
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Tasty Concepts Holding Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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

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



TASTY CONCEPTS HOLDING LIMITED

賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE

Placing Agent to the Company



中國保盛證券有限公司
CHINA PROSPECT SECURITIES LIMITED

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

VINCO 榮高

Vinco Financial Limited

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

A letter from the Board is set out on pages 6 to 29 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 30 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 56 of this circular.

A notice convening the EGM of the Company to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 20 March 2023 at 3:00 p.m., is set out in this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 22 March 2023. Dealings in the Rights Shares in their nil-paid form will take place from Tuesday, 4 April 2023 to Friday, 14 April 2023 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that: (a) if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed; and (b) the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placers under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue. Accordingly, the Rights Issue and the Placing may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

28 February 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

The expected timetable in respect of the Rights Issue is set out below:

Event	2023
Expected despatch date of circular with notice and form of proxy for the EGM	on or before Tuesday, 28 February
Latest time and date for lodging transfers document in order to qualify for attendance and voting at the EGM	4:30 p.m. on Monday, 13 March
Closure of register of members of the Company for attending the EGM (both days inclusive)	Tuesday, 14 March to Monday, 20 March
Latest time and date for lodging forms of proxy for the EGM	3:00 p.m. on Saturday, 18 March
Record date for determining attendance and voting at the EGM	Monday, 20 March
Expected date and time of the EGM	3:00 p.m. on Monday, 20 March
Announcement of poll results of the EGM	Monday, 20 March
Register of members of the Company re-opens	Tuesday, 21 March
Last day of dealings in Shares on a cum-rights basis	Tuesday, 21 March
First day of dealings in Shares on an ex-rights basis	Wednesday, 22 March
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue	4:30 p.m. on Thursday, 23 March
Closure of register of members of the Company for the Rights Issue (both dates inclusive)	Friday, 24 March to Thursday, 30 March
Record Date for determining entitlements to the Rights Issue	Thursday, 30 March
Register of members of the Company re-opens	Friday, 31 March
Despatch of Prospectus Documents	Friday, 31 March

EXPECTED TIMETABLE

Event	2023
First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 4 April
Latest time for splitting nil-paid Rights Shares	4:30 p.m. on Tuesday, 11 April
Last day of dealings in nil-paid Rights Shares	Friday, 14 April
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Wednesday, 19 April
Announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares subject to the Compensatory Arrangements	Wednesday, 26 April
Commencement of placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent	Thursday, 27 April
Latest time of placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent	6:00 p.m. on Thursday, 4 May
Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to become unconditional	4:00 p.m. on Friday, 5 May
Announcement of results of the Rights Issue (including results of the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the amount of the Net Gain per Unsubscribed Rights Share and per ES Unsold Rights Share under the Compensatory Arrangements)	Friday, 12 May
Refund cheques, if any, to be despatched (if the Rights Issue does not proceed)	Monday, 15 May
Certificates for fully-paid Rights Shares to be despatched	Monday, 15 May
Expected commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Tuesday, 16 May
Payment of Net Gain to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Tuesday, 30 May

EXPECTED TIMETABLE

All times and dates in this circular refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied by the Company. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 19 April 2023. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 19 April 2023. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. An announcement will be made by the Company in such event as soon as practicable.

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

PRECAUTIONARY MEASURES FOR THE EGM

In light of the COVID-19 pandemic, and to better protect the safety and health of the Shareholders and other participants attending the EGM, the Company will implement the following precautionary measures at the venue of the EGM (the “Venue”):

1. compulsory body temperature checks will be conducted on all persons attending the EGM at the waiting area outside the Venue before they are admitted to the Venue. Any person with a body temperature of over 37.3 degree celsius, or who has any flu-like symptoms, or is otherwise apparently unwell will not be admitted to the Venue;
2. all attendees must wear face masks at all times inside the Venue or at the waiting area outside the Venue;
3. all attendees of the EGM are required to fill in a travel and health declaration form to confirm that (i) he/she has no flu-like symptoms within 7 days immediately before the EGM; and (ii) within 14 days immediately before the EGM: (a) he/she has not travelled outside of Hong Kong; (b) he/she is/was not under compulsory quarantine or medical surveillance order by the Department of Health of Hong Kong; (c) he/she has not had/has close contact with confirmed case(s) and/or probable case(s) of COVID-19 patient(s); and (d) he/she does/did not live with any person under home quarantine. Any person who fails to provide the required confirmation may be requested to leave or denied entry into the Venue;
4. seating at the Venue will be arranged in a manner to allow for appropriate social distancing. As a result, there may be limited capacity for Shareholders to attend the EGM. The Company may limit the number of attendees at the EGM as may be necessary to avoid over-crowding;
5. any attendee who does not follow any of the abovementioned measures will be refused admission to the Venue or requested to leave the Venue;
6. no refreshments or drinks will be served at the EGM to avoid close contact of attendees; and
7. all attendees are recommended to clean their hands with alcohol-based hand sanitizer before entering the Venue.

Shareholders are reminded that attendance at the EGM in person is not necessary for the purpose of exercising voting rights. The Shareholders may choose to vote by filling in and submitting the relevant proxy form of the EGM, and appoint the chairman of the meeting as a proxy to vote on relevant resolutions at the EGM as instructed in accordance with the relevant proxy form instead of attending the EGM in person. For details, please refer to the proxy form of the EGM.

The Company will keep monitoring the evolving COVID-19 situation and may implement additional measures which, if any, will be announced closer to the date of the EGM.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 23 September 2022 in relation to, among other things, the Rights Issue
“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and Sunday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for general business
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Tasty Concepts Holding Limited (賞之味控股有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM of the Stock Exchange (stock code: 8096)
“Compensatory Arrangements”	placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held and convened to consider and approve the Rights Issue and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GEM Listing Committee”	has the meaning as defined in the GEM Listing Rules
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder
“Independent Financial Adviser” or “VincO Financial”	VincO Financial Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of the Company and any connected person(s) of the Company and not a connected person of the Company
“Latest Practicable Date”	24 February 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Last Trading Day”	23 September 2022, being the last full trading day before the release of the Announcement
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 19 April 2023, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Nil Paid Rights”	rights to subscribe for Rights Shares before the Subscription Price is paid
“Net Gain”	any premiums paid by the Placees over the Subscription Price for the Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements
“No Action shareholder(s)”	Qualifying Shareholders or their renounees who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any Nil Paid Rights at the time such Nil Paid Rights lapse
“Overseas Shareholder(s)”	the Shareholder(s) (whose names appears on the register of members of the Company at the close of business on the Record Date) with registered address(es) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing Agent”	China Prospect Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements
“Placing Agreement”	conditional placing agreement dated 23 September 2022 entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Placee(s) on a best effort basis (as amended and supplemented by a supplemental placing agreement dated 3 February 2023)
“Placing Arrangement”	the placing arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as described in the section headed “The Placing Agreement” in this circular
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus to be issued to the Shareholders containing, among other things, details of the Rights Issues
“Prospectus Documents”	the Prospectus and the PAL and any supplementary prospectus or supplementary provisional allotment letter (if required)
“Prospectus Posting Date”	Friday, 31 March 2023 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders

DEFINITIONS

“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Thursday, 30 March 2023 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Boardroom Share Registrars (HK) Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Rights Issue”	the proposed issue of the Rights Shares by way of rights on the basis of five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 137,500,000 new Shares (assuming no change in the number of Shares in issue on or before the Record Date)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.3 per Rights Share under the Rights Issue
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent.

LETTER FROM THE BOARD



TASTY CONCEPTS HOLDING LIMITED
賞之味控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8096)

Executive Directors:

Mr. Tang Chun Ho Chandler
(Chairman & Chief Executive Officer)
Ms. Sung Kwan Wun

Independent non-executive Directors:

Mr. Ho Lai Chuen
Mr. Lee Koon Tak
Ms. So Siu Ying

Registered office:

Windward 3,
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Principal place of business
in Hong Kong:*

Room 206, 2/F
Seaview Centre
139-141 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

28 February 2023

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

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FIVE (5) RIGHTS SHARES FOR
EVERY TWO (2) SHARES HELD ON THE RECORD DATE**

INTRODUCTION

Reference is made to the Announcement, in relation to, among other matters, the Rights Issue.

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

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Company proposes to raise up to approximately HK\$41.3 million before expenses by way of a rights issue of 137,500,000 Rights Shares at the Subscription Price of HK\$0.3 each and on the basis of five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholders on the Record Date (assuming no change in the issued share capital of the Company on or before the Record Date).

Further details of the Rights Issue are set out below:

Issue statistics

Basis of Rights Issue:	Five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.3 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	55,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 137,500,000 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$13,750,000
Number of Shares in issue immediately upon completion of the Rights Issue:	Up to 192,500,000 Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the Rights Shares)
Maximum funds raised before expenses:	Up to approximately HK\$41.3 million (assuming no further issue or repurchase of Shares on or before the Record Date and all the Rights Shares will be taken up)

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares as at the Latest Practicable Date. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

LETTER FROM THE BOARD

Assuming no further issue or repurchase of Shares on or before the Record Date, the 137,500,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) 250% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 71% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares and Share Options under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

Undertaking

As at the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any Shareholder of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.3 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

LETTER FROM THE BOARD

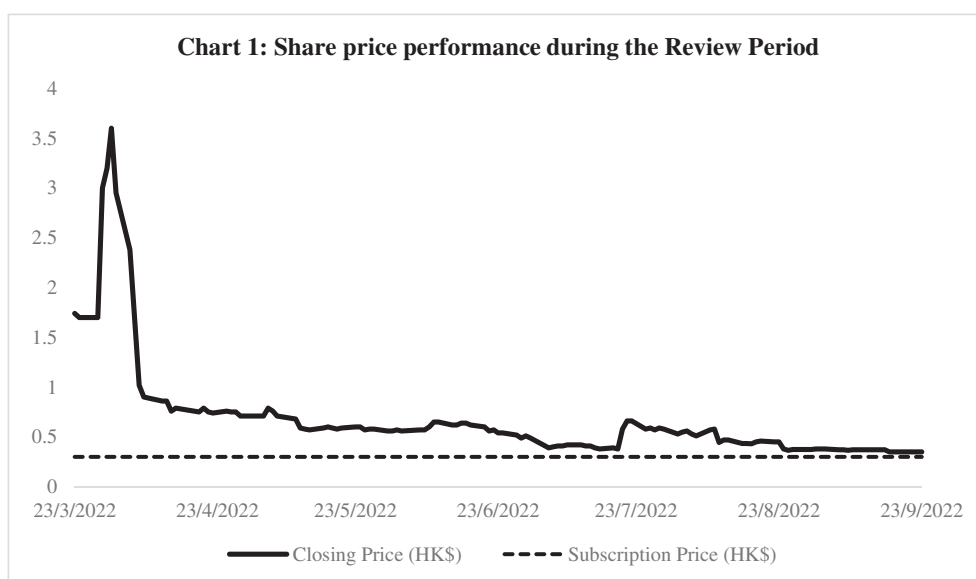
The Subscription Price represents:

- (i) no discount or premium to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 14.3% to the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 14.3% to the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 16.7% to the average closing price of approximately HK\$0.36 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 23.1% to the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 4.5% to the theoretical ex-rights price of approximately HK\$0.314 per Share based on the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a premium of approximately 200% to the audited consolidated net asset value per Share of approximately HK\$0.10 (Based on the latest published audited consolidated net asset value of the Group of approximately HK\$5.5 million as disclosed in the annual report of the Company for the year ended 31 March 2022 (the “NAV”) and 55,000,000 Shares. The Directors noted that the Shares were traded at a premium to the NAV per Share throughout the six-month period immediately prior to the date of the Placing Agreement, of which the premium of the closing price of the Shares as compared with the NAV per Share ranged from HK\$0.25 per Share to HK\$3.50 per Share. Accordingly, the Directors consider that the NAV per Share is not a meaningful benchmark to determine the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard. As such, the Directors consider that the Subscription Price is fair and reasonable.); and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 10.3% represented by the theoretical diluted price of approximately HK\$0.314 to the benchmarked price of approximately HK\$0.35 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.35 and the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

LETTER FROM THE BOARD

The Subscription Price was determined with reference to, among other things, (i) the recent market prices of the Shares; (ii) the prevailing market conditions of the capital market in Hong Kong; and (iii) the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS”.

