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

If you have sold or transferred all your Shares in Bonjour Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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Bonjour Holdings Limited 卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

(1) CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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



Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 14 of this circular.

A notice convening the EGM to be held on Friday, 3 November 2023 at 10:00 a.m. at 12/F., Bonjour Tower, No. 36-50 Wang Wo Tsai Street, Tsuen Wan, Hong Kong is set out on pages EGM-1 and EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company’s Hong Kong branch share registrar and transfer office, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM (i.e. 10:00 a.m. on Wednesday, 1 November 2023 (Hong Kong Time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

17 October 2023

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DEFINITIONS

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

“Announcement”	the announcement of the Company dated 31 August 2023 in relation to the Loan Capitalisation
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturdays) on which banks are generally open for normal banking business in Hong Kong
“Company”	Bonjour Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 653)
“Completion”	completion of the allotment and issue of the Subscription Shares
“Completion Date”	the date of Completion
“connected person(s)”	has the meanings as ascribed thereto under the Listing Rules
“controlling shareholder(s)”	has the meanings as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and approve, if thought fit, the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder and the grant of the Specific Mandate to allot and issue the Subscription Shares
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors

DEFINITIONS

“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Loan Capitalisation
“Independent Shareholders”	Shareholder(s) other than those who are required under the Listing Rules to abstain from voting on the resolution(s) to be proposed at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) who are third parties independent of the Company and the connected persons of the Company in accordance with the Listing Rules
“Karfond”	Karfond Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Far East Consortium International Limited (遠東發展有限公司*)(stock code: 35), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Last Trading Day”	30 August 2023, being the last full trading day on which the Shares were traded on the Stock Exchange immediately prior to the date of the Subscription Agreement
“Latest Practicable Date”	11 October 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Capitalisation”	conversion of the Shareholder’s Loan into the share capital of the Company by applying the Shareholder’s Loan in payment of the Subscription Price for the Subscription Shares credited as fully paid to the Subscriber under the Subscription in full and final settlement of the Shareholder’s Loan due to the Subscriber
“Long Stop Date”	31 December 2023, or such other date as the parties to the Subscription Agreement may agree in writing
“PRC”	the People’s Republic of China which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

DEFINITIONS

“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the unsecured shareholder’s loan due from the Company to the Subscriber bearing interest at 2.75% per annum, the outstanding principal amount and accrued interest of which amounted to approximately HK\$76,988,531 as at the date of the Subscription Agreement
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and to be granted to the Board for the allotment and issue of the Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Chen Jianwen, the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 2,244,195,868 Shares, representing approximately 63.89% of the issued share capital of the Company as at the Latest Practicable Date
“Subscription”	the subscription of the Subscription Shares by the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 31 August 2023 entered into between the Company and the Subscriber in relation to the Loan Capitalisation and the Subscription
“Subscription Price”	HK\$0.062 per Subscription Share
“Subscription Shares”	an aggregate of 1,241,750,000 new Shares to be allotted and issued by the Company pursuant to the Subscription Agreement, and each a “Subscription Share”
“%”	per cent

LETTER FROM THE BOARD



Bonjour Holdings Limited
卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

Executive Directors:

Mr. Chen Jianwen (*Chairman*)
Mr. Wan Yim Keung, Daniel (*Chief Executive Officer*)
Ms. Chiu Lai Kuen, Susanna

Independent Non-executive Directors:

Mr. Kwok Chi Shing
Mr. Lee Kwun Kwan
Mr. Yan Sherman Chuek-ning

Registered office:

Windward 3
Regatta Office Park
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

12/F., Bonjour Tower
No. 36-50 Wang Wo Tsai Street
Tsuen Wan, Hong Kong

17 October 2023

To the Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE
AND**

(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING

I. INTRODUCTION

Reference is made to the Announcement of the Company dated 31 August 2023 in relation to, among other things, the Loan Capitalisation.

This circular sets out, among other things, (i) details of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder and the Specific Mandate); (ii) recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder; and (iv) a notice of the EGM.

LETTER FROM THE BOARD

II. THE SUBSCRIPTION AGREEMENT

As at the date of the Announcement, the Company was indebted to the Subscriber an aggregate amount of HK\$76,988,531 in outstanding principal amount and accrued interest under the Shareholder's Loan. The Shareholder's Loan is unsecured and bears interest of 2.75% per annum. The Shareholder's Loan was provided to the Group in three tranches on 26 April 2023, 26 May 2023 and 30 June 2023, which will mature on 25 April 2024, 25 May 2024 and 29 June 2024, respectively. The outstanding principal amount and accrued interest under each of the said three tranches of the Shareholder's Loan as at the date of the Subscription Agreement were approximately HK\$30,747,021, HK\$30,206,438 and HK\$16,035,072, respectively. The Shareholder's Loan was provided to the Group by the Subscriber for the purpose of financing its general working capital requirement.

On 31 August 2023 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,241,750,000 Subscription Shares at the Subscription Price of HK\$0.062 per Subscription Share to the Subscriber, which shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan (payable by the Company to the Subscriber) as at the date of the Subscription Agreement which amounted to approximately HK\$76,988,531. Upon Completion, the Shareholder's Loan shall be deemed to have been fully repaid, and any remaining balance of the Shareholder's Loan (including any interest accrued under the Shareholder's Loan from the date of the Subscription Agreement to the Completion Date) will be waived by the Subscriber.

The Subscription Agreement

The principal terms of the Subscription Agreement are as follows:

Date

31 August 2023 (after trading hours of the Stock Exchange)

Parties

The Company (as the issuer) and Mr. Chen Jianwen (as the Subscriber)

Number of Subscription Shares

The Subscription Shares represent approximately 35.35% of the existing number of issued Shares as at the Latest Practicable Date and approximately 26.12% of the enlarged number of issued Shares of 4,754,315,999 Shares immediately following Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Subscription Shares) between the Latest Practicable Date and Completion.

Based on the closing price of the Shares of HK\$0.063 per Share on the Last Trading Day, the Subscription Shares have a market value of HK\$78,230,250 and an aggregate nominal value of approximately HK\$12,417,500.

LETTER FROM THE BOARD

The Subscription Shares to be issued and allotted to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Subscription Price

The Subscription Price is HK\$0.062 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares of approximately HK\$76,988,500 payable by the Subscriber shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan (payable by the Company to the Subscriber) which amounted to approximately HK\$76,988,531 as at the date of the Subscription Agreement.

The Subscription Price represents:

- (i) the closing price of HK\$0.062 per Share as quoted on the Stock Exchange on 31 August 2023, the date of the Subscription Agreement;
- (ii) a premium of approximately 0.65% over the average closing price of HK\$0.0616 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 17.0% over the closing price of HK\$0.053 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 8.77% over the Company's unaudited consolidated net asset value per Share as at 30 June 2023 of approximately HK\$0.057 (calculated by total equity attributable to the Shareholders of approximately HK\$199.3 million as at 30 June 2023 and 3,512,565,999 Shares in issue as at the Latest Practicable Date).

The net Subscription Price (after deduction of all professional fees and related expenses) is estimated to be approximately HK\$0.0616 per Subscription Share. The professional fees and related expenses for the Subscription, which amount to approximately HK\$0.5 million (representing approximately 0.66% of the aggregate Subscription Price), will be settled by the Company in cash.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to, among other things:

- (a) the outstanding principal amount and accrued interest under the Shareholder's Loan;
- (b) the prevailing market price of the Shares, having considered that (i) the Subscription Price falls within the historical closing price range, with the lowest closing price of HK\$0.052 per Share (recorded on 23 August 2023) and the highest closing price of HK\$0.133 per Share (recorded on 3 May 2023), during the period from 27 March 2023 (the date on which trading of the Shares on the Stock Exchange was resumed) to 31 August 2023 (the date of the Subscription Agreement)(the "**Review Period**"); and (ii) the closing price of the Shares demonstrated a downward trend over the Review Period;

LETTER FROM THE BOARD

- (c) the market conditions, having considered the relatively low average daily trading volume of approximately 0.085% of the total number of issued Shares during the Review Period, which suggests that it would be difficult for the Company to pursue sizeable equity financing alternative in the stock market without providing considerable discount; and
- (d) the financial position of the Group, having considered the net assets position of the Group of approximately HK\$199.3 million and net current liabilities of approximately HK\$116.2 million as at 30 June 2023.

