“**Ms. Chan**”), aged 36, was appointed as an independent non-executive Director on 20 September 2016. She is also the chairman of each of the audit committee and the nomination committee of the Company and member of the remuneration committee of the Company. Ms. Chan received a bachelor’s degree in business administration which was majoring in accountancy from The Hong Kong University of Science and Technology. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 16 years of experience in accounting and auditing for Hong Kong listed companies and private companies. Ms. Chan is now the chief financial officer and the company secretary of a company listed on the Main Board of the Stock Exchange and an independent non-executive director of Millennium Pacific Group Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange; stock code: 8147). Ms. Chan has also been serving as an independent non-executive director on the board of Sunrise (China) Technology Group Limited (a company listed on the Growth Enterprise Market of the Stock Exchange; stock code: 8226) for the period from October 2012 to April 2015.

Mr. Ma Kwun Yung Stephen (“**Mr. Ma**”), aged 36, was appointed as an independent non-executive Director on 15 March 2017. He is also the chairman of remuneration committee and member of each of the audit committee and the nomination committee of the Company. Mr. Stephen Ma has over 7 years of experience in renewable energy management. He obtained a Bachelor degree of Business Systems from Monash University in Australia in 2003 and a Master degree of Applied Finance from The University of Melbourne, Australia in 2005. He is a director and a shareholder of EcoSmart Energy Management Limited, a private company principally engaged in the provision of design, consultation and building of energy projects to private and listed companies.

Ms. Bu Yanan (“**Ms. Bu**”), aged 31, was appointed as an independent non-executive Director on 15 September 2017. She is also the member of each of the audit committee and the nomination committee of the Company. She was graduated from City University of Hong Kong with a bachelor of laws and has completed the Practising Certificate in law programme to qualify for admission as a barrister of High Court of Hong Kong in 2011. She is also an Accredited General and Family Mediator of the Hong Kong International Arbitration Centre and of the Hong Kong Mediation Accreditation Association, a fellow of Hong Kong Institute of Arbitrators. Ms. Bu has been in active practice at the Bar in various criminal and commercial matters and has extensive legal experience. She is currently an independent non-executive director of Jin Bao Bao Holdings Limited (a company listed on the Main Board of the Stock Exchange; stock code: 1239).

13. EXPENSES

The expenses in connection with the Rights Issue, including underwriting commission, financial advising fees, printing, registration, translation, legal and accounting fees are estimated to be approximately HK\$6,700,000 and are payable by the Company.

14. MISCELLANEOUS

- (i) As at the Latest Practicable Date, save for the Golden Sparkle Irrevocable Undertaking, the Board had not received any information from any substantial shareholders of their intention to take up the Rights Shares to be provisionally allotted or offered to them under the Rights Issue.
- (ii) The principal place of business in Hong Kong of the Company is Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (iii) The principal place of the business in PRC of the Company is No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, PRC.
- (iv) The Hong Kong branch share registrar and transfer office of Company is Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.
- (v) The secretary of the Company is Ms. So Yee Kwan, who is a Chartered Secretary and an Associate of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (vi) The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, during normal business hours on any Business Day, from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the annual reports of the Group for the three years ended 31 December 2014, 2015 and 2016 and the interim report of the Group for the six months ended 30 June 2017;
- (iii) the letter from the Independent Board Committee, the text of which is set out on page 30 of this circular;
- (iv) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 31 to 53 of this circular;
- (v) the material contracts referred to under the section headed "MATERIAL CONTRACTS" in the Appendix III to this circular;
- (vi) the letter from CCTH on the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (vii) the letter of consent referred to the paragraph headed "EXPERTS AND CONSENTS" in the Appendix III to this circular; and
- (viii) this circular.

NOTICE OF EGM

China Child Care Corporation Limited

中國兒童護理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of China Child Care Corporation Limited (the “**Company**”) will be held at Room Golden Bay, 2/F, Golden Bay Resort, 168 South Huandeng Road (Huandeng Nan Lu), Dadeng Islands, Xiamen, Fujian Province, The People’s Republic of China at 9:00 a.m. on Thursday, 7 December 2017 for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution (words and expressions that are not expressly defined in this notice shall bear the same meaning as that defined in the circular (the “**Circular**”) dated 17 November 2017 published by the Company):

ORDINARY RESOLUTION

“THAT:

1. (a) the Rights Issue substantially on the terms and conditions set out in the Circular, a copy of which marked “A” is produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved and the Directors be and are hereby authorised to issue and allot such Rights Shares by way of rights and otherwise on the terms set out in such document; and
- (b) the Underwriting Agreement, a copy of which marked “B” is produced to the meeting and signed by the Chairman of the meeting for the purpose of identification, be and is hereby approved and confirmed and the Directors be and are hereby authorised to implement the transactions contemplated by the Underwriting Agreement.”

By order of the Board
China Child Care Corporation Limited
Tsai Wallen
Chairman

Hong Kong, 17 November 2017

As at the date of this notice, the Board comprises (i) three executive directors, namely Mr. Tsai Wallen, Mr. Huang Xinwen and Mr. Ma Chi Ming; (ii) two non-executive directors, namely Mr. Li Zhouxin and Mr. Ren Yunan; and (iii) three independent non-executive directors, namely Ms. Chan Sze Man, Mr. Ma Kwan Yung Stephen and Ms. Bu Yanan.

NOTICE OF EGM

Notes:

1. A resolution at the Meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Stock Exchange and the Company in accordance with the Listing Rules.
2. A member of the Company entitled to attend and vote at the Meeting may appoint another person as his proxy to attend and vote on his behalf. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's branch share registrars in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.
4. The register of members of the Company will be closed from Friday, 1 December 2017 to Thursday, 7 December 2017 (both days inclusive) for determining the entitlements to attend and vote at the EGM. No transfer of Shares will be registered during this period. In order to qualify for attending and voting at the EGM, all transfer documents (together with the relevant share certificates) must be lodged with the Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Thursday, 30 November 2017 (Hong Kong time).