In determining the Subscription Price, the Directors have reviewed the closing prices of the Shares during the period from 23 March 2022 and up to and including the date of the Placing Agreement (being the six-month period immediately prior to the date of the Placing Agreement) (the “**Review Period**”). The Directors consider that the Review Period is representative, fair and reasonable as (i) it reflected the most recent trend of the prevailing market price of the Shares; (ii) a shorter period may not sufficiently illustrate a meaningful historical trend for a proper assessment; (iii) a longer period (e.g. 12 months) may have been too distant in time making such historical trend less relevant within the context of the Rights Issue and with reference to the dynamic financial markets; and (iv) it reflected the market evaluation of the recent financial performance/position and development of the Group (the annual report for the year ended 31 March 2022 was published during the Review Period). The following chart depicts the closing prices of the Shares during the Review Period:



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

As shown in the chart above, the closing prices of the Shares fluctuated within the range from HK\$0.35 per Share to HK\$3.6 per Share. The average closing price of the Shares was approximately HK\$0.68 during the Review Period. The Subscription Price of HK\$0.3 per Rights Share represents a discount of approximately 55.9% to the average closing price of the Shares during the Review Period. The Directors consider that the prices and general price trend of the Shares during the Review Period have reflected the market evaluation on the recent business performance of the Group as well as the recent market sentiment.

LETTER FROM THE BOARD

In addition, the Directors have also reviewed the trading liquidity of the Shares during the Review Period in determining the Subscription Price. The following table sets out the trading volume of the Shares during the Review Period:

Table 1: Trading volume of the Shares during the Review Period

Month/Period	Total trading volume <i>(No. of Shares)</i>	Number of trading days	Average daily trading volume of the Shares <i>(No. of Shares)</i>	Average daily trading volume as a percentage of the total number of Shares in issue <i>(Note)</i> <i>(%)</i>
March (from 23 March 2022)	13,152,000	7	1,878,857	3.42%
April	103,029,500	18	5,723,861	10.41%
May	6,343,500	20	317,175	0.58%
June	4,937,500	21	235,119	0.43%
July	15,105,500	20	755,275	1.37%
August	1,139,000	23	49,522	0.09%
September (up to 23 September 2022)	194,500	16	12,156	0.02%

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

Note: The calculation is based on the average daily trading volume of the Shares divided by the total issued share capital of the Company as at the Latest Practicable Date (i.e. 55,000,000 Shares).

As illustrated in Table 1 above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 12,156 Shares to approximately 5,723,861 Shares, representing approximately 0.02% to approximately 10.41% of the total number of issued Shares as at the Latest Practicable Date. The trading liquidity of the Shares was considered thin during the Review Period.

Taking into account (i) the consecutive loss-making position of the Group; (ii) the low trading volume of the Shares during the Review Period; and (iii) the impact from the outbreak of COVID-19, the Directors consider that it is reasonable and necessary to set the Subscription Price at a discount to the recent market price so as to attract the investors to participate in the Rights Issue. Accordingly, the Directors consider that the Subscription Price is fair and reasonable.

LETTER FROM THE BOARD

The Directors (excluding the members of the Independent Board Committee whose opinion will be set forth in the circular of the Company after having been advised by the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The net price per Rights Share is estimated to be approximately HK\$0.29, if fully subscribed.

Basis of provisional allotment

The basis of the provisional allotment shall be five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholder as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date.

In order to be registered as a member of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) with the Registrar at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong by 4:30 p.m. on Thursday, 23 March 2023.

The last day of dealings in the Shares on a cum-rights basis is Tuesday, 21 March 2023. The Shares will be dealt with on an ex-rights basis from Wednesday, 22 March 2023.

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

Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 March 2023.

LETTER FROM THE BOARD

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company. **If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.**

Rights of Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue. The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only but will not send any PAL to them. As at the Latest Practicable Date, there was 11 Shareholders with registered address (as shown) on the register of members of the Company) in the PRC.

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any. If, based on the legal advice, the Directors is of the opinion that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s), no provisional allotment of the nil-paid Rights Shares or allotment of the fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to such Overseas Shareholders. The Company has made enquiries regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to the Overseas Shareholders located in the PRC. The legal advisers to the Company as to the PRC law advised that there is no restrictions or requirements and no local regulatory compliance would be required to be made in the PRC for the Company in extending the Rights Issue to the Overseas Shareholders located in the PRC. Based upon such advice, the Overseas Shareholders having registered address in the PRC will not be excluded from the Rights Issue and shall therefore be the Qualifying Shareholders. Accordingly, the Rights Issue will be extended to such Overseas Shareholders having registered address in the PRC.

LETTER FROM THE BOARD

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. In view of administrative costs, the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any ES Unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing Arrangement together with the Unsubscribed Rights Shares. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the nil-paid Rights Shares that were sold as described above and the buyer of such nil-paid Rights Shares who will not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

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

Status of the Rights Shares

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

Fractional entitlements to the Rights Shares

The Company will not provisionally allot and issue and will not accept application for any fraction of the Rights Shares. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. All fractions of Rights Shares will be aggregated and sold in the market and, if a premium (net of expenses) can be achieved, the Company will keep the net proceeds for its own benefit. Any of these Rights Shares remain not sold in the market will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

LETTER FROM THE BOARD

Procedures in respect of Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares by offering the Unsubscribed Rights Shares and the ES Unsold Rights Shares to independent Placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue.

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m., on Thursday, 4 May 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Unsubscribed Rights Shares and ES Unsold Rights Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised, and accordingly the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

LETTER FROM THE BOARD

THE PLACING AGREEMENT

On 23 September 2022 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement (as amended and supplemented by a supplemental placing dated 3 February 2023), pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. Details of the Placing Arrangement are as follows:

Date: 23 September 2022 (after trading hours)

Parties: (i) the Company, as issuer; and
(ii) the Placing Agent

Placing Agent: China Prospect Securities Limited, appointed as the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis.

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

Fees and expenses: 2.5% of the amount which is equal to the placing price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.

Placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be): The placing price of each of the Unsubscribed Rights Share and/or the ES Unsold Rights Share (as the case may be) shall be at least equal to the Subscription Price.

The final price determination is depended on the demand and market conditions of the Unsubscribed Rights Shares and the ES Unsold Rights during the process of placement.

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Placees:	Any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agents, who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement.
Ranking of the Unsubscribed Rights Shares and the ES Unsold Rights Shares:	The Unsubscribed Rights Shares and the ES Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the Shares then in issue.
Termination:	<p>The Placing Arrangement shall end on Friday, 5 May 2023 or any other date by mutual written agreement between the Placing Agent and the Company.</p> <p>The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.</p>
Conditions Precedent:	The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions (the “ Conditions ”) being fulfilled (or being waived by the Placing Agent in writing, if applicable):

LETTER FROM THE BOARD

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares);
- (ii) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares;
- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the Conditions (other than those set out in paragraph (i) and (ii) above) by notice in writing to the Company.

Completion:

Placing completion shall take place at the offices of the Placing Agent on Monday, 15 May 2023 or such other date as the Company and the Placing Agent may agree in writing.

LETTER FROM THE BOARD

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (including the commission rate) was determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. The Directors consider the terms of the Placing Arrangement for the Unsubscribed Rights Shares and the ES Unsold Rights Shares (including the commission rate) are on normal commercial terms. In determining the placing commission, the Company reviewed the prevailing market rate with reference to the recent rights issue exercise conducted by the companies listed on GEM within 12 months prior to the date of the Placing Agreement. The placing commission falls within the range of the comparables and is lower than the average rate of the comparables.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing

The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares shall have the same board lot size as the Shares, i.e. 5,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Rights Shares will be eligible for admission into CCASS

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

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

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Stamp duty and other applicable fees

Dealings in the Rights Shares in both their nil-paid and fully-paid forms will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

Taxation

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

Share certificates and refund cheques for the Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Monday, 15 May 2023.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (ii) the GEM Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (iii) the delivery to the Stock Exchange and the filing and registration with the Registrar of Companies in Hong Kong respectively one duly certified copy of each of the Prospectus and the PALs (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date;

LETTER FROM THE BOARD

- (iv) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders, if any, for information purpose only by the Prospectus Posting Date; and
- (v) the Placing Agreement not being terminated.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. As at the Latest Practicable Date, none of the conditions has been satisfied.

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 24 March 2023 to Thursday, 30 March 2023 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue.

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

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

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

	<i>HK\$</i> (approximately)
Gross proceeds	41.3 million
Net Proceeds	39.8 million
Net price per Rights Share	0.29

The Group is principally engaged in operation of restaurants in Hong Kong.

LETTER FROM THE BOARD

As set out in the annual report of the Company for the year ended 31 March 2022 (the “**Annual Report**”), the Group generated revenue of approximately HK\$41.9 million and approximately HK\$51.9 million for the year ended 31 March 2022 and 2021 respectively. The decrease was mainly attributable to the closure of restaurants due to the expiration of tenancy agreements and the 5th wave of COVID-19 pandemic in Hong Kong during the fourth quarter of the financial year 2022 which led to a significant decline in customers visited as a result of the restricted operating hours enforced by the Hong Kong Government among restaurants. The Group recorded a net loss of approximately HK\$15.8 million for the year ended 31 March 2022 as compared to a net loss of approximately HK\$13.4 million for the year ended 31 March 2021. The increase in loss was primarily due to (i) the decrease in government grants received under the “Anti-epidemic Fund” and “Employment Support Scheme”; (ii) the decrease in revenue; and (iii) the decrease in rental concessions received from landlords.

As further disclosed in the Annual Report, the Group recorded a net cash outflow from operating activities of approximately HK\$4.2 million and a net decrease in cash and cash equivalents in the amount of approximately HK\$17.5 million for the year ended 31 March 2022. As at the Latest Practicable Date, the Group had bank balances and cash of approximately HK\$8.3 million. The unutilised net proceeds from listing up to 31 March 2022 was approximately HK\$11.6 million, which was fully utilised for the use of the Group’s general working capital up to the Latest Practicable Date. Taking into account of (i) the start-up costs of approximately HK\$5.5 million for the new restaurant opened in January 2023 at the premises leased under the tenancy agreements entered into by the Group in July 2022; and (ii) the current financial position of the Group against the expected monthly operation costs, the Company intends to raise funds through the Rights Issue to support the expansion of the Group, supplement its operation needs and improve the financial condition of the Group.

Assuming full subscription under the Rights Issue, the Company will raise up to approximately HK\$41.3 million from the Rights Issue and the relevant expenses would be approximately HK\$1.5 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The Directors intends to utilise the entire net proceeds from the Rights Issue of approximately HK\$39.8 million as to (i) approximately HK\$30.0 million (approximately 75% of the total net proceeds) for the expansion of our restaurant network by June 2024; and (ii) approximately HK\$9.8 million (approximately 25% of the total net proceeds) for the general working capital of the Group by December 2023.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

LETTER FROM THE BOARD

One of the business strategies of the Group is expanding its network of restaurants by opening new restaurants in suitable and strategic locations in Hong Kong, so as to secure new and additional source of income to the Group to maximize the Shareholders' return. Having considered the opportunities to structure new lease agreements at a relatively lower cost and the recovery of the catering industry due to the relaxation of certain social distancing measures and travel restrictions the Board intends to set up new outlets under the existing brand and new brands to capture the potential business growth opportunities and local customer traffic.