In view of the above, the Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest in the transactions contemplated under the Subscription Agreement) are of the view that the Subscription Price is fair and reasonable.

Ranking of the Subscription Shares

The Subscription Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled or waived (if applicable):

- (A) the Board having passed and approved the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder;
- (B) the Independent Shareholders having approved and passed at the EGM, the necessary resolutions to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issue of the Subscription Shares);
- (C) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Subscription Shares on the Stock Exchange;
- (D) the allotment, issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including the Stock Exchange and the Securities and Futures Commission) which is applicable to the Company;

LETTER FROM THE BOARD

- (E) the representations and warranties given by the Company under the Subscription Agreement remaining true and accurate in all material respects and not misleading in any material respect as at the Completion Date; and
- (F) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder having been obtained.

Save for condition (E) above which can be waived by the Subscriber by notice in writing to the Company, none of the conditions set out above may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled or waived (if applicable) on or before the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

As at the Latest Practicable Date, except condition (A) which has been fulfilled, none of the other conditions set out above has been fulfilled. In terms of condition (C), application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion

Completion will take place on the third Business Day after the date on which the last condition has been fulfilled or waived (as the case may be), or such other date as the parties may agree in writing. At Completion, the Company will allot and issue 1,241,750,000 Subscription Shares to the Subscriber, and the Subscriber will pay to the Company the Subscription Price satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan as at the date of the Subscription Agreement, upon which the Shareholder's Loan shall be deemed to have been fully repaid, and any remaining balance of the Shareholder's Loan (including any interest accrued under the Shareholder's Loan from the date of the Subscription Agreement to the Completion Date) will be waived by the Subscriber.

III. INFORMATION ON THE PARTIES

Information on the Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 653). The Company is an investment holding company and the Group is principally engaged in the retail and wholesale of beauty and health-care products in Hong Kong, Macau and the PRC.

LETTER FROM THE BOARD

Information on the Subscriber

As at the Latest Practicable Date, Mr. Chen Jianwen is the chairman of the Board, an executive Director, and the controlling shareholder of the Company who beneficially owns 2,244,195,868 Shares, representing approximately 63.89% of the issued share capital of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules.

IV. REASONS FOR AND BENEFITS OF THE LOAN CAPITALISATION

Since April 2023, the Subscriber provided the Shareholder's Loan to the Group to finance its working capital requirement. The Shareholder's Loan is unsecured and bears interest of 2.75% per annum. As at the date of the Subscription Agreement, the Company was indebted to the Subscriber an aggregate amount of HK\$76,988,531 in outstanding principal amount and accrued interest under the Shareholder's Loan.

Pursuant to the Subscription Agreement, the Subscription Price payable by the Subscriber shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan (payable by the Company to the Subscriber) as at the date of the Subscription Agreement which amounted to approximately HK\$76,988,531. Upon Completion, the Shareholder's Loan shall be deemed to have been fully repaid, and any remaining balance of the Shareholder's Loan (including any interest accrued under the Shareholder's Loan from the date of the Subscription Agreement to the Completion Date) will be waived by the Subscriber.

As disclosed in the annual report of the Company for the year ended 31 December 2022 and the interim results announcement of the Company for the six months ended 30 June 2023, the Group recorded net cash used in operating activities of approximately HK\$108.4 million and HK\$126.0 million for the years ended 31 December 2021 and 2022, respectively, and as at 30 June 2023, the Company had net current liabilities of approximately HK\$116.2 million and bank and cash balances of approximately HK\$18.4 million. The gearing ratio (total liabilities over total assets) of the Group was 69.3% and 56.8% as at 31 December 2022 and 30 June 2023, respectively.

Based on the indebted amount owed by the Company to the Subscriber under the Shareholder's Loan of approximately HK\$76,988,531 as at the date of the Subscription Agreement, upon Completion, it is expected that (i) the net current liabilities of the Group will be reduced by approximately HK\$77.0 million; (ii) the gearing ratio of the Group will be improved from 56.8% as at 30 June 2023 to approximately 40.1% immediately after Completion; and (iii) the net assets position of the Group will be improved by approximately HK\$77.0 million.

Accordingly, taking into account the existing financial performance and financial position of the Group, the Directors consider that Loan Capitalisation will allow the Company to fully settle the Shareholder's Loan (together with the accrued interest) without obtaining additional bank borrowing and incurring additional finance costs nor utilising existing financial resources of the Group which could otherwise be retained for general working capital and business development, while improving the gearing level and hence strengthening the financial position of the Group.

LETTER FROM THE BOARD

While the Subscriber has expressed to the Company his intention to capitalise the Shareholder's Loan and increase his equity investment in the Company given his confidence in the Group's future business performance, the Company considers that the subscription of Shares by the Subscriber, being an executive Director and the controlling shareholder of the Company, reflects the confidence of the Subscriber towards the long-term and sustainable growth of the Group, and the continuing support of the Subscriber would be beneficial to the long term business development of the Group.

As the allotment and issue of the Subscription Shares under the Loan Capitalisation will dilute the interest of the Company's existing Shareholders (other than the Subscriber), the Directors had considered other alternative means for raising funds to settle the Shareholder's Loan, such as debt financing and bank borrowings, and various means of equity financing such as rights issue, open offer and placement of Shares.

In respect of debt financing and bank borrowings, taking into consideration that (i) one of the rationales for the Loan Capitalisation is to improve the Group's gearing level which could not be achieved by debt financing; (ii) it is estimated that finance costs of at least HK\$5.87 million would be incurred per year for obtaining additional bank borrowings to settle the Shareholders' Loan, given that the Company has approached its principal banks in Hong Kong for obtaining additional banking facilities and the interest rates offered by the banks were approximately 7.625% to 8.125% per annum subject to their internal review and approval process. In other words, it is estimated that the Company would incur additional finance costs of at least HK\$3.75 million per year when compared to the interest expenses of approximately HK\$2.12 million to be incurred under the Shareholder's Loan which bear interest of 2.75% per annum; (iii) the Loan Capitalisation does not incur any interest expenses and other costs on the Group (except for the professional fees and related expenses for the Subscription which amount to approximately HK\$0.5 million) as compared with bank financing or the issue of bonds; (iv) in light of the financial condition of the Group, it may be difficult, uncertain and time-consuming for the Company to obtain additional bank borrowings; and (v) bank financing generally involves pledge of assets and/or securities which may reduce the Group's flexibility, we consider debt financing and bank borrowings not being viable financing alternatives for the Group.

In respect of equity financing, considering (i) that pre-emptive fundraising methods such as rights issue or open offer normally take at least five to six weeks, and lengthy discussions with potential commercial underwriters may also be involved; (ii) additional costs, including but not limited to underwriting commission and other professional fees may be incurred; (iii) that it would be difficult for the Company to engage placing agent for share placement or underwriter for rights issue/open offer without offering a considerable discount to attract subscription in light of the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares alongside the recent market sentiment; and (iv) that rights issue, open offer and placement of new Shares may be subject to underwriting uncertainty and market risk, we consider equity financing not being a viable financing alternative for the Group.