The Group intends to set up five new restaurants under the brand “豚王” and new brand by June 2024. The Group planned to develop new brands which offer different types of cuisine other than Japanese ramen, such as Hong Kong style cuisine, Sichuan cuisine and Japanese style cuisine. In mid to late 2023, the Group plans to open one restaurant that offers Japanese ramen at Tsim Sha Tsui and one restaurant that offers Sichuan cuisine at Yuen Long. In 2024, the Group plans to open one restaurant that offers Sichuan cuisine at Central, one restaurant that offers Hong Kong style cuisine at Wan Chai and one restaurant that offers Japanese ramen at Kai Tak. The Group is actively looking for suitable premises at desirable locations with favourable lease terms. Based on past experience and current market conditions, the Group estimates each of the new restaurants would require an average capital expenditure of approximately HK\$3.2 million, primarily for renovation, acquisition of additional facilities and machineries, enhance central kitchen facilities, and initial working capital (including rental deposit) of approximately HK\$2.5 million.

Apart from the Rights Issue, the Directors have considered other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity of the Company, and placing of new shares dilutes the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

LETTER FROM THE BOARD

The Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company. In addition, the Company had preliminarily consulted brokerage companies (including the Placing Agent) for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation apart from the Placing Agent who expressed its interest in acting as a placing agent on best effort basis. The Company considers that the placing obligation of the Placing Agent are more or less similar to an underwriter of the Rights Issue (except that the Placing Agent is on best effort basis). As such, the Company subsequently decided to conduct the Rights Issue on non-underwritten basis and to adopt the Placing Arrangement simultaneously in order to ensure sufficient funds could be raised.

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

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

LETTER FROM THE BOARD

SHAREHOLDING STRUCTURES

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	Number of		Number of		Number of		Number of	
	Shares	%	Shares	%	Shares	%	Shares	%
Independent Places	–	0.00	–	0.00	–	0.00	137,500,000	71.43
Brilliant Trade Enterprises Limited	3,001,000	5.46	10,503,500	5.46	3,001,000	5.46	3,001,000	1.56
Other public Shareholders	<u>51,999,000</u>	<u>94.54</u>	<u>181,996,500</u>	<u>94.54</u>	<u>51,999,000</u>	<u>94.54</u>	<u>51,999,000</u>	<u>27.01</u>
	<u>55,000,000</u>	<u>100.00</u>	<u>192,500,000</u>	<u>100.00</u>	<u>55,000,000</u>	<u>100.00</u>	<u>192,500,000</u>	<u>100.00</u>

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had not conducted any equity fundraising activities in the 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

LETTER FROM THE BOARD

RISK FACTORS

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

- (a) the availability (in terms of variety, type and quality) and prices of food supplies can fluctuate and be volatile and are subject to factors that are beyond the Group's control, such as seasonal fluctuations, climate conditions, natural disasters, general economic conditions, governmental regulations, each of which may affect the food costs or cause a disruption in the supply. The fluctuation may adversely affect its operation and profitability;
- (b) the substantial operating lease obligations expose the Group to risks, including increasing its vulnerability to adverse economic conditions, limiting its ability to obtain additional financing and reducing cash available for other purposes. If the Group is unable to secure desirable restaurant locations or secure renewals of existing leases on commercially reasonable terms, the Group's business, results of operations and ability to implement the growth strategy will be adversely affected;
- (c) the Group's business is susceptible to outbreaks of food-borne diseases and illnesses, such as swine influenza (also known as pig flu), avian influenza (also known as bird flu), severe acute respiratory syndrome (also known as SARS), Bovine Spongiform Encephalopathy (also known as BSE), or Salmonella as well as other health epidemics. Such outbreak or epidemic may result in quarantines and temporary closures of restaurants, which may cause material disruptions to the Group's operations and in turn may materially and adversely affect its operation and profitability; and
- (d) the changes in the macro-economic situation and other factors such as political stability, regulations and government policies and economic instability may have an adverse effect on the Group's business, financing condition and operation results.

LETTER FROM THE BOARD

GEM LISTING RULES IMPLICATIONS

As the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the GEM Listing Rules and Mr. Tang Chun Ho Chandler, the executive Director, is beneficially interested in 3,001,000 Shares, representing approximately 5.46% of the issued share capital of the Company. Accordingly, Mr. Tang Chun Ho Chandler is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transaction contemplated thereunder at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The theoretical diluted price, the benchmarked price and the theoretical dilution effect (as those terms are defined under Rule 10.44A of the GEM Listing Rules) for the Rights Issue are HK\$0.314 per Share, HK\$0.35 per Share and 10.3%, respectively. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. The notice convening the EGM to be held at Portion 2, 12/F, The Center, 99 Queen's Road Central, Central, Hong Kong on Monday, 20 March 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, a Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information in respect of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Friday, 31 March 2023.

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

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

Shareholders and potential investors of the Company should note that the Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

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

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Ms. So Siu Ying, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Vinco Financial Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 30 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Independent Financial Advisor set out on pages 31 to 36 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

For and on behalf of the Board
Tasty Concepts Holding Limited
Tang Chun Ho Chandler
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.



TASTY CONCEPTS HOLDING LIMITED

賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

28 February 2023

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY TWO (2) SHARES HELD ON THE RECORD DATE

We refer to the circular of the Company dated 28 February 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, in the interests of the Company and the Shareholders as a whole, and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

Vinco Financial Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

Mr. Ho Lai Chuen

Mr. Lee Koon Tak

Ms. So Siu Ying

Independent non-executive Directors

LETTER FROM VINCO FINANCIAL

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

VINCO 
Vinco Financial Limited

28 February 2023

*To the Independent Board Committee and the Independent Shareholders of
Tasty Concepts Holding Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
FIVE (5) RIGHTS SHARES FOR
EVERY TWO (2) SHARES HELD ON THE RECORD DATE**

A. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (i) fairness and reasonableness of the terms of the proposed Rights Issue; and (ii) how the Independent Shareholders should vote in respect of the relevant resolutions at the EGM, details of which are set out in the “Letter from the Board” in the circular (the “**Circular**”) issued by the Company to the Shareholders dated 28 February 2023 of which this letter forms part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. On 23 September 2022, the Company proposes to raise up to approximately HK\$41.3 million before expenses by way of a rights issue of 137,500,000 Rights Shares at the Subscription Price of HK\$0.3 each and on the basis of five (5) Rights Share for every two (2) Shares held by the Qualifying Shareholders on the Record Date (assuming no change in the issued share capital of the Company on or before the Record Date). The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any).

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue, if proceeded with, will increase the number of the issued Shares by more than 50%, the Rights Issue must be made conditional on approval by Independent Shareholders in general meeting by a resolution on which any controlling shareholders and their associates or, where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the ordinary resolution to approve the Rights Issue at the EGM.

LETTER FROM VINCO FINANCIAL

As at Latest Practicable Date, the Company has no controlling shareholder as defined under the GEM Listing Rules and Mr. Tang Chun Ho Chandler, the executive Director, is beneficially interested in 3,001,000 Shares, representing approximately 5.46% of the issued share capital of the Company. Accordingly, Mr. Tang Chun Ho Chandler is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transaction contemplated thereunder at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Ms. So Siu Ying has been established to make recommendations to the Independent Shareholders as to whether the Rights Issue is, or is not, on normal commercial terms, fair and reasonable, is in the interest of the Company and the Shareholders as a whole and whether to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue. We have been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned and such appointment has been approved by the Independent Board Committee.

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

LETTER FROM VINCO FINANCIAL

B. BASIS OF OUR OPINION AND RECOMMENDATION

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

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

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

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

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

LETTER FROM VINCO FINANCIAL

We consider that we have reviewed all currently available information and documents, among others: (i) the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 3 February 2023); (ii) the Announcement; (iii) annual report of the Company for the year ended 31 March 2022 (the “**Annual Report 2022**”); (iv) the interim report of the Company for the six months ended 30 September 2022 (the “**Interim Report 2022/23**”); (v) the third quarterly report of the Company for the nine months ended 31 December 2022 (the “**Q3 Report 2022/23**”); and (vi) the management accounts of the Company for the nine months ended 31 December 2022, which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 17.92 of the GEM Listing Rules (including the notes thereto).

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

C. PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information on the Group

The Group is principally engaged in operation of restaurants in Hong Kong.

2. Historical financial performance of the Group

Set out below is a summary of the audited consolidated financial information of the Group for the two years ended 31 March 2022, as extracted from the Annual Report 2022 respectively and a summary of the unaudited consolidated financial information of the Group for the six months ended 30 September 2022, as extracted from the Interim Report 2022/23 respectively:

	For the six months ended 30 September		For the year ended 31 March	
	2022	2021	2022	2021
	(unaudited)	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	20,893	24,685	41,876	51,872
Loss for the period/year	(5,371)	(2,834)	(15,802)	(13,384)

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	As at	As at 31 March	
	30 September	2022	2021
	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents	8,382	11,619	29,141
Total assets	27,901	21,945	52,465
Total liabilities	21,924	16,428	31,120
Net assets	5,977	5,517	21,345

Audited consolidated results for the two years ended 31 March 2022

As disclosed in the Annual Report 2022, the Group is principally engaged in operation of operating ramen restaurants in Hong Kong, generating revenue from provision of catering services. During the year ended 31 March 2022 (“FY2022”), the Group’s revenue decreased by approximately HK\$10.0 million or approximately 19.3%, from approximately HK\$51.9 million for the year ended 31 March 2021 (“FY2021”) to approximately HK\$41.9 million in FY2022. Such decrease was mainly due to the closure of restaurants due to the expiration of tenancy agreements in relation to the properties occupied for business during FY2022 and a significant decline in customers visited due to the restricted operating hours enforced by the Hong Kong Government among restaurants, forming rigorous challenges to the catering industry, during the fifth wave of Covid-19 pandemic in Hong Kong in fourth quarter of FY2022.

The Group has recorded a net loss of approximately HK\$13.4 million in FY2021, which further increased to approximately HK\$15.8 million in FY2022. The increase of net loss was mainly due to (i) the decrease in government grants received by the Group under the “Anti-epidemic Fund” and “Employment Support Scheme” from the Hong Kong Government; (ii) the decrease in customers visited during the fourth quarter in FY2022 due to the fifth wave of local Covid-19 epidemic; (iii) closure of profitable restaurants in Hong Kong; and (iv) the decrease in rental concessions received from landlords.

As at 31 March 2022, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately HK\$11.6 million, HK\$21.9 million, HK\$16.4 million and HK\$5.5 million, respectively. The Group’s net assets decreased by approximately HK\$15.8 million or 74.2% from approximately HK\$21.3 million as at 31 March 2021 to approximately HK\$5.5 million as at 31 March 2022. Such decrease was mainly attributable to the decrease in bank balances and cash of approximately HK\$17.5 million from approximately HK\$29.1 million as at 31 March 2021 to approximately HK\$11.6 million as at 31 March 2022. It is noted that the

LETTER FROM VINCO FINANCIAL

Group's net cash used in operating activities was approximately HK\$4.2 million as at 31 March 2022 which decreased by approximately HK\$15.9 million as compared to its net cash generated from operating activities of approximately HK\$11.7 million as at 31 March 2021, it was mainly due to decrease in revenue mentioned in above and other income which were rental commissions and government grants. The Group's gearing ratio, calculated as percentage of bank borrowings to the total equity attributable to owners of the Company, was approximately 13.6% as at 31 March 2022 as compared to approximately 8.6% as at 31 March 2021.