Meanwhile, although the allotment and issue of the Subscription Shares under the Loan Capitalisation will dilute the interest of the Company's existing Shareholders, the Directors are of the view that the Loan Capitalisation and the Subscription would be the best financing option as compared to the above financing alternatives, having considered that: (i) the Subscriber has expressed his intention to capitalise the Shareholder's Loan and increase his equity investment in the Company, which reflects his confidence in the Group's future business performance; (ii) as at 30 June 2023, the Company has net current liabilities of approximately HK\$116.2 million and the Loan Capitalisation will reduce the liabilities and financial burden to the Group; (iii) all outstanding principal amount and accrued interest under the Shareholder's Loan will be settled and/or waived upon the issue of the Subscription Shares without requiring any cash outflow on the Company (save for settling the professional fees and related expenses for the Subscription which amount to approximately HK\$0.5 million, representing approximately 0.66% of the aggregate Subscription Price); and (iv) hence, the Loan Capitalisation will improve the gearing ratio of the Group and enhance the financial position of the Group.

LETTER FROM THE BOARD

In view of the above, the Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest in the transactions contemplated under the Subscription Agreement) are of the view that the terms of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

Use of Proceeds

As the Subscription Price will be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan owed by the Company to the Subscriber, there will be no remaining net proceeds from the allotment and issue of the Subscription Shares available to be utilised by the Company.

V. FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

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

VI. APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

Application(s) will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

VII. CHANGES IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares; and (iii) immediately after the allotment and issue of Shares upon full exercise of the subscription rights attaching to the unlisted warrants held by Karfond (*Note 1*), assuming that there are no changes in the total number of issued Shares between the Latest Practicable Date, the allotment and issue of the Subscription Shares and the date of the allotment and issue of Shares upon full exercise of the Subscription rights attaching to the unlisted warrants held by Karfond, for illustration purposes only:

	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of Shares upon full exercise of the subscription rights attaching to the unlisted warrants held by Karfond ^(Note 1)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders						
The Subscriber	2,244,195,868	63.89	3,485,945,868	73.32	3,485,945,868	67.17
Mr. Wan Yim Keung, Daniel	7,300,000	0.21	7,300,000	0.15	7,300,000	0.14
Ms. Chiu Lai Kuen Susanna	1,000,000	0.03	1,000,000	0.02	1,000,000	0.02
Public shareholders						
Karfond	83,110,000	2.37	83,110,000	1.75	518,734,558 ^(Note 2)	9.99 ^(Note 2)
Other public Shareholders	<u>1,176,960,131</u>	<u>33.50</u>	<u>1,176,960,131</u>	<u>24.76</u>	<u>1,176,960,131</u>	<u>22.68</u>
Total	<u><u>3,512,565,999</u></u>	<u><u>100.00</u></u>	<u><u>4,754,315,999</u></u>	<u><u>100.00</u></u>	<u><u>5,189,940,557</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Notes:

1. On 29 June 2022, the Company issued a total of 581,578,947 unlisted warrants to Karfond conferring rights to subscribe for 581,578,947 underlying Shares (the “**Warrants**”). For further details of the Warrants, please refer to the announcement and circular of the Company dated 28 March 2022 and 7 June 2022, respectively.
2. Pursuant to the terms of the Warrants, the rights attaching thereto for the subscription of Shares shall not be exercised unless immediately after such exercise there will be sufficient public float of the Company in accordance with the Listing Rules. Therefore, the maximum number of Shares that may be allotted and issued to Karfond upon exercise of the Subscription rights attaching to the Warrants is 435,624,558 Shares, as a result of which Karfond will hold a total of 518,734,558 Shares, representing approximately 9.99% of the issued share capital of the Company as enlarged by the allotment and issue of Shares to Karfond.
3. Save for the Warrants, the Company does not have any outstanding options, warrants or other convertible securities that are convertible into the Company’s Shares.

VIII. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber is the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 2,244,195,868 Shares, representing approximately 63.89% of the issued share capital of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Chen Jianwen (chairman of the Board and an executive Director), being the Subscriber, is considered to have material interest in the transactions contemplated under the Subscription Agreement. Therefore, Mr. Chen Jianwen had abstained from voting on the relevant resolution(s) of the Board. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, save as disclosed above, none of the other Directors has any material interest in the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder or is otherwise required to abstain from voting on the relevant resolution(s) of the Board.

IX. ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to (i) whether the terms of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder are on normal commercial terms or better, (ii) whether or not they are in the ordinary and usual course of business of the Group; (iii) whether they are fair and reasonable and in the interests of the Company and its Shareholders as a whole and (iv) how to vote at the EGM. Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

X. EGM

The EGM will be convened and held at 10:00 a.m. on Friday, 3 November 2023 at 12/F., Bonjour Tower, No. 36-50 Wang Wo Tsai Street, Tsuen Wan, Hong Kong for the purpose of considering and, if thought fit, approving the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Set out on pages EGM-1 to EGM-2 of this circular is a notice convening the EGM to consider and, if appropriate, to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares. A form of proxy for use by the Shareholders at the EGM or any adjourned meeting is also enclosed herewith.

Whether or not you intend to attend and/or vote at the EGM in person, you are requested to complete the form of proxy and return it to the Company's branch share registrar and transfer office 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 and in any event not less than 48 hours before the time of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolution set out in the notice of the EGM will be voted by poll.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and its associates will abstain from voting on the relevant resolutions at the EGM. Accordingly, the Subscriber, being the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 2,244,195,868 Shares, representing approximately 63.89% of the issued share capital of the Company as at the Latest Practicable Date, will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder at the EGM, including the grant of the Specific Mandate. Save as disclosed above, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, other than the Subscriber, no other Shareholder has a material interest in the transactions contemplated under the Subscription Agreement, including the grant of the Specific Mandate, and will be required to abstain from voting on the resolution(s) to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder and the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber at the EGM.

LETTER FROM THE BOARD

XI. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 30 October 2023.

XII. RECOMMENDATION

The Directors (including the independent non-executive Directors but excluding the Subscriber who is considered to have material interest in the transactions contemplated under the Subscription Agreement) consider that the terms of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned, and recommends the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

XIII. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information of the Group set out in the appendix to this circular.

Completion of the allotment and issue of the Subscription Shares is conditional upon the fulfilment or waiver (if applicable) of the conditions precedent set out under the paragraph headed "II. THE SUBSCRIPTION AGREEMENT – Conditions Precedent" above in this circular, which may or may not be fulfilled or waived (if applicable). Accordingly, the allotment and issue of the Subscription Shares may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

Yours faithfully,
For and on behalf of the Board
Bonjour Holdings Limited
Chen Jianwen
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the full text of a letter from the Independent Board Committee setting out its recommendation for the purpose of inclusion in this circular.

Independent non-executive Directors:

Mr. Kwok Chi Shing

Mr. Lee Kwun Kwan

Mr. Yan Sherman Chuek-ning

17 October 2023

To the Independent Shareholders

Dear Sirs or Madams,

**(1) CONNECTED TRANSACTION
LOAN CAPITALISATION INVOLVING ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE
AND
(2) NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 17 October 2023 issued by the Company (the “**Circular**”) of which this letter forms part. Capitalised terms defined in the Circular have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned and to advise the Independent Shareholders how to vote at the EGM.

Lego Corporate Finance has been appointed to act as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Subscription Agreement and the Specific Mandate. The text of the letter of advice from Lego Corporate Finance containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out on pages 17 to 34 of the Circular.

Independent Shareholders are recommended to read the letter of advice from the Independent Financial Adviser, the letter from the Board contained in the Circular as well as the additional information set out in the appendix to the Circular. Having considered the terms of the Subscription Agreement and the advice from Independent Financial Adviser, we consider that the terms of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of the Specific Mandate) are fair and reasonable, on normal commercial terms, and although not in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in respect of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the grant of the Specific Mandate to be proposed at the EGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Kwok Chi Shing
*Independent non-executive
Director*

Mr. Lee Kwun Kwan
*Independent non-executive
Director*

Mr. Yan Sherman Chuek-ning
*Independent non-executive
Director*

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of Specific Mandate), which has been prepared for the purpose of inclusion in this circular.



17 October 2023

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

CONNECTED TRANSACTION LOAN CAPITALISATION INVOLVING ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of Specific Mandate), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular dated 17 October 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As at the date of the Subscription Agreement, the Company was indebted to the Subscriber an aggregate amount of approximately HK\$76,988,531 in outstanding principal amount and accrued interest under the Shareholder’s Loan. The Shareholder’s Loan is unsecured and bears interest of 2.75% per annum. The Shareholder’s Loan was provided to the Group by the Subscriber for the purpose of financing its general working capital requirement.

On 31 August 2023 (after trading hours of the Stock Exchange), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,241,750,000 Subscription Shares at the Subscription Price of HK\$0.062 per Subscription Share to the Subscriber, which shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder’s Loan (payable by the Company to the Subscriber) as at the date of the Subscription Agreement which amounted to approximately HK\$76,988,531. Upon Completion, the Shareholder’s Loan shall be deemed to have been fully repaid, and any remaining balance of the Shareholder’s Loan (including any interest accrued under the Shareholder’s Loan from the date of the Subscription Agreement to the Completion Date) will be waived by the Subscriber.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Subscription Shares represent approximately 35.35% of the existing number of issued Shares as at the Latest Practicable Date and approximately 26.12% of the enlarged number of issued Shares of 4,754,315,999 Shares immediately following Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Subscription Shares) between the Latest Practicable Date and Completion.

As disclosed in the Letter from the Board, as at the Latest Practicable Date, the Subscriber is the chairman of the Board, an executive Director and the controlling shareholder of the Company who beneficially owns 2,244,195,868 Shares, representing approximately 63.89% of the issued share capital of the Company, and hence a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the Loan Capitalisation and the terms of the Subscription Agreement are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole so far as the Independent Shareholders are concerned; and (ii) whether the entering into of the Subscription Agreement is in the ordinary and usual course of business of the Group and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of Specific Mandate). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, there was no engagement between the Company and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we consider that we are eligible to give independent advice in respect of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Share and the transactions contemplated thereunder (including the grant of Specific Mandate).

LETTER FROM INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors, the Management or the Subscriber, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group or the Subscriber or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Loan Capitalisation, we have considered the following principal factors and reasons:

1. Information on the parties to the Subscription Agreement

1.1. The Company and the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 653). The Company is an investment holding company and the Group is principally engaged in the retail and wholesale of beauty and health-care products in Hong Kong, Macau and the PRC.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is a summary of the financial results of the Group for the years ended 31 December 2021 and 2022, and the six months ended 30 June 2022 and 2023 as extracted from the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim report of the Company for the six months ended 30 June 2023 (the “**2023 Interim Report**”).

	For the year ended		For the six months ended	
	31 December		30 June	
	2022	2021	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Turnover	185,662	626,991	71,206	121,488
Profit/(Loss) before tax	164,489	(220,078)	49,226	252,508
Profit/(Loss) for the year/ period attributable to the Shareholders	167,221	(216,738)	48,658	252,508

For the years ended 31 December 2021 and 2022

The Group’s turnover decreased to approximately HK\$185.7 million for the year ended 31 December 2022 from approximately HK\$627.0 million for the year ended 31 December 2021. As disclosed in the 2022 Annual Report, such decrease was mainly due to the significant decline in number of tourists arrival to Hong Kong and the economic downturn during the prevalent period of epidemic, which have continued to bring major difficulties and challenges to the retail industry in 2022.

The Group recorded a profit attributable to the Shareholders of approximately HK\$167.2 million for the year ended 31 December 2022, as compared to a loss attributable to the Shareholders of approximately HK\$216.7 million for the year ended 31 December 2021, mainly attributable to (i) the one-off net gain on disposal of subsidiaries of approximately HK\$350.0 million; and (ii) the decrease in administrative expenses of approximately HK\$98.9 million.

For the six months ended 30 June 2022 and 2023

The Group’s turnover decreased from approximately HK\$121.5 million for the six months ended 30 June 2022 to approximately HK\$71.2 million for the six months ended 30 June 2023. As disclosed in the 2023 Interim Report, such decrease was mainly due to the significant decline in number of tourists arrival to Hong Kong as the pace of recovery in 2023 was slow and gradual and the change in spending habits to online shopping.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

The Group's profit attributable to the Shareholders decreased from approximately HK\$252.5 million for the six months ended 30 June 2022 to approximately HK\$48.7 million for the six months ended 30 June 2023, primarily because the gain on disposal of subsidiaries of approximately HK\$341.9 million was recognised for the six months ended 30 June 2022, which was partially offset by the gain on deconsolidation of a subsidiary of approximately HK\$103.0 million recognised in the six months ended 30 June 2023.

Set out below is a summary of the financial position of the Group as at 31 December 2022 and 30 June 2023 as extracted from the 2023 Interim Report.

	As at 30 June 2023	As at 31 December 2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Total assets	461,324	505,407
Non-current assets	392,328	411,038
Current assets	68,996	94,369
Total liabilities	262,072	350,019
Non-current liabilities	76,891	85,910
Current liabilities	185,181	264,109
Net current liabilities	(116,185)	(169,740)
Total equity	199,252	155,388
Total equity attributable to the Shareholders	199,252	155,388

The total assets of the Group amounted to approximately HK\$505.4 million and HK\$461.3 million as at 31 December 2022 and 30 June 2023, respectively. The major components of the total assets of the Group as at 30 June 2023 were (i) interest in a joint venture of approximately HK\$340.1 million; (ii) right-of-use assets of approximately HK\$42.9 million; (iii) prepayments, deposits and other receivables of approximately HK\$19.0 million; and (iv) bank and cash balances of approximately HK\$18.4 million.

The total liabilities of the Group amounted to approximately HK\$350.0 million and HK\$262.1 million as at 31 December 2022 and 30 June 2023, respectively. The major components of the total liabilities of the Group as at 30 June 2023 were (i) lease liabilities of approximately HK\$85.8 million; (ii) other payables, deposits received and accrued charges of approximately HK\$63.4 million; (iii) amount due to the controlling shareholder of approximately HK\$60.7 million; and (iv) bank and other borrowings of approximately HK\$45.0 million.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

1.2. The Subscriber

As at the Latest Practicable Date, Mr. Chen Jianwen is the chairman of the Board, an executive Director, and the controlling shareholder of the Company who beneficially owns 2,244,195,868 Shares, representing approximately 63.89% of the issued share capital of the Company.

2. Reasons for and benefits of the Loan Capitalisation and use of proceeds

Use of proceeds

As the Subscription Price will be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan owed by the Company to the Subscriber, there will be no remaining net proceeds from the allotment and issue of the Subscription Shares available to be utilised by the Company.

As disclosed in the Letter from the Board, as at the date of the Subscription Agreement, the Company was indebted to the Subscriber an aggregate amount of HK\$76,988,531 in outstanding principal amount and accrued interest under the Shareholder's Loan. The Shareholder's Loan is unsecured and bears interest of 2.75% per annum. The Shareholder's Loan was provided to the Group in three tranches on 26 April 2023, 26 May 2023 and 30 June 2023, which will mature on 25 April 2024, 25 May 2024 and 29 June 2024, respectively. The outstanding principal amount and accrued interest under each of the said three tranches of the Shareholder's Loan as at the date of the Subscription Agreement were approximately HK\$30,747,021, HK\$30,206,438 and HK\$16,035,072, respectively. The Shareholder's Loan was provided to the Group by the Subscriber for the purpose of its general working capital requirement.