Unaudited consolidated results for the six months years ended 30 September 2022

During the six months ended 30 September 2022 ("6M2022"), the Group's revenue decreased by approximately HK\$3.8 million or approximately 15.4%, from approximately HK\$24.7 million for the year ended 30 September 2021 ("6M2021") to approximately HK\$20.9 million in 6M2022. As disclosed in the Interim Report 2022/23, such decrease in revenue was mainly because of the closure of a restaurant due to the expiration of tenancy agreement. In addition, the decrease in revenue was due to the decline in number of customers as a result of (i) suspension of operation in Macau due to various strict COVID-19 pandemic prevention measures; and (iii) restricted operating hours imposed by the Hong Kong Government in the fifth wave of local COVID-19 pandemic.

The Group has recorded a net loss of approximately HK\$2.8 million in 6M2021, which further increased to approximately HK\$5.4 million in 6M2022. The increase of net loss was mainly due to (i) the decrease in revenue and the reasons as mentioned above; and (ii) the recognition of equity-settled share-based payments.

As at 30 September 2022, the Group recorded cash and cash equivalents, total assets, total liabilities and net assets of approximately HK\$8.4 million, HK\$27.9 million, HK\$21.9 million and HK\$6.0 million, respectively. The Group's net assets increased by approximately HK\$0.5 million or 8.3% from approximately HK\$5.5 million as at 31 March 2022 to approximately HK\$6.0 million as at 30 September 2022. Such increase was mainly attributable to the increase in right-of-use assets of approximately HK\$8.3 million from approximately HK\$1.8 million as at 31 March 2022 to approximately HK\$10.1 million as at 30 September 2022, offset by the increase in lease liabilities (non-current liabilities) of approximately HK\$5.8 million from approximately HK\$3.0 million as at 31 March 2022 to approximately HK\$8.8 million as at 30 September 2022. It is noted that the Group's cash and bank balances decreased by approximately HK\$3.2 million from approximately HK\$11.6 million as at 31 March 2022 to approximately HK\$8.4 million as at 30 September 2022. Although its net cash generated from operating activities was approximately HK\$2.2 million, the Group recorded net cash used in investing activities of approximately HK\$0.5 million and net cash used in financing activities of approximately HK\$5.0 million.

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Prospects of the Group

As disclosed in the first quarterly report for the three months ended 30 June 2022, the Directors are of the view that it is difficult to predict the timeframe for the next massive community outbreak and when the prevention measures will be tightened by the Hong Kong Government again, difficulties and challenges for catering industry are still foreseeable ahead, but expect a new normal which allows more inbound travelling with loosen restriction measures and less requirement of quarantine duration. Since 26 September 2022, travelers headed to Hong Kong no longer need to quarantine in a hotel upon arrival. This might allow to resume the global travel to a certain level and stimulate the economic growth, which could benefit the catering industry in Hong Kong and the Group as well. In view of the latest epidemic development, the Hong Kong government has announced that the restriction on capacity of catering premises, bars, pubs and scheduled premises had been lifted on 20 December 2022 and from 6 February 2023, travellers can visit Hong Kong with no quarantine, no isolation, and no vaccination requirements. Also, quarantine orders for Covid-infected patients will be dropped starting 30 January 2023. Although the other social distancing measures, including the face mask mandate, will remain enforced, it further announced that from 30 January 2023 onwards, Covid-positive patients – including those who test positive through PCR tests and rapid antigen tests – will no longer be required to undergo mandatory quarantine.

Furthermore, as disclosed in the Hong Kong Monthly Digest of Statistics for January 2023 (<https://www.censtatd.gov.hk/en/data/statreport/product/B1010002/att/B10100022023MM01B0100.pdf>) by the Census and Statistics Department, the rental indices of fresh and renewal lettings of private retail was 187.2 in 2019 and 169.9 in 2020, 172.0 in 2021. Further, it was 177.2 in November 2021 and 164.1 in November 2022. It is noted that the monthly rental indices have been fluctuating from 163.1 to 177.2 since 2020 due to the coronavirus pandemic. The rents in Hong Kong remains at relatively low level as compared to 2019. As such, we are of the view that the set-up of new restaurants at this moment could lower the fixed cost of operation of restaurants, which enhances its competitiveness in terms of profitability as the breakeven point could be reduced.

In view of (i) the resumption of normal travel and further relaxing of dining restriction; and (ii) the lower rental expenses, we are of the view that the Rights Issue and the set-up of new restaurants at this moment is fair and reasonable.

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

Reasons for the Rights Issue and use of proceeds

As set out in the “Letter from the Board”, up to the Latest Practicable Date the net proceeds from listing was fully utilised for the use of the Group’s general working capital. Taking into account of (i) the start-up costs of approximately HK\$5.5 million

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for the new restaurant opened in January 2023 at the premises leased under the tenancy agreements entered into by the Group in July 2022; and (ii) the current financial position of the Group against the expected monthly operation costs, the Company intends to raise funds through the Rights Issue to support the expansion of the Group, supplement its operation needs and improve the financial condition of the Group. Assuming full subscription under the Rights Issue, the Company will raise up to approximately HK\$41.3 million from the Rights Issue and the relevant expenses would be approximately HK\$1.5 million, which includes placing commission and professional fees payable to financial advisers, legal advisers, financial printer and other parties involved in the Rights Issue. The Directors intends to utilise the entire net proceeds from the Rights Issue of approximately HK\$39.8 million as to (i) approximately HK\$30.0 million (approximately 75% of the total net proceeds) for the expansion of our restaurant network by June 2024; and (ii) approximately HK\$9.8 million (approximately 25% of the total net proceeds) for the general working capital of the Group by December 2023.

As advised by the management of the Company, the Group intends to set up five new restaurants under the brand “豚王” and new brand by June 2024. The Group planned to develop new brands which offer different types of cuisine other than Japanese ramen, such as Hong Kong style cuisine, Sichuan cuisine and Japanese style cuisine. In mid to late 2023, the Group plans to open one restaurant that offers Japanese ramen at Tsim Sha Tsui and one restaurant that offers Sichuan cuisine at Yuen Long. In 2024, the Group plans to open one restaurant that offers Sichuan cuisine at Central and one restaurant that offers Hong Kong style cuisine at Wan Chai and one restaurant that offers Japanese ramen at Kai Tak. The Group is actively looking for suitable premises at desirable locations with favourable lease terms. Based on past experience and current market conditions, the Group estimates each of the new restaurants would require an average capital expenditure of approximately HK\$3.2 million, primarily for renovation, acquisition of additional facilities and machineries, enhance central kitchen facilities, and initial working capital (including rental deposit) of approximately HK\$2.5 million.

As discussed in section headed “Prospects of the Group” above, the Group expects the resuming global travel can be resumed and can benefit the catering industry in Hong Kong. According to the Hong Kong’s Census and Statistics Department, the value of the total receipts of Hong Kong’s restaurants section in 2020 had a year-on-year decrease of approximately 6.4%. In the first half of 2022, the value of the total receipts of Hong Kong’s restaurants section had a year-on-year drop of approximately 13.5% due to the fifth wave of Covid-19. As discussed with the management of the Group, we understand that the new opening of restaurants and development of new brand present a good opportunity for the Group to diversity its business by expanding the customer base of different favour. We have reviewed the

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management accounts for the nine months ended 31 December 2022, business plan of the Group and the budget of opening new restaurants. We are of the view that the funding needs are fair and reasonable.

Fund raising alternatives

As advised by the Directors, apart from the Rights Issue, the Directors have considered other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that bank borrowings, if available, carry additional interest costs and create pressure to the liquidity of the Company, and placing of new shares dilutes the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group.

After considering the fund raising alternatives mentioned above, the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while at the same time allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company. In addition, the Company had preliminarily consulted brokerage companies (including the Placing Agent) for underwriting the Rights Issue but has not received any favourable feedback due to the current capital market situation apart from the Placing Agent who expressed its interest in acting as a placing agent on best effort basis. The Company considers that the placing obligation of the Placing Agent are more or less similar to an underwriter of the Rights Issue (except that the Placing Agent is on best effort basis). As such, the Company subsequently decided to conduct the Rights Issue on non-underwritten basis and to adopt the Placing Arrangement simultaneously in order to ensure sufficient funds could be raised.

After taking into account the benefits and potential cost of each of the alternatives, we are of the view and concur with the view of the Directors that placing of new Shares would only be available to certain placees who are not necessarily the existing Shareholders and would dilute the shareholding of the existing Shareholders. We are of the view and concur with the view of the management of the Company that the Rights Issue allows the Group to expand and diversify its business which is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

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4. Principal terms of the Rights Issue

The Company proposes to raise up to approximately HK\$41.3 million under the Rights Issue. The net proceeds from the Rights Issue after deducting related expenses will be not more than approximately HK\$39.8 million at the Subscription Price of HK\$0.3 per Rights Share on the basis of five (5) Rights Shares for every two (2) Shares held on the Record Date. The details are set out as follows:

Basis of Rights Issue:	Five (5) Rights Shares for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.3 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	55,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 137,500,000 Rights Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$13,750,000
Number of Shares in issue immediately upon completion of the Rights Issue:	Up to 192,500,000 Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the Rights Shares)
Maximum funds raised before expenses:	Up to approximately HK\$41.3 million (assuming no further issue or repurchase of Shares on or before the Record Date and all the Rights Shares will be taken up)

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares on or before the Record Date, the 137,500,000 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent: (i) 250% of the total number of issued Shares as at the Latest Practicable Date; and (ii) approximately 71% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

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Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, the Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

Undertaking

As at the Latest Practicable Date, the Company has not received any information or irrevocable undertaking from any Shareholder of their intention in relation to the Rights Shares to be allotted to them under the Rights Issue.

Subscription Price

The Subscription Price of HK\$0.3 per Rights Share is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

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The Subscription Price represents:

- (i) no discount or premium to the closing price of HK\$0.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 14.3% to the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 14.3% to the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 16.7% to the average closing price of approximately HK\$0.36 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 23.1% to the average closing price of approximately HK\$0.39 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 4.5% to the theoretical ex-rights price of approximately HK\$0.314 per Share based on the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vii) a premium of approximately 200% to the audited consolidated net asset value per Share of approximately HK\$0.10 (Based on the latest published audited consolidated net asset value of the Group of approximately HK\$5.5 million as disclosed in the annual report of the Company for the year ended 31 March 2022 and 55,000,000 Shares. The Directors noted that the Shares were traded at a premium to the NAV per Share throughout the six-month period immediately prior to the date of the Placing Agreement, of which the premium of the closing price of the Shares as compared with the NAV per Share ranged from HK\$0.25 per Share to HK\$3.50 per Share. Accordingly, the Directors consider that the NAV per Share is not a meaningful benchmark to determine the Subscription Price, instead, the prevailing market price of the Shares would be a more appropriate reference in determining the Subscription Price in this regard. As such, the Directors consider that the Subscription Price is fair and reasonable.); and

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(viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 10.3% represented by the theoretical diluted price of approximately HK\$0.314 to the benchmarked price of approximately HK\$0.35 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.35 and the average closing price of HK\$0.35 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

As stated in the Letter from the Board, the Subscription Price was determined with reference to, among other things, the recent market prices of the Shares, the current market conditions and the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS” in the Circular.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the closing prices of the Shares and the trading liquidity of the Shares for the period from 23 September 2021, being the 12-month period prior to the date of the Announcement, up to and including the Last Trading Day (“**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement, covering the annual operating cycle of the Company for analysis purpose, to illustrate the general trend and level of movement of the daily closing price and trading volume of the Shares and the Review Period is fair and representative to reflect the market assessment on the financial performance of the Group and the general market sentiment. Such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis.