While the Subscriber has expressed to the Company his intention to capitalise the Shareholder's Loan and increase his equity investment in the Company given his confidence in the Group's future business performance, the Company considers that the subscription of Shares by the Subscriber, being an executive Director and the controlling shareholder of the Company, reflects the confidence of the Subscriber towards the long-term and sustainable growth of the Group, and the continuing support of the Subscriber would be beneficial to the long term business development of the Group.

As disclosed in the 2022 Annual Report and the 2023 Interim Report, we noted that the Group recorded net cash used in operating activities of approximately HK\$108.4 million and HK\$126.0 million for the years ended 31 December 2021 and 2022, respectively, and as at 30 June 2023, the Company had net current liabilities of approximately HK\$116.2 million and bank and cash balances of approximately HK\$18.4 million. The gearing ratio (total liabilities over total assets) of the Group was approximately 69.3% and 56.8% as at 31 December 2022 and 30 June 2023, respectively. Excluding the net gain on disposal of subsidiaries for the year ended 31 December 2022, which was non-recurring in nature, the Group has been suffering from continuous losses in recent years.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, based on the indebted amount owed by the Company to the Subscriber under the Shareholder's Loan of approximately HK\$76,988,531 as at the date of the Subscription Agreement, upon Completion, it is expected that (i) the net current liabilities of the Group will be reduced by approximately HK\$77.0 million; (ii) the gearing ratio of the Group will be improved from approximately 56.8% as at 30 June 2023 to approximately 40.1% immediately after Completion; and (iii) the net assets position of the Group will be improved by approximately HK\$77.0 million.

Taking into account the existing financial performance and position of the Group, the Loan Capitalisation will allow the Company to fully settle the Shareholder's Loan (together with the accrued interest) without obtaining additional bank borrowing and incurring additional finance costs nor utilising existing financial resources of the Group which could in lieu be retained for general working capital and business development, while improving the gearing level and hence strengthening the financial position of the Group.

Financing alternatives

We have discussed with the Management and were given to understand that the Company has considered other fundraising alternatives available to the Group before resolving to the Subscription, such as debt financing and other means of equity financing such as rights issue or open offer.

In respect of debt financing and bank borrowings, taking into consideration that (i) one of the rationales for the Loan Capitalisation is to improve the Group's gearing level which could not be achieved by debt financing; (ii) it is estimated that finance costs of at least HK\$5.87 million would be incurred per year for obtaining additional bank borrowings to settle the Shareholders' Loan, given that the Company has approached its principal banks in Hong Kong for obtaining additional banking facilities and the interest rates offered by the banks were approximately 7.625% to 8.125% per annum subject to their internal review and approval process. In other words, it is estimated that the Company would incur additional finance costs of at least HK\$3.75 million per year when compare to the interest expenses of approximately HK\$2.12 million to be incurred under the Shareholder's Loan which bear interest of 2.75% per annum; (iii) the Loan Capitalisation does not incur any interest expenses and other costs on the Group (except for the professional fees and related expenses for the Subscription which amount to approximately HK\$0.5 million) as compared with bank financing or the issue of bonds; (iv) in light of the financial condition of the Group, it may be difficult, uncertain and time-consuming for the Company to obtain additional bank borrowings; and (v) bank financing generally involves pledge of assets and/or securities which may reduce the Group's flexibility, we consider debt financing and bank borrowings not being viable financing alternatives for the Group.

In respect of equity financing, considering (i) that pre-emptive fundraising methods such as rights issue or open offer normally take at least five to six weeks, and lengthy discussions with potential commercial underwriters may also be involved; (ii) additional costs, including but not limited to underwriting commission and other professional fees may be incurred; (iii) that it would be difficult for the Company to engage placing agent for share

LETTER FROM INDEPENDENT FINANCIAL ADVISER

placement or underwriter for rights issue/open offer without offering a considerable discount to attract subscription in light of the recent financial performance and financial position of the Group, the prevailing market prices and trading volume of the Shares alongside the recent market sentiment; and (iv) that rights issue, open offer and placement of new Shares may be subject to underwriting uncertainty and market risk, we consider equity financing not being a viable financing alternative for the Group.

In view of the foregoing, in particular the time and costs incurred, and the uncertainties involved for the debt financing and equity financing as compared to that of the Loan Capitalisation, we are of the view that the Subscription is comparatively a more appropriate and viable means of settlement in light of the Group's circumstances.

Having considered (i) the Subscriber has expressed his intention to capitalise the Shareholder's Loan and increase his equity investment in the Company given his confidence in the Group's future business performance; (ii) the recent financial position of the Group as mentioned above; (iii) debt financing and bank borrowings would increase finance costs of the Group, rather than lowering the gearing level of the Group; (iv) other equity financings may require attractive discount to the current market price of the Shares and are relatively less cost effective as compared to the Subscription; (v) the Loan Capitalisation will fully settle the Shareholder's Loan (together with the accrued interest) and improve the Group's gearing level without depleting its existing financial resources; and (vi) the analysis of the Subscription Price as discussed in the paragraph headed "4. Analysis of the Subscription Price" below, we are of the view and concur with the Directors' view that, although the Loan Capitalisation is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription Agreement

The principal terms of Subscription Agreement are summarised as follow:

Date

31 August 2023 (after trading hours of the Stock Exchange)

Parties

The Company (as the issuer) and Mr. Chen Jianwen (as the Subscriber)

Number of Subscription Shares

The Subscription Shares represent approximately 35.35% of the existing number of issued Shares as at the Latest Practicable Date and approximately 26.12% of the enlarged number of issued Shares of 4,754,315,999 Shares immediately following Completion, assuming that there will be no change in the total number of issued Shares (other than the issue of the Subscription Shares) between the Latest Practicable Date and Completion.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Based on the closing price of the Shares of HK\$0.063 per Share on the Last Trading Day, the Subscription Shares have a market value of HK\$78,230,250 and an aggregate nominal value of HK\$12,417,500.

The Subscription Shares to be issued and allotted to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Subscription Price

The Subscription Price is HK\$0.062 per Subscription Share, and the aggregate Subscription Price of all Subscription Shares of HK\$76,988,500 shall be satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan (payable by the Company to the Subscriber) as at the date of the Subscription Agreement which amounted to approximately HK\$76,988,531.

The Subscription Price represents:

- (i) the closing price of HK\$0.062 per Share as quoted on the Stock Exchange on 31 August 2023, being the date of the Subscription Agreement;
- (ii) a premium of approximately 0.65% over the average closing price of HK\$0.0616 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 17.0% over the closing price of HK\$0.053 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (iv) a premium of approximately 8.77% over the Company's unaudited consolidated net asset value per Share as at 30 June 2023 of approximately HK\$0.057 (calculated by total equity attributable to the Shareholders of approximately HK\$199.3 million as at 30 June 2023 and 3,512,565,999 Shares in issue as at the Latest Practicable Date).

The net Subscription Price (after deduction of all professional fees and related expenses) is estimated to be approximately HK\$0.0616 per Subscription Share. The professional fees and related expenses for the Subscription, which amount to approximately HK\$0.5 million (representing approximately 0.66% of the aggregate Subscription Price), will be settled by the Company in cash.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to, among other things, the outstanding principal amount and accrued interest under the Shareholder's Loan, the prevailing market price of the Shares and the market conditions, and the financial position of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Ranking of the Subscription Shares

The Subscription Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled or waived (if applicable):

- (A) the Board having passed and approved the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder;
- (B) the Independent Shareholders having approved and passed at the EGM, the necessary resolutions to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issue of the Subscription Shares);
- (C) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission having not subsequently been revoked or withdrawn prior to the commencement of dealings in the Subscription Shares on the Stock Exchange;
- (D) the allotment, issue and subscription of the Subscription Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including the Stock Exchange and the Securities and Futures Commission) which is applicable to the Company;
- (E) the representations and warranties given by the Company under the Subscription Agreement remaining true and accurate in all material respects, and not misleading in any material respect as at the Completion Date; and
- (F) all necessary consents and approvals required to be obtained on the part of the Company in respect of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder having been obtained.

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Save for condition (E) above which can be waived by the Subscriber by notice in writing to the Company, none of the conditions set out above may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled or waived (if applicable) on or before the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of the Subscription Agreement.

As at the Latest Practicable Date, except condition (A) which has been fulfilled, none of the other conditions set out above has been fulfilled. In terms of condition (C), application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion

Completion will take place on the third Business Day after the date on which the last condition has been fulfilled or waived (as the case may be), or such other date as the parties may agree in writing. At Completion, the Company will allot and issue 1,241,750,000 Subscription Shares to the Subscriber, and the Subscriber will pay to the Company the Subscription Price satisfied by way of offsetting the outstanding principal amount and accrued interest under the Shareholder's Loan as at the date of the Subscription Agreement, upon which the Shareholder's Loan shall be deemed to have been fully repaid, and any remaining balance of the Shareholder's Loan (including any interest accrued under the Shareholder's Loan from the date of the Subscription Agreement to the Completion Date) will be waived by the Subscriber.

4. Analysis of the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 1 September 2022 to 31 August 2023 (being a period of 12 months prior to and including the date of the Subscription Agreement) and compared with the Subscription Price. Nonetheless, trading in the Shares on the Stock Exchange had been suspended from 16 June 2022 to 24 March 2023 due to the delay in publication of the annual results of the Company for the year ended 31 December 2021. As such, the actual review period covers from 27 March 2023 to 31 August 2023 (the "**Review Period**"). We consider the Review Period is adequate, fair and representative to reflect the prevailing market sentiment primarily and illustrate the general trend and level of movement of the daily closing prices of the Shares, which can reflect the correlation between the recent business performance of the Group and the latest market reaction in the Share price.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(a) Analysis on historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



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

As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged from HK\$0.052 per Share (the “**Lowest Closing Price**”) recorded on 23 August 2023 to HK\$0.133 per Share (the “**Highest Closing Price**”) recorded on 3 May 2023, with the average closing price of the Shares amounted to approximately HK\$0.089 per Share (the “**Average Closing Price**”).

During the Review Period, the Share price generally decreased from HK\$0.12 per Share on 27 March 2023 to HK\$0.088 per Share on 28 April 2023. On 3 May 2023, the closing price of the Shares rebound to the Highest Closing Price of HK\$0.133 per Share following the publication of the annual report of the Company for the years ended 31 December 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2022 on 28 April 2023. Afterwards, the Share price exhibited a general downward trend until it reached the lowest of HK\$0.052 per Share on 23 August 2023. Thereafter, the closing price of the Shares fluctuated between HK\$0.052 per Share and HK\$0.064 per Share and reached

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HK\$0.062 per Share on 31 August 2023, being the date of the Subscription Agreement. We have discussed with the Management and were given to understand that they are not aware of any reasons for the downward movement since 28 April 2023.

The Subscription Price of HK\$0.062 per Subscription Share represents (i) a premium of approximately 19.23% over the Lowest Closing Price of HK\$0.052 per Share; (ii) a discount of approximately 53.38% to the Highest Closing Price of HK\$0.133 per Share; and (iii) a discount of approximately 30.09% to the Average Closing Price of approximately HK\$0.089 per Share.

Taking into consideration that (i) the Subscription Price falls within the aforesaid historical closing price range during the Review Period; and (ii) as shown in the chart above, the closing price of the Shares demonstrated a downward trend over the Review Period, despite the Subscription Price represents a discount to the Average Closing Price, we are of the view that the Subscription Price is fair and reasonable from the perspective of historical trend of the closing prices of the Shares.

(b) Review on trading liquidity of the Shares

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period during the Review Period:

	Total trading volume of the Shares for the month/period	Number of trading days	Average daily trading volume of the Shares for the month/period	Percentage of the average daily trading volume over total number of issued Shares as at the end of the month/period
2023				
March (from 27 March 2023)	19,922,200	5	3,984,440	0.113%
April	20,878,700	17	1,228,159	0.035%
May	170,326,200	21	8,110,771	0.231%
June	9,745,400	21	464,067	0.013%
July	7,616,400	20	380,820	0.011%
August	86,603,500	23	3,765,370	0.107%
Maximum			8,110,771	0.231%
Minimum			380,820	0.011%
Average			2,988,938	0.085%

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

LETTER FROM INDEPENDENT FINANCIAL ADVISER

As illustrated from the table above, the average trading volume of the Shares was low, with a range from 380,820 Shares to 8,110,771 Shares during the Review Period, representing approximately 0.011% to 0.231% of the total number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares was relatively thin during the Review Period, which might be affected by various factors such as market sentiment. The relatively low trading volume suggests that it would be difficult for the Company to pursue sizeable equity financing alternative in stock market without providing considerable discount.

(c) Market comparables analysis

As part of our analysis, we have, on a best effort and exhaustive basis, conducted an analysis of the transactions involving subscription of new shares (excluding transactions involving (i) issue of new shares under share award plan or for restructuring scheme, emolument or acquisition purposes, or A shares or domestic shares; and (ii) whitewash waiver applications or general offer obligations under the Hong Kong Code on Takeovers and Mergers) under specific mandate for cash consideration as announced by the companies listed on the Stock Exchange for the period from 1 March 2023 to 31 August 2023 (being six months prior to and including the date of the Subscription Agreement). The six-month timeframe was adopted to demonstrate the recent market trends with sufficient and representative number of comparable transactions (the “**Comparables**”) and thus, we consider the timeframe is reasonable and representative. Based on the aforesaid criteria and using our best effort, we have identified 11 Comparables which we consider to be exhaustive.

Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company are not the same as those of the Comparables. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the companies. Despite the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, we would still consider, in light of our selection criteria, capturing recent issues of new shares under specific mandate by listed companies for cash consideration under similar market conditions and sentiments can provide us with a general reference on the recent market trend of the premium/discount of issue prices of new shares over/to the market prices of the relevant shares for this type of transaction on the equity capital market in Hong Kong.

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<u>Date of announcement</u>	<u>Stock code</u>	<u>Company name</u>	<u>Connected transaction</u>	<u>Premium/ (Discount) of the Subscription price over/to the closing price per share on/prior to the date of the agreement</u> (approx. %)	<u>Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement</u> (approx. %)
30 July 2023	994	CT Vision S.L. (International) Holdings Limited	Yes	(11.11)	(10.31)
26 July 2023	519	Applied Development Holdings Limited	Yes	(17.07)	(19.05)
14 July 2023	8163	NOIZ Group Limited	Yes	21.35	20.00
10 July 2023	756	Summi (Group) Holdings Limited	Yes	(9.46)	(9.46)
9 July 2023	2222	NVC International Holdings Limited	Yes	16.90	23.90
4 July 2023	136	China Ruyi Holdings Limited	Yes	(17.53)	(16.67)
19 June 2023	8368	Creative China Holdings Limited	Yes	(17.69)	(17.37)
9 June 2023	515	China Silver Technology Holdings Limited	No	(4.76)	(5.66)
29 May 2023	616	Eminence Enterprise Limited	No	(21.88)	(24.70)
26 April 2023	1611	New Huo Technology Holdings Limited	Yes	(9.57)	(11.79)
20 April 2023	1282	Glory Sun Financial Group Limited	No	65.29 ^(Note)	67.46 ^(Note)
19 March 2023	3680	Suoxinda Holdings Limited	No	(5.00)	(6.86)
		Maximum (excluded outlier)		21.35	23.90
		Minimum (excluded outlier)		(21.88)	(24.70)
		Average (excluded outlier)		(6.89)	(7.09)
		Median (excluded outlier)		(9.57)	(10.31)
		The Subscription		0.00	0.65

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

Note: The figures have been excluded from the computations as it appears to be abnormally high as compared to the rest of the Comparables and is considered as outlier which may skew the overall results.