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The chart below illustrates the daily closing price per Share (“Closing Price”) and the net asset value per share (“NAV/share”) versus the Subscription Price of HK\$0.3 per Rights Share during the Review Period:

Graph A: Closing Price during the Review Period

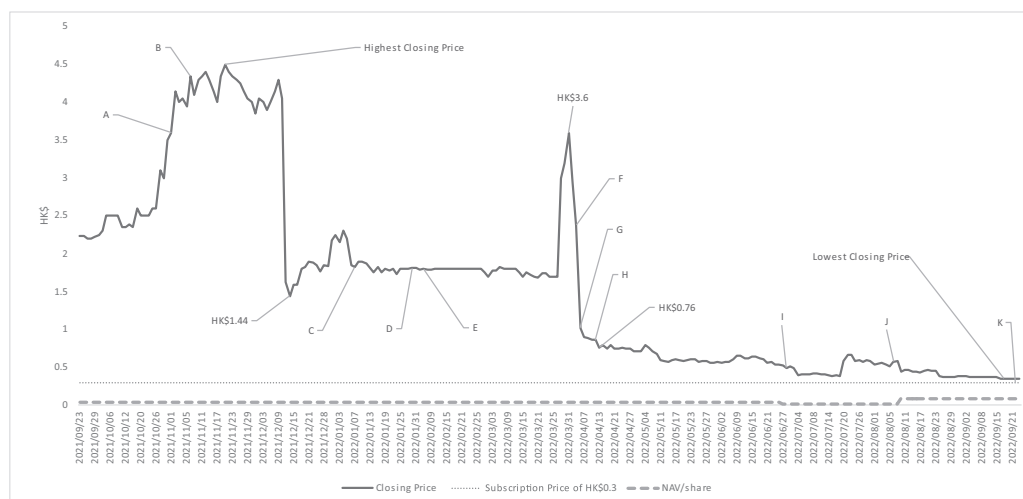


Table A: Announcements of the Company published during the Review Period

Note	Announcements	Date of publication
A	Profit warning	1 November 2021
B	Interim results announcement for the six months ended 30 September 2021	8 November 2021
C	Insider information disposal of shares by a controlling shareholder	7 January 2022
D	Profit warning	28 January 2022
E	Third quarterly results announcement for the nine months ended 31 December 2021	7 February 2022
F	Insider information disposal of shares by a controlling shareholder	4 April 2022
G	Insider information disposal of shares by a substantial shareholder	6 April 2022
H	Insider information disposal of shares by a substantial shareholder	12 April 2022
I	Annual results announcement for the year ended 31 March 2022	27 June 2022
J	First quarterly results announcement for the three months ended 30 June 2022	8 August 2022
K	The Announcement	23 September 2022

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During the Review Period, the highest Closing Price was HK\$4.50 (“**Highest Closing Price**”) recorded 19 November 2021 and the lowest Closing Price was HK\$0.35 (“**Lowest Closing Price**”) recorded from 16 September 2022 to 23 September 2022. The Subscription Price of HK\$0.3 represents a discount of approximately 93.3% to the highest Closing Price during the Review Period and a discount of approximately 14.3% to the lowest Closing Price during the Review Period. The average Closing Price of the Review Period was approximately HK\$1.59, which means the Subscription Price has a discount of approximately 81.1% to the average Closing Price during the Review Period. It is noted that the Subscription Price is at a premium to the unaudited/audited net assets value per share during the Review Period. The NAV/share ranged from approximately HK\$0.01 to HK\$0.08 during the Review Period.

As illustrated in the chart above, during the Review Period, the Closing Price was traded higher than the Subscription Price. We noted two waves of surge (“**Waves**”) and plunge: (i) from 27 September 2021, the Closing Price surged upwards and reached its peak at the Highest Closing Price on 19 November 2021. The Closing Price then plunged from 9 December 2022 and hit the point of HK\$1.44 on 14 December 2021; and (ii) from 28 March 2022, the Closing Price surged upwards and reached its peak at HK\$3.6 on 31 March 2022 and then plunged and hit HK\$0.76 on 13 April 2022. The Closing Price gradually decreased from HK\$0.76 on 13 April 2022 to the Lowest Closing Price on 16 September 2022. As discussed with the management of the Group, management were not aware of any reason for such substantial change in Closing Price of the Waves. We have also reviewed the announcements disclosed during the Review Period which are listed in the “Table A” and we are not aware of any information which caused the substantial change in Closing Price.

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We noted from the above that during the Review Period, the Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.3 represents (i) a discount of approximately 14.3% to the Lowest Closing Price; and (ii) a discount of approximately 81.1% to the average Closing Price. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to the Lowest Closing Price and to the average Closing Price.

("Table B")	Total trading volume (Note 1)	Number of trading days	Average Daily Volume (Note 2)	Approximately % of average daily trading volume to total number of issued Shares (Note 3)	Approximately % of average daily trading volume to total number of issued Shares held by public Shareholders (Note 4)
2021					
September (commencing from 23 September 2021)	261,500	6	43,583	0.09%	0.22%
October	3,912,000	18	217,333	0.43%	1.09%
November	3,683,000	22	167,409	0.33%	0.84%
December	24,636,050	22	1,119,820	2.24%	4.09%
2022					
January	10,156,500	21	483,643	0.97%	1.45%
February	786,000	17	46,235	0.09%	0.14%
March	14,538,500	23	632,109	1.26%	1.89%
April	103,029,500	18	5,723,861	11.45%	12.18%
May	6,343,500	20	317,175	0.63%	0.67%
June	4,937,500	21	235,119	0.47%	0.50%
July	15,105,500	20	755,275	1.37%	1.45%
August	1,139,000	23	49,522	0.09%	0.10%
September (up to the Last Trading Day)	194,500	16	12,156	0.02%	0.02%

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

Notes:

- (1) Total trading volume for the month/period is sourced from the website of the Stock Exchange.
- (2) Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which excludes any trading day on which trading in the Shares on the Stock Exchange was suspended for the whole trading day

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- (3) The calculation is based on the average daily trading volume for the month/period by the total number of Shares in issue at the end of each respective month/period.
- (4) The calculation is based on the total number of the Shares in public hands (i.e., after excluding the controlling shareholder(s) or single largest shareholder) at the end of each respective month/period according to the public information on the Stock Exchange. Since 4 April 2022, the Company ceased to have controlling shareholder as defined under the GEM Listing Rules. Since 12 April 2022, the Company ceased to have substantial shareholder as defined under the GEM Listing Rules.
- (5) The share consolidation of every ten (10) issued and unissued Shares of HK\$0.01 each in the share capital of the Company into one (1) Consolidated Share of HK\$0.1 became effective on 10 August 2022.

In order to determine whether the Subscription Price at a discount would be attractive to the Qualifying Shareholders to participate in the Rights Issue, we noted as shown in the “Table B”, the average daily trading volume in April 2022 represented approximately 11.45% and 12.18% of the total number of issued Shares at the end of the month and the total number of issued Shares held by public Shareholders at the end of the month, respectively. As disclosed in the announcements of the Company related to disposal of shares published on 4 April 2022, 6 April 2022 and 12 April 2022, an aggregate of 136,035,000 Shares held by a controlling shareholder (who then ceased to be controlling shareholder or substantial shareholder after the disposal of its Shares on 4 April 2022, 6 April 2022 and 12 April 2022) were disposed of, representing approximately 27.2% of the total number of issued Shares at the end of April 2022. Except for the average daily trading volume in April 2022, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 12,156 Shares to approximately 1,119,820 Shares, representing approximately 0.02% to approximately 2.24% of the total number of issued Shares at the end of their respective month/period, or approximately 0.02% to approximately 4.09% of the total number of issued Shares held by public Shareholders at the end of their respective month/period. As such, the trading liquidity of the Shares was considered generally thin during the Review Period. Therefore, we are of the view that it is reasonable for the Subscription Price to be set at a discount to the prevailing closing prices of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

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Comparison to other rights issue

In order to assess the fairness and reasonableness of the Subscription Price, we exhaustively conducted a search of recent proposed rights issue approximately 12 months prior to the Last Trading Day (the “**Comparison Period**”) to understand the trend of the recent market practice. We consider that the Comparison Period is appropriate, fair and representative because (i) the Comparables are considered for the purpose of taking a general reference for the recent market practice in relation to the rights issue exercise in the recent market conditions; and (ii) sufficient number of Comparables were identified during the Comparison Period. Based on our research, we have identified an exhaustive list of 22 rights issue comparables (the “**Comparables**”) during the Comparison Period.

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

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Table C: Details of the Comparables

Date of announcement	Company (stock code)	Basis of entitlement	Discount of the subscription price to the theoretical ex-rights price per share based on the closing price per share		Premium/ (discount) of the subscription price to the consolidated NAV per share (Note 1)	Maximum dilution on the shareholding	Theoretical dilution effect (Note 2)	Excess Application/ placing (Note 3)	Underwriting arrangement	Placing Commission (Note 4)	Underwriting commission	Minimum underwriting/ placing fee
			Discount of the subscription price to the closing price per share on the respective last trading day	Discount of the subscription price on the last trading day prior to the announcement in relation to the respective rights issues								
			(Approximately %)	(Approximately %)	(Approximately %)	(Approximately %)	(Approximately %)			(%)	(%)	
10/8/2022	Easy Repay Finance & Investment Limited (8079)	1 for 2	(45.0)	(35.1)	(81.3)	33.3	16.1	Placing	Non-underwritten	7.1	N/A	No
4/8/2022	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	(18.8)	(17.4)	427.0	9.1	1.7	Excess application	Non-underwritten	N/A	N/A	N/A
14/7/2022	Wan Cheng Metal Packaging Company Limited (8291)	1 for 1	(25.0)	(14.3)	11.9	50.0	16.5	Placing	Non-underwritten	2.5	N/A	No
17/6/2022	Ocean Star Technology Group Limited (8297)	1 for 2	(41.2)	(32.0)	328.1	33.3	13.9	Excess application	Underwritten on a best effort basis	N/A	1.0	No
10/6/2022	Gameote Holdings Limited (8282)	1 for 2	(40.4)	(31.2)	29.3	33.3	13.5	Excess application	Underwritten on a best effort basis	N/A	1.5	No
25/5/2022	F8 Enterprises (Holdings) Group Limited (8347)	1 for 2	(5.6)	(3.7)	(71.7)	33.3	1.9	Excess application	Underwritten on a best effort basis	N/A	5.0	No
18/5/2022	K Group Holdings Limited (8475)	2 for 1	(28.8)	(12.3)	9.6	66.7	20.4	Excess application	Underwritten on a best effort basis	N/A	3.0	No
12/5/2022	KOALA Financial Group Limited (8226)	2 for 1	(4.8)	(1.6)	N/A (Note 6)	66.7	4.7	Excess application	Underwritten on a best effort basis	N/A	3.0	No
28/4/2022	Palinda Group Holdings Limited (8179)	1 for 2	(39.8)	(30.6)	(80.4)	33.3	13.3	Excess application	Fully-underwritten	N/A	7.1	No
28/4/2022	Life Concepts Holdings Limited (8056)	3 for 2	(7.0)	(2.9)	N/A (Note 6)	60.0	9.3	Excess application	Underwritten on a best effort basis	N/A	1.0	No
3/3/2022	China Eco-Farming Limited (8166)	1 for 2	(10.1)	(7.0)	(87.0)	33.3	5.3	Excess application	Underwritten on a best effort basis	N/A	2.0	No
28/2/2022	Zioncom Holdings Limited (8287)	1 for 2	(16.7)	(11.4)	(69.8)	33.3	5.6	Placing	Non-underwritten	2.5	N/A	No
21/1/2022	Cornerstone Financial Holdings Limited (8112)	3 for 1	(11.6)	(3.2)	(87.9)	75.0	14.6	Excess application	Fully-underwritten	N/A	3.5	No
19/1/2022	RMH Holdings Limited (8437)	1 for 2	(29.6)	(21.9)	115.9	33.3	21.9	Excess application	Underwritten on a best effort basis	N/A	2.5	No
14/1/2022	Beaver Group (Holding) Company Limited (8275)	3 for 2	(24.1)	(11.3)	(45.5)	60.0	14.5	Placing	Non-underwritten	3.5	N/A	No
5/1/2022	China Information Technology Development Limited (8178)	1 for 2	(34.8)	(26.1)	(88.0)	33.3	11.7	Excess application and placing	Non-underwritten	1.5	N/A	No
29/12/2021	Prosperous Printing Company Limited (8385)	3 for 2	(34.3)	(17.0)	(83.0)	60.0	20.9	Excess application	Underwritten on a best effort basis	N/A	1.0	No
24/12/2021	Hanvey Group Holdings Limited (8219)	1 for 2	(22.8)	(16.3)	(45.5)	33.3	7.6	Placing	Non-underwritten	3.5	N/A	No
26/11/2021	Vertical International Holdings Limited (8375)	1 for 2	(40.8)	(31.6)	(62.4)	33.3	14.2	Excess application	Fully-underwritten	N/A	4.0	No
8/11/2021	Xinyi Electric Storage Holdings Limited (8328)	1 for 10	(8.1)	(7.3)	405.5	9.1	5.4	Excess application	Non-underwritten	N/A	N/A	N/A
2/11/2021	Grand T G Gold Holdings Limited (8299)	3 for 1	(16.7)	(5.4)	(78.9)	75.0	11.9	Placing	Partially underwritten	the higher of HK\$400,000 and 2.5% (Note 5)	Nil	Yes, at least HK\$400,000
20/10/2021	Jete Power Holdings Limited (8133)	1 for 2	(54.5)	(44.4)	(5.7)	33.3	18.2	Excess application	Underwritten on a best effort basis	N/A	1.5	No
	Maximum	/	(4.8)	(1.6)	427.0	75.0	21.9	/	/	7.1	7.1	/
	Minimum	/	(54.5)	(44.4)	(88.0)	9.1	1.7	/	/	1.5	Nil	/
	Average	/	(25.5)	(17.5)	22.7	42.3	12.0	/	/	3.3	2.6	/
23/9/2022	The Company (8096)	5 for 2	(14.3)	(4.5)	200.0	71.4	10.3	Placing	Non-underwritten	2.5	N/A	No

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Notes:

1. The NAV per share is calculated based on the latest published audited/unaudited consolidated NAV and total number of shares in issue as at the date of the respective announcements.
2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the GEM Listing Rules.
3. Pursuant to Rule 10.31(1) of the GEM Listing Rule.
4. In order to calculate the average, minimum and maximum percentage of the placing commission of the Comparables, we have excluded the minimum placing commissions and absolute placing commissions.
5. N/A represents the respective fundraising exercise did not involve underwriters nor placing agents.
6. Given that the respective Comparables had consolidated net liabilities per share and therefore was excluded for comparison and analysis purpose.

Based on the “Table C”, we noted that (i) the subscription prices to the closing price on the last trading day prior to the announcement of the Comparables ranged from discounts of approximately 4.8% to 54.5%, with an average discount of approximately 25.5%. The discount of the Subscription Price to the closing price per Share as at the Last Trading Day of approximately 14.3% is within the range; (ii) the subscription prices to the theoretical ex-rights price per share based on the closing price per share on the last trading day prior to announcement in relation to the Comparables ranged from discounts of approximately 1.6% to 44.4%, with an average discount of approximately 17.5%. The discount of the Subscription Price to the theoretical ex-rights price per Share on the Last Trading Day of approximately 4.5% is within the range; (iii) the subscription prices to the consolidated NAV per share of the Comparables ranged from discount of approximately 88.0% to premium of approximately 427.0%, with an average premium of approximately 22.7%. The premium of approximately 200.0% to the audited consolidated NAV as represented by the Subscription Price is within the range of the Comparables and outweighs the average of the Comparables; (iv) the theoretical dilution effect of the Comparables ranged from approximately 1.7% to approximately 21.9%, with an average discount of approximately 12.0%. Due to the fact that (a) the theoretical dilution effect represented by the Rights Issue of approximately 10.3% falls within the range of the Comparables; (b) the net proceeds from the Rights Issue would help expand and diversify the Group’s business; and (c) the Subscription Price favors the Qualifying Shareholders to subscribe for the Rights Shares and maintain their respective pro-rata shareholding interests in the Company, we consider that the theoretical dilution effect represented by the Rights Issue is acceptable so far as the Independent Shareholders are concerned; and (v) the maximum dilution on the shareholding of the Comparables

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ranged from approximately 9.1% to approximately 75.0%, with an average of approximately 42.3%. The maximum dilution on the shareholding of the Rights Issue of approximately 71.4% falls within the range of the Comparables. Taking into consideration the maximum dilution on the shareholding of the Rights Issue falls within the range of the Comparables, we are of the view that the proposed offer basis is in the interest of the Company and the Shareholders as a whole and as far as the Independent Shareholders are concerned.

We note that, based on the above comparison analysis, the Subscription Price is at a premium of approximately 200.0% to the audited consolidated NAV per Share as compared to the average premium of approximately 22.7% to the consolidated NAV per share of the Comparables and we consider that the premium of the Subscription Price to the NAV of the Group as at 31 March 2022 are justifiable having taken into account the following factors: (i) the Subscription Price of the Rights Issue has a discount of 81.1% to the average Closing Price during the Review Period; (ii) the trading liquidity of the Shares were generally thin during the Review Period and the Subscription Price at a discount may enhance the attractiveness of the Shares among the thin trading liquidity; (iii) the Subscription Price to the consolidated NAV per share is within range of the Comparables; (iv) a review period of approximately 12 months prior to the Announcement to be exhaustive for a representation of proposed Rights Issues in the recent market; (v) the Group was in loss-making position for the years ended 31 March 2020, 2021 and 2022, respectively and the Group's cash and bank balances decreased from approximately HK\$37.7 million as at 31 March 2020 to approximately HK\$11.6 million as at 31 March 2022; (vi) the net proceeds from the Rights Issue would provide greater financial flexibility for the Group to cope with its working capital needs and improve the Group's overall liquidity position; and (vii) we have reviewed the NAV/share throughout the Review Period, ranging from approximately HK\$0.01 to HK\$0.08. Since the Subscription Price is at a premium to the unaudited/audited net assets value per Share throughout the Review Period and the share price of the Company has been protractedly trading at a premium to the Group's net asset value, we are of the view that it is not appropriate to take NAV per Share as a reference for determining the Subscription Price. As such, given that the Subscription Price is determined at a discount to the prevailing market price of the Shares, we consider the Subscription Price to be fair and reasonable. We are of the view that the setting of the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

Potential dilution effect on the interests of the Independent Shareholders

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue

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assuming full acceptance of the Rights Shares by the existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (iv) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent				Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares have been placed by the Placing Agent	
	Number of Shares		Number of Shares		Number of Shares		Number of Shares	
		%		%		%		%
Independent Placees	–	0.00	–	0.00	–	0.00	137,500,000	71.43
Brilliant Trade Enterprises Limited	3,001,000	5.46	10,503,500	5.46	3,001,000	5.46	3,001,000	1.56
Other public Shareholders	<u>51,999,000</u>	<u>94.54</u>	<u>181,996,500</u>	<u>94.54</u>	<u>51,999,000</u>	<u>94.54</u>	<u>51,999,000</u>	<u>27.01</u>
	<u>55,000,000</u>	<u>100.00</u>	<u>192,500,000</u>	<u>100.00</u>	<u>55,000,000</u>	<u>100.00</u>	<u>192,500,000</u>	<u>100.00</u>

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Issue.

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

In the case that none of the Qualifying Shareholders have taken up their respective entitlements under the Rights Issue, the maximum dilution impact on shareholding interest of those public Shareholders who do not participate in the Rights Issue will be approximately 71.43% based on the assumption that (a) nil acceptance of the Rights Issue by the Qualifying Shareholders; and (b) all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent, the shareholding of the public shareholders will be decreased from 94.54% as at the

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Latest Practicable Date to approximately 27.01% immediately upon the completion of the Rights Issue as shown in the above table in the section headed “Potential dilution effect on the interests of the Independent Shareholders” in our letter. As discussed with the Directors, the potential dilution impact to the Shareholders who do not participate fully or partly in the Rights Issue is justifiable after taking into account that (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue in that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; (ii) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Offer Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the prevailing market prices of the Shares; (iii) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iv) the inherent dilutive nature of rights issue in general if the existing Shareholders do not subscribe in full for their assured entitlements; and (v) the Rights Issue is expected to have an overall positive effect on the financial position of the Group in terms of its gearing upon completion of the Rights Issue. In view of the above, we concur with the Directors and are of the view that the dilution impact of the Rights Issue is justifiable and is fair and reasonable.

Excess application

As stated in the Letter from the Board, the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. We have reviewed the Comparables, and noted that 6 out of 22 Comparables did not offer excess application to their shareholders. Furthermore, 8 out of 22 Comparables were conducted on non-underwritten basis, among which 5 of them did not offer excess application to their shareholders. Therefore, we consider that the absence of excess application arrangement is not an uncommon market practice. As such, we are of the view that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

Placing commission

As set out in the Letter from the Board, the terms of the Placing Agreement (as amended and supplemented by a supplemental placing agreement dated 3 February 2023), including the rate of placing commission, were determined after arm’s length negotiations between the Placing Agent and the Company with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the current and expected market condition. For further details of the principal terms of the Placing Agreement, please refer to section headed “The Placing Agreement” in the Letter from the Board. The Placing Agent to the Company will receive 2.5% of the placing price.

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According to the Comparables as set out in Table C, the placing commission of the Comparables ranged from approximately 1.5% to 7.1%, with average placing commission of approximately 3.3% respectively. As the placing commission in the Placing Agreement is lower than the average placing commission of the Comparables and falls within the range of the Comparables, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

The Company had not conducted any equity fundraising activities in the 12 months immediately preceding the date of the Announcement and up to the Latest Practicable Date.

5. Financial effects of the Rights Issue

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net tangible assets, before any adjustments, of the Group attributable to owners of the Company was approximately HK\$6.0 million as at 30 September 2022.

Net tangible assets

Assuming no other issue of Shares on or before the Record Date, upon completion of the Rights Issue (i) the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately HK\$45.7 million as at 30 September 2022 upon the completion of the Rights Issue; and (ii) the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share would increase from approximately HK\$0.1087 to approximately HK\$0.2376 as at 30 September 2022.

Liquidity

According to the Interim Report 2022/23, as at 30 September 2022, the cash and cash equivalents of the Group was approximately HK\$8.4 million and the Group had current assets of approximately HK\$16.4 million and current liabilities of approximately HK\$12.8 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 September 2022 was approximately 1.3 times. Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$39.8 million.

Upon the completion of the Rights Issue, the current ratio of the Group would increase from approximately 1.3 times to approximately 4.4 times as at 30 September 2022. As such, the current ratio and the liquidity of the Group would be improved upon the completion of the Rights Issue.

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Gearing Ratio

According to the Interim Report 2022/23, as at 30 September 2022, the gearing ratio of the Group (calculated as percentage of bank borrowings to the total equity attributable to owners of the Company) was approximately 7.3%. Upon the completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Rights Issue of approximately HK\$39.8 million.

The gearing ratio of the Group would be improved from approximately 7.3% to approximately 1.2%. As such the gearing ratio of the Group is expected to improve upon the completion of the Rights Issue.

The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share would increase and the Rights Issue would improve (i) the liquidity position of the Group represented by current ratio; and (ii) the gearing ratio of the Group. Hence, we are of the view that the Rights Issue are in the interests of the Company and the Shareholders as a whole.

Shareholders should note that the aforesaid analyses are for illustrative purpose only and do not purport to represent the financial position of the Group upon completion of the Rights Issue and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of (i) the financial position of the Company as at 30 September 2022 or any future date; or (ii) the net tangible assets attributable to owners of the Company per Share as at 30 September 2022 or any future date.

D. RECOMMENDATION

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

- (i) the Company is in need of the net proceeds from the Rights Issue for new opening of restaurants as stated under the paragraph headed “Reasons for the Rights Issue and use of proceeds” above in this letter;
- (ii) taking into account the benefits and cost of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to strengthen its balance sheet without facing the increasing interest expense and minimise the cost of fund raising as stated under the paragraph headed “Fund raising alternatives” above in this letter;

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- (iii) the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that the Subscription Price at a discount to the average Closing Price would encourage the Qualifying Shareholders to participate in the Rights Issue, and to maintain their respective shareholding interests in the Company as stated under the paragraph headed “Subscription Price” above in this letter;
- (iv) the Subscription Price is fair and reasonable in our view for the reasons set out in earlier sections headed “Subscription Price” and “Comparison to other rights issue” in this letter; and
- (v) Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

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

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

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

1. SUMMARY OF FINANCIAL INFORMATION

The audited financial information of the Company are disclosed in the annual reports of the Company for the years ended 31 March 2020 (page 39 to 103), 2021 (page 46 to 107) and 2022 (page 48 to 113), which are published on 30 June 2020, 30 June 2021 and 30 June 2022 respectively. The unaudited financial information of the Company are disclosed in the third quarterly report of the Company for the nine months ended 31 December 2022 (page 4 to 13), which is published on 14 February 2023. The above mentioned financial information is available on the website of the Company at www.butaoramen.com and the website of the Stock Exchange at www.hkexnews.hk:

- (a) the annual report of the Company for the year ended 31 March 2020 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0630/2020063000687.pdf>);
- (b) the annual report of the Company for the year ended 31 March 2021 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0630/2021063000814.pdf>);
- (c) the annual report of the Company for the year ended 31 March 2022 in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0630/2022063001203.pdf>);
- (d) the third quarterly report of the Company for the nine months ended 31 December 2022 in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0214/2023021400229.pdf>).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 31 December 2022, being the latest practicable date for this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group are as follows:

Bank borrowing

As at 31 December 2022, the Group had borrowing from a bank with an aggregate carrying outstanding amount of approximately HK\$369,000, which is unsecured and guaranteed by the Company and certain subsidiaries of the Group. As at 31 December 2022, the bank borrowing of the Group carried variable interest rate at HK\$ Best Lending Rate minus 0.5% per annum and contained a repayable on demand clause.

Details of the bank borrowing are as follows:

	As at 31 December 2022 HK\$'000
Unsecured and guaranteed bank borrowing	<u>369</u>
The carrying amounts are repayable based on scheduled repayment dates set out in the loan agreement and contained a repayable on demand clause:	
Within one year	<u>369</u>

Lease liabilities

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates estimated for each subsidiary with lease liabilities recognised under HKFRS 16. As at 31 December 2022, the Group had outstanding lease liabilities (including both current and non-current portions) of approximately HK\$12,751,000.

Mortgages, charges and pledges

As at 31 December 2022, save as motor vehicles of the Group acquired under lease arrangements and of which the rights to the leased assets are reverted to the lessors in the event of default of the lease liabilities of the Group, the Group did not have any mortgages, charges and pledges over the Group's assets. As at 31 December 2022, the outstanding lease liabilities in regard to the leased motor vehicles amounted to approximately HK\$125,000, which is included in the amount as disclosed above under the section "Statement of indebtedness – Lease Liabilities".

Contingent liabilities

As at 31 December 2022, the Group was served a number of litigations and claims, the cases are ongoing and might affect the Group in future. These claims and litigations are arisen from arrears rent and related expenses of the Group and has been recognised in the other payables and accruals, lease liabilities and provisions. Additional interest, surcharge and penalty might be incurred due to the delay in settlement of such payables. As at 31 December 2022, the related amounts included in other payables and accruals and provisions are HK\$1,867,000 and HK\$104,000 respectively.

On 30 October 2020 and 5 January 2021, Fu Tong Investment Company Limited and its agent, Sun Hung Kai Real Estate Agency Limited ("SHK"), claimed against Right Direction International Limited ("Right Direction"), a wholly-owned subsidiary of the Company, for the unpaid rent and related expenses of HK\$1,351,000 and HK\$2,241,000, respectively. By a judgment dated 16 March 2021, the Court ordered that Right Direction to pay the amount as stated in the claims on 30 October 2020 and 5 January 2021. On 20 December 2021, SHK revised the claim to HK\$1,908,000 together with daily interest until repayment. The Group had obtained legal advice and recorded sufficient provision on those claimed amount.

The management and the legal advisors of the Company are taking collective efforts to resolve these cases. The Board is of the opinion that the potential claim would not have material impact on the Group's business operation and financial position.

Disclaimer

Saved as disclosed and apart from intra-group liabilities and normal trade and other payables, as at 31 December 2022, the Group did not have any loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages and charges, hire purchase commitments or guarantee outstanding.

3. WORKING CAPITAL STATEMENT

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

4. MATERIAL ADVERSE CHANGES

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in operation of restaurants in Hong Kong. The Group always strives for every possible opportunity to enhance the operation efficiency and profitability of its business.

The revenue of the Group decreased by approximately 19.3% from approximately HK\$51.9 million for year ended 31 March 2021 to approximately HK\$41.9 million for the year ended 31 March 2022. Revenue generated from operating restaurants by the Group in both Hong Kong and the PRC decreased during the year ended 31 March 2022 because of the closure of restaurants due to the expiration of tenancy agreements in relation to the properties occupied for business during the year ended 31 March 2022. Moreover, all the restaurants located in the PRC were switched from self-operated to franchise arrangement by only receiving royalty and consultancy services income. Furthermore, the 5th wave of local COVID-19 pandemic in Hong Kong during the fourth quarter of the financial year 2022 also led to a significant decline in customers visited due to the restricted operating hours enforced by the Hong Kong Government among restaurants, forming rigorous challenges to the catering industry.

The Group recorded a loss of approximately HK\$15.8 million for the year ended 31 March 2022 (2021: approximately HK\$13.4 million). The increase in loss was primarily due to (i) the decrease in government grants received under the “Anti-epidemic Fund” and “Employment Support Scheme”; (ii) the decrease in customers visited during the fourth quarter in the financial year 2022 due to the 5th wave of local COVID-19 epidemic; (iii) closure of profitable restaurants in Hong Kong; and (iv) the decrease in rental concessions received from landlords.

As at 31 March 2022, the Group recorded a total assets of approximately HK\$21.9 million (2021: approximately HK\$52.5 million), a total liabilities of HK\$16.4 million (2021: approximately HK\$31.1 million) and a net asset of approximately HK\$5.5 million (2021: approximately HK\$21.3 million). The decrease in assets was mainly attributable to the impairment losses on property and equipment and right-of-use assets recognised during the year ended 31 March 2022 and decline in bank balances and cash. The decrease in liabilities was mainly attributable to decline in lease liabilities which was repaid during the year ended 31 March 2022.

Since forth quarter of year 2022, various countries and cities have loosened the travelling restriction measures and cancelled the quarantine requirement, hopefully the global travel can be resumed to a certain level and stimulate the economic growth. The Directors are optimistic that the Group's catering business would improve in the year of 2023. Hence, the Group intends to expand its business by setting up new restaurants that offer different style of cuisines rather than only focusing on Japanese Ramen.

The management will keep on monitor the market development and to react in a timely basis. Meanwhile, the Group will be endeavoring to enhance the quality of the food and providing excellent services to our customers. As the Group understands that throughout the good times or bad times, quality of food and service matter to our customers. The Group will also proactively seek potential business opportunities or cooperation with different potential parties to broaden the sources of income and bringing better return on investment for the Shareholders.

As at present, save for the Rights Issue, the Board has no intention or plan to conduct other equity fund raising activities in the next 12 months. However, if the net proceeds from the Rights Issue cannot satisfy the Group's future funding needs for operation and development of its business or other investment opportunities, the Board does not rule out the possibility that the Company may conduct other equity fund raising activity if needed. The Company will make further announcement in accordance with the GEM Listing Rules as and when appropriate.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors of the Company in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”), with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and on the basis of the notes set out below for the purpose of illustrating the effects of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 September 2022.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the unaudited consolidated net tangible assets of the Group attributable to owners of the Company had the Rights Issue been completed as at 30 September 2022 or at any future date.

The following Unaudited Pro Forma Financial Information of the adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited condensed consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022, extracted from the published interim report of the Group for the six months ended 30 September 2022, with adjustment described below:

				Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per Share immediately after completion of the Rights Issue <i>(Note 4)</i>
	Unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2022 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 September 2022 <i>HK\$'000</i>	Unaudited consolidated net tangible assets attributable to owners of the Company per Share before the completion of the Rights Issue <i>HK\$</i> <i>(Note 3)</i>
Based on 137,500,000 Rights Shares at subscription price of HK\$0.3 per Rights Share	5,977	39,759	45,736	0.1087
	<u>5,977</u>	<u>39,759</u>	<u>45,736</u>	<u>0.1087</u>
				<u>0.2376</u>

Notes:

- (1) The unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2022 has been extracted from the published interim report of the Company for the six months ended 30 September 2022.

- (2) The estimated net proceeds from the Rights Issue is approximately HK\$39,759,000 are based on 137,500,000 Rights Shares to be issued at subscription price of HK\$0.3 per Rights Share and after deducting estimated related expenses payable by the Company, including among others, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$1,491,000.
- (3) The unaudited consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Rights Issue is determined based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2022 of approximately HK\$5,977,000 as disclosed in note 1 above, divided by 55,000,000 Shares of the Company in issue as at the Latest Practicable Date.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share immediately after completion of the Rights Issue of approximately HK\$0.24 is determined based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue, which is arrived at after aggregating the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$5,977,000 and the estimated net proceed of approximately HK\$39,759,000 from the Rights Issue (note 2 above) divided by 192,500,000 Shares which comprise 55,000,000 Shares in issue before completion of the Rights Issue and 137,500,000 Rights Shares (assuming no new Shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after completion of the Rights Issue.
- (5) No adjustment has been made to reflect any trading results or other transactions of the Group subsequent to 30 September 2022.

Set out below is the text of a letter received from D & Partners CPA Limited, the independent reporting accountants of the Company, to the Board of Directors in respect of the Rights Issue for the purpose of inclusion in this Circular.

**INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

To the Directors of Tasty Concepts Holding Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Tasty Concepts Holding Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2022, and related notes as set out in Appendix II to the circular dated 28 February 2023 issued by the Company (the “**Pro Forma Financial Information**”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed issue of 137,500,000 right shares (“**Rights Share**”) at the subscription price of HK\$0.3 per Rights Share (“**Subscription Price**”) on the basis of five Rights Shares for every two existing share held on the record date (the “**Rights Issue**”) on the Group’s net tangible assets as at 30 September 2022 as if the Rights Issue had taken place at 30 September 2022. As part of this process, information about the Group’s net tangible assets has been extracted by the Directors from the Group’s financial statements for the six months ended 30 September 2022, on which an interim report had been published.

Directors’ responsibility for the Pro Forma Financial Information

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

Our independence and quality control

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

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

Reporting accountants' responsibilities

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

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

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

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 would have been as presented.

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

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,

D & PARTNERS CPA LIMITED

Certified Public Accountants

Hong Kong, 28 February 2023

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL AND OPTIONS

(a) Share capital

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to completion of the Rights Issue and full acceptance of the Rights Shares, the authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately following completion of the Rights Issue will be, as follows:

(I) As at the Latest Practicable Date

	Number of Shares '000	Nominal value of ordinary Shares HK\$'000
Authorised:		
Ordinary Shares of HK\$0.1 each	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary Shares of HK\$0.1 each	<u>55,000</u>	<u>5,500</u>

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

	Number of Shares '000	Nominal value of ordinary Shares HK\$'000
Authorised:		
Ordinary Shares of HK\$0.1 each	<u>1,000,000</u>	<u>100,000</u>
Issued and fully paid:		
Ordinary Shares of HK\$0.1 each	55,000	5,500
Rights Shares to be issued pursuant to the Rights Issue of HK\$0.1 each	<u>137,500</u>	<u>13,750</u>
Ordinary Shares in issue immediately after completion of the Rights Issue	<u><u>192,500</u></u>	<u><u>19,250</u></u>

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

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

(b) Share Options

As at the Latest Practicable Date, the Company did not have any options, warrants or other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option as at the Latest Practicable Date.

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

3. DISCLOSURE OF INTERESTS

Director's and chief executive's interests in the Company

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

Long position in the shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/interested in	Approximate percentage of shareholding
Mr. Tang Chun Ho Chandler ("Mr. C Tang")	Interested in a controlled corporation	3,001,000 (Note 1)	5.46%

Note:

1. Brilliant Trade Enterprises Limited ("**Brilliant Trade**") is owned as to 35% by Mr. C Tang, whom by virtue of the SFO is deemed to be interested in 5.46% of the issued share capital of the Company in which Brilliant Trade is interested in.

Long position in shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Tang Chun Ho Chandler	Brilliant Trade	Beneficial owner	35	35

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

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, the following persons/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Long position in the shares

Name	Capacity/Nature of interest	Number of shares held/interested	Percentage of shareholding
Brilliant Trade	Beneficial owner	3,001,000	5.46%
Mr. Tang Hing Chee (Note 1)	Interested in a controlled corporation	3,001,000	5.46%
Ms. Tai Shiu Bun Mariana (Note 2)	Interest of spouse	3,001,000	5.46%
Ms. Lee Wai Yu Giselle (Note 3)	Interest of spouse	3,001,000	5.46%

Notes:

- (1) Brilliant Trade was 35%, 35%, 15% and 15% owned by Mr. C Tang, Mr. Tang Hing Chee (“**Mr. HC Tang**”), father of Mr. C Tang, Ms. Tai Shiu Bun Mariana, mother of Mr. C Tang, and Ms. Tang Wing Shan Ariel, sister of Mr. C Tang.
- (2) Ms. Tai Shiu Bun Mariana is the spouse of Mr. HC Tang. Accordingly, Ms. Tai Shiu Bun Mariana is deemed, or taken to be, interested in the shares in which Mr. HC Tang is interested for the purpose of the SFO.
- (3) Ms. Lee Wai Yu Giselle is the spouse of Mr. C Tang. Accordingly, Ms. Lee Wai Yu Giselle is deemed, or taken to be, interested in the shares in which Mr. C Tang is interested for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “Other information – Directors’ and chief executives’ interests and short positions in shares, underlying shares and debentures” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

4. DIRECTORS’ INTERESTS IN CONTRACT AND ASSET

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

5. DIRECTORS’ SERVICE CONTRACTS

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

6. COMPETING INTEREST

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

7. MATERIAL LITIGATION

As disclosed in the 2022 annual report of the Company, the Group has been served a number of claims as result of arrears rent and related expenses. These claims are legal proceedings and the outcomes might have a significant impact on the continuity of the Group and the Company.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. MATERIAL CONTRACTS

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

- (i) the Placing Agreement
- (ii) the supplemental placing agreement dated 3 February 2023

9. EXPERTS AND CONSENTS

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

Name	Qualification
D & Partners CPA Limited	Certified Public Accountant
Vinco Financial Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, none of the experts had 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.

As at the Latest Practicable Date, none of the Experts had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited accounts of the Company were made up.

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

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Executive Directors	Mr. Tang Chun Ho Chandler Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
	Ms. Sung Kwan Wun Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
Independent non-executive Directors	Mr. Lee Koon Tak Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
	Mr. Ho Lai Chuen Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
	Ms. So Siu Ying Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
Authorised representatives	Mr. Tang Chun Ho Chandler Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
	Ms. Wong Tsz Yan Pinky Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
Company secretary	Ms. Wong Tsz Yan Pinky Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong

Registered office	Windward 3, Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Principal place of business in Hong Kong	Room 206, 2/F, Seaview Centre 139-141 Hoi Bun Road, Kwun Tong Kowloon, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Ocorian Trust (Cayman) Limited Windward 3, Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Branch share registrar and transfer office in Hong Kong	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
Auditor	D & PARTNERS CPA LIMITED <i>Certified Public Accountants</i> Room 2201, 22/F, West Exchange Tower 322 Des Voeux Road Central Sheung Wan Hong Kong
Stock code	8096
Company's website	www.butaoamen.com
Placing Agent to the Company	China Prospect Securities Limited Unit 2303, 23/F The Center 99 Queen's Road Central Hong Kong

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Vinco Financial Limited Unit 2602, 26/F The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Company as to Hong Kong laws	TANG TSO & LAU Solicitors Room 209, 2/F, China Insurance Group Building, 141 Des Voeux Road Central Hong Kong

11. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Mr. Tang Chun Ho Chandler, aged 37, is the founder, executive Director, Chairman and Chief Executive Officer of the Group. He was appointed as the Director on 23 July 2018 and re-designated as the executive Director on 28 August 2018. He was appointed as the Chief Executive Officer and the Chairman of the Board on 28 August 2018 and 1 February 2022, respectively. He is also the chairman of the nomination committee and a member of the remuneration committee of the Company. He has provided the Group with leadership, vision for the expansion of the business, marketing and public relations strategies. He has over 11 years of experience in the Japanese ramen restaurant industry gained from the operation of the Group.

Ms. Sung Kwan Wun, aged 56, was appointed as the executive Director on 1 February 2022. She is responsible for formulating business strategy of the Group. She held management positions in several trading companies and was responsible for regional marketing strategy and internal staff training. Ms. Sung has extensive knowledge in corporate operation management, and in marketing in the PRC and Europe.

Independent non-executive Directors

Mr. Lee Koon Tak, aged 51, was appointed as the independent non-executive Director on 21 February 2019. He is also the chairman of the audit committee and a member of each of the remuneration committee and nomination committee of the Company. He has over 23 years of experience in accounting and finance. He has been a fellow member of The Association of Chartered Certified Accountants Hong Kong since July 2001 and a member of the Hong Kong Institute of Certified Public Accountants since April 1997.

Mr. Ho Lai Chuen, aged 67, was appointed as the independent non-executive Director on 21 February 2019. He is also the chairman of the remuneration committee and a member of each of the audit committee and nomination committee of the Company. He has over 33 years of experience in the production and broadcasting industry.

Ms. So, aged 64, was appointed as the independent non-executive Director on 31 August 2022. She is also a member of the audit committee of the Company. She has over 35 years of experience in catering services and has held management positions in a number of restaurants. She has extensive knowledge in the operation and management of restaurants.

Audit committee

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Ms. So Siu Ying. Mr. Lee Koon Tak is the chairman of the Audit Committee. The primary duties of the audit committee include, among others, to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and handling any questions of their resignation or dismissal of that auditor, to review the Group’s financial statements and the annual, interim and quarterly financial reports, to review the Group’s financial and accounting policies and practices and to review the Group’s financial controls, and risk management and internal control system.

Company Secretary

Ms. Wong Tsz Yan Pinky, aged 34, was appointed as a company secretary of the Company on 31 August 2022. She is a member of the Hong Kong Institute of Certified Public Accountants. Since March 2016, she has been the company secretary of KPM Holding Limited (stock code: 8027), a company listed on the GEM of the Stock Exchange.

12. EXPENSES

The expenses in connection with the Rights Issue and the Placing Arrangement, including professional fees, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.5 million in maximum, and are payable by the Company.

13. MISCELLANEOUS

- (i) The compliance officer of the Company is Mr. Tang Chun Ho Chandler, who is also the chief executive officer of the Company and chairman of the Board.
- (ii) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.

- (iii) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities.
- (iv) As at the Latest Practicable Date, save as disclosed elsewhere in this circular, there was no material contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group's business.
- (v) The English text of this circular and the accompanying form of proxy shall prevail over the respective Chinese text in the case of inconsistency.

14. DOCUMENTS ON DISPLAY

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

- (i) the annual reports of the Company for the three (3) years ended 31 March 2020, 2021 and 2022;
- (ii) the interim report of the Company for the six (6) months ended 30 September 2022;
- (iii) the letter from the Board, the text of which is set out on pages 6 to 29 of this circular;
- (iv) the letter from the Independent Board Committee, the text of which is set out on page 30 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 56 of this circular;
- (vi) the letter issued by the independent reporting accountants regarding the unaudited pro forma financial information of the Company as set out in appendix II of this circular;
- (vii) the written consents referred to in the paragraph headed "9. Experts and Consents" in this appendix; and
- (viii) the material contracts referred to in the paragraph headed "8. Material contracts" in this appendix.

NOTICE OF EGM



TASTY CONCEPTS HOLDING LIMITED 賞之味控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of Tasty Concepts Holding Limited (the “**Company**”) will be held at Portion 2, 12/F, The Center, 99 Queen’s Road Central, Central, Hong Kong on Monday, 20 March 2023 at 3:00 p.m. to consider and, if thought fit, to pass with or without amendments the following ordinary resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 28 February 2023 (the “**Circular**”)):

ORDINARY RESOLUTIONS

1. “**THAT** conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant and not having revoked the listing of and permission to deal in the Rights Shares (as defined below):
 - (a) the issue by way of rights (the “**Rights Issue**”) of no more than 137,500,000 new Shares of HK\$0.10 each (“**Rights Shares**” and each a “**Rights Share**”) at the subscription price of HK\$0.30 per Rights Share on the basis of five (5) Rights Shares for every two (2) shares of the Company held by the shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company as at the close of business on Thursday, 30 March 2023 (or such other date as may be determined by the directors of the Company (the “**Directors**”) (the “**Record Date**”) other than those shareholders (the “**Excluded Shareholders**”) of the Company whose addresses as shown on the register of members of the Company are outside Hong Kong, whom the Directors, based on legal advice provided by legal advisers in the relevant jurisdictions, consider it necessary or expedient to exclude from the Rights Issue, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, and substantially on the terms and conditions set out in the Circular (a copy of which marked “A” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

NOTICE OF EGM

- (b) the placing agreement dated 23 September 2022 (as amended and supplemented by a supplemental placing agreement dated 3 February 2023) entered into between the Company and China Prospect Securities Limited (“**Placing Agreement**”) in relation to the placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis (a copy of the Placing Agreement marked “B” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (c) the board of Directors (the “**Board**”) or a committee thereof be and is/are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (d) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

Yours faithfully

For and on behalf of the Board of
Tasty Concepts Holding Limited
Tang Chun Ho Chandler
Chairman and Executive Director

Hong Kong, 28 February 2023

Notes:

- (i) Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a shareholder of the Company.
- (ii) For the purpose of determining the entitlement of any shareholder of the Company to attend and vote at the meeting, the register of members of the Company will be closed from Tuesday, 14 March 2023 to Monday, 20 March 2023 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, by 4:30 p.m. on Monday, 13 March 2023.

NOTICE OF EGM

- (iii) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- (iv) In order to be valid, the proxy form, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the proxy form will not preclude members from attending and voting in person at the meeting.
- (v) The Meeting is expected to last for less than half a day. Members (in person or by proxy) attending the Meeting are responsible for their own transportation and accommodation expenses. Members or their proxies attending the Meeting shall present their identity certifications.
- (vi) If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the EGM, the EGM will be postponed