As illustrated in the table above, the subscription price of the Comparables:

- (i) ranged from a discount of approximately 21.88% to a premium of approximately 21.35% (the “**Market Range**”), with an average of a discount of approximately 6.89% (the “**Market Average**”) and a median of a discount of approximately 9.57% (the “**Market Median**”), to/over their respective closing prices on/prior to the date of agreement;

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- (ii) ranged from a discount of approximately 24.70% to a premium of approximately 23.90% (the “**5-Day Market Range**”), with an average of a discount of approximately 7.09% (the “**5-Day Market Average**”) and a median of a discount of 10.31% (the “**5-Day Market Median**”), to/over their average closing prices for the five (5) consecutive trading days prior to/up to and including the date of agreement.

Having considering the following factors, including:

- (i) the Subscription Price falls within the historical closing price range during the Review Period as illustrated in the paragraph headed “4 (a) Analysis on historical Share price performance”;
- (ii) the relatively low liquidity of the Shares as discussed in the paragraph headed “4 (b) Review on trading liquidity of the Shares” above;
- (iii) the discount of 0% of the Subscription Price to the closing price of HK\$0.062 per Share as quoted on the Stock Exchange on 31 August 2023, being the date of the Subscription Agreement, is within the Market Range and below the Market Average and the Market Median; and
- (iv) the premium of the Subscription Price over the last five trading days up to and including the Last Trading Day is within the 5-Day Market Range and is better off than the 5-Day Market Average and the 5-Day Market Median,

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

5. Potential dilution effect on the shareholding of the Company

Set out below are the shareholding structures of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the Subscription Shares; and (iii) immediately after the allotment and issue of Shares upon full exercise of the subscription rights attaching to the unlisted warrants held by Karfond, assuming that there are no changes in the total number of issued Shares between the Latest Practicable Date, the allotment and issue of the Subscription Shares and the date of the allotment and issue of Shares upon full exercise of the Subscription rights attaching to the unlisted warrants held by Karfond, for illustration purposes only:

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	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares		Immediately after the allotment and issue of the Subscription Shares upon full exercise of the subscription rights attaching to the unlisted warrants held by Karfond (Note 1)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Shareholders						
The Subscriber	2,244,195,868	63.89	3,485,945,868	73.32	3,485,945,868	67.17
Mr. Wan Yim Keung, Daniel	7,300,000	0.21	7,300,000	0.15	7,300,000	0.14
Ms. Chiu Lai Kuen Susanna	1,000,000	0.03	1,000,000	0.02	1,000,000	0.02
Public Shareholders						
Karfond	83,110,000	2.37	83,110,000	1.75	518,734,558 (Note 2)	9.99 (Note 2)
Other public						
Public Shareholders	<u>1,176,960,131</u>	<u>33.50</u>	<u>1,176,960,131</u>	<u>24.76</u>	<u>1,176,960,131</u>	<u>22.68</u>
Total	<u><u>3,512,565,999</u></u>	<u><u>100.00</u></u>	<u><u>4,754,315,999</u></u>	<u><u>100.00</u></u>	<u><u>5,189,940,557</u></u>	<u><u>100.00</u></u>

Notes:

- On 29 June 2022, the Company issued a total of 581,578,947 unlisted warrants issued to Karfond conferring rights to subscribe for 581,578,947 underlying Shares (the “Warrants”). For further details of the Warrants, please refer to the announcement and circular of the Company dated 28 March 2022 and 7 June 2022, respectively.
- Pursuant to the terms of the Warrants, the rights attaching thereto for the subscription of Shares shall not be exercised unless immediately after such exercise there will be sufficient public float of the Company in accordance with the Listing Rules. Therefore, the maximum number of Shares that may be allotted and issued to Karfond upon exercise of the Subscription rights attaching to the Warrants is 435,624,558 Shares, as a result of which Karfond will held a total of 518,734,558 Shares, representing approximately 9.99% of the issued share capital of the Company as enlarged by the allotment and issue of Shares to Karfond.
- Save for the Warrants, the Company does not have any outstanding options, warrants or other convertible securities that are convertible into the Shares.

As illustrated in the above table, the shareholding of other public shareholders as at the Latest Practicable Date will be reduced from approximately 35.87% to approximately 26.51% immediately after the allotment and issue of the Subscription Shares or approximately 32.67% immediately after the allotment and issue of Shares upon full exercise of the subscription rights attaching to the unlisted warrants held by Karfond (subject to the compliance with the public float requirement), assuming there are no other change in the total number of issued Shares between the Latest Practicable Date, the allotment and issue of the Subscription Shares and the date of the allotment and issue of Shares upon full exercise of the Subscription rights attaching to the unlisted warrants held by Karfond.

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Nevertheless, taking into account (i) the reasons for and benefits of the Loan Capitalisation as discussed above; (ii) the Subscription is an appropriate settlement method currently available to the Group; and (iii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the aforementioned dilution effect on the shareholding of the Group is acceptable.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) the terms of the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of Specific Mandate) are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (ii) although the entering into of the Subscription Agreement is not in the ordinary and usual course of business of the Group, the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of Specific Mandate) are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder (including the grant of Specific Mandate).

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Kristie Ho
Managing Director

Ms. Kristie Ho is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities Futures Ordinance (Chapter 571 of the laws of Hong Kong). She has over 15 years of experience in the securities and investment banking industries.

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 respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' Interests

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation as defined in Part XV of the SFO which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position which they are taken or deemed to have under such provision of the SFO), or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate percentage of the issued share capital ^(Note 1)
Mr. Chen Jianwen	Beneficial owner	2,244,195,868 ^(Note 2)	63.89%
Mr. Wan Yim Keung, Daniel	Beneficial owner	7,300,000	0.21%
Ms. Chiu Lai Kuen Susanna	Beneficial owner	1,000,000	0.03%

Notes:

- These percentages have been calculated based on the total number of issued Shares as at the Latest Practicable Date, i.e. 3,512,565,999 Shares.
- On 31 August 2023, Mr. Chen Jianwen executed a deed of share charge in favour of JL Investments Capital Limited, pursuant to which Mr. Chen charged 1,577,287,000 Shares, representing approximately 44.90% of the issued share capital of the Company as at the Latest Practicable Date, as security for a loan facility provided by JL Investments Capital Limited to Mr. Chen Jianwen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of SFO) which are required, pursuant to Section 352 of the SFO, to be entered in the registers referred to therein or are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' Interests***Long positions in the Shares and underlying Shares***

Name of shareholders	Capacity/Nature of interest	Number of Shares	Approximate percentage of the issued share capital <i>(Note 1)</i>
JL Investments Capital Limited	Security interest <i>(Note 2)</i>	1,577,287,000	44.90%
Mr. Lau Chi Yuen Joseph	Interest of controlled corporation <i>(Note 2)</i>	1,577,287,000	44.90%
Karfond Limited	Beneficial owner	664,688,947 <i>(Note 3)</i>	18.92%
Far East Consortium Limited	Interest of controlled corporation	664,688,947 <i>(Notes 3 and 4)</i>	18.92%
Far East Consortium (B.V.I.) Limited	Interest of controlled corporation	664,688,947 <i>(Note 3 and 5)</i>	18.92%
Ample Bonus Limited	Interest of controlled corporation	664,688,947 <i>(Notes 3 and 6)</i>	18.92%
Far East Consortium International Limited	Interest of controlled corporation	664,688,947 <i>(Notes 3 and 7)</i>	18.92%
Sumptuous Assets Limited	Interest of controlled corporation	664,688,947 <i>(Notes 3 and 8)</i>	18.92%
Far East Organisation (International) Limited	Interest of controlled corporation	664,688,947 <i>(Notes 3 and 8)</i>	18.92%
Mr. Chiu David	Interest of controlled corporation	664,688,947 <i>(Notes 3 and 8)</i>	18.92%
Mrs. Chiu Ng Nancy	Interest of spouse	664,688,947 <i>(Notes 3 and 9)</i>	18.92%

Notes:

1. These percentages have been calculated based on the total number of issued Shares as at the Latest Practicable Date, i.e. 3,512,565,999 Shares.

2. On 31 August 2023, Mr. Chen Jianwen executed a deed of share charge in favour of JL Investments Capital Limited, pursuant to which Mr. Chen charged 1,577,287,000 Shares, representing approximately 44.90% of the issued share capital of the Company as at the Latest Practicable Date, as security for a loan facility provided by JL Investments Capital Limited to Mr. Chen Jianwen. JL Investments Capital Limited is owned as to 100% by Mr. Lau Chi Yuen Joseph. Accordingly, Mr. Lau Chi Yuen Joseph is deemed to be interested in the security interest held by JL Investments Capital Limited under the SFO.
3. These interests in Shares comprise of (i) a total of 83,110,000 Shares held by Karfond Limited; and (ii) a total of 581,578,947 unlisted warrants issued by the Company to Karfond Limited on 29 June 2022 conferring rights to subscribe for 581,578,947 underlying Shares.
4. The share capital of Karfond Limited is wholly owned by Far East Consortium Limited. Accordingly, Far East Consortium Limited is deemed to be interested in all the underlying Shares held by Karfond Limited under the SFO.
5. The share capital of Far East Consortium Limited is wholly owned by Far East Consortium (B.V.I.) Limited. Accordingly, Far East Consortium (B.V.I.) Limited is deemed to be interested in all the underlying Shares held by Far East Consortium Limited under the SFO.
6. The share capital of Far East Consortium (B.V.I.) Limited is wholly owned by Ample Bonus Limited. Accordingly, Ample Bonus Limited is deemed to be interested in all the underlying Shares held by Far East Consortium (B.V.I.) Limited under the SFO.
7. The share capital of Ample Bonus Limited is wholly owned by Far East Consortium International Limited. Accordingly, Far East Consortium International Limited is deemed to be interested in all the underlying Shares held by Ample Bonus Limited under the SFO.
8. The share capital of Far East Consortium International Limited is substantially owned by Sumptuous Assets Limited with 48.6% of its share capital and Mr. Chiu David with 0.96% of its share capital. The share capital of Sumptuous Assets Limited is wholly owned by Far East Organization (International) Limited. Furthermore, the share capital of Far East Organization (International) Limited is wholly owned by Mr. Chiu David. Accordingly, Sumptuous Assets Limited, Far East Organization (International) Limited and Mr. Chiu David are deemed to be interested in all the underlying Shares held by Far East Consortium International Limited under the SFO.
9. These underlying Shares are held by Mr. Chiu David, as Mrs. Chiu Ng Nancy is the spouse of Mr. Chiu David. Mrs. Chiu Ng Nancy is deemed to be interested in all the Shares held by Mr. Chiu David by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company are not aware that there is any person (not being a Director or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company which are recorded in the registers required to be kept under Section 336 of the SFO or notified to the Company pursuant to the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation, other than statutory compensation).

4. DIRECTORS' INTERESTS IN THE ASSETS, CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group. None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

6. 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 2022, being the date to which the latest published audited consolidated accounts of the Group were made up.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the above expert:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interest in any assets which had been since 31 December 2022 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired, disposed of by, or leased to any member of the Group or were proposed to be acquired or disposed of by, or leased to any member of the Group.

8. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.corp.bonjourhk.com) for a period of 14 days from the date of this circular:

- (a) the Subscription Agreement;
- (b) the letter from Independent Financial Adviser, the text of which is set out in this circular; and
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in this circular; and
- (d) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix I.

9. MISCELLANEOUS

- (a) the registered office of the Company is located at Windward 3, Regatta Office Park, P. O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands;
- (b) the head office and principal place of business of the Company is located at 12/F., Bonjour Tower, No. 36-50 Wang Wo Tsai Street, Tsuen Wan, Hong Kong;
- (c) the Company’s branch share registrar in Hong Kong is Union Registrars Limited of Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong;
- (d) the company secretary of the Company is Mr. Wong Iu Ming, who is a fellow member of The Hong Kong Institute of Certified Public Accountants; and
- (e) the English text of this circular prevails over the Chinese text in case of inconsistency.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Bonjour Holdings Limited 卓悦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 653)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**”) of Bonjour Holdings Limited (the “**Company**”) will be held on Friday, 3 November 2023 at 10:00 a.m. at 12/F., Bonjour Tower, No. 36-50 Wang Wo Tsai Street, Tsuen Wan, Hong Kong for the purposes of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the subscription agreement (the “**Subscription Agreement**”) dated 31 August 2023 and entered into between the Company and Mr. Chen Jianwen (the “**Subscriber**”) as the subscriber in relation to the conversion of the unsecured shareholder’s loan with an outstanding principal amount and accrued interest of HK\$76,988,531 as at the date of the Subscription Agreement due from the Company to the Subscriber (the “**Shareholder’s Loan**”) into the share capital of the Company (the “**Loan Capitalisation**”) involving the subscription (the “**Subscription**”) of an aggregate of 1,241,750,000 new shares to be issued and allotted by the Company (the “**Subscription Shares**”) at the subscription price of HK\$0.062 per Subscription Share, a copy of which is tabled at the EGM and marked “A” and initialled by the chairman of the EGM for identification purpose, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited approving the listing of, and granting permission to deal in, the Subscription Shares, the directors (the “**Directors**”) of the Company be and are hereby granted a specific mandate authorising the Directors to exercise all the powers of the Company to allot and issue the Subscription Shares to the Subscriber subject to the terms of the Subscription Agreement (the “**Specific Mandate**”), with such Specific Mandate being in additional to and not prejudicing or revoking any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (c) any Director be and is hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and giving effect to the Subscription Agreement, the Loan Capitalisation, the allotment and issue of the Subscription Shares and the transactions contemplated thereunder, and to agree to the variation, amendment and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the Subscription Agreement and are in the best interests of the Company.”

For and on behalf of the Board
Bonjour Holdings Limited
Chen Jianwen
Chairman and Executive Director

Hong Kong, 17 October 2023

As at the date hereof, the board of Directors comprised Mr. Chen Jianwen, Mr. Wan Yim Keung, Daniel and Ms. Chiu Lai Kuen, Susanna as executive Directors; Mr. Kwok Chi Shing, Mr. Lee Kwun Kwan and Mr. Yan Sherman Chuek-ning as independent non-executive Directors.

Notes:

1. A form of proxy for use at the EGM is enclosed.
2. Any member of the Company entitled to attend and vote at the EGM convened by this notice shall be entitled to appoint proxy to attend and vote instead of him in accordance with the Articles of the Company. A proxy need not be a member of the Company, but must be present in person to represent the member.
3. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
4. 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 thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should they so wish.
5. The above resolution will be voted by way of a poll at the EGM.
6. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 31 October 2023 to Friday, 3 November 2023, both days inclusive. In order to be eligible to attend and vote at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 30 October 2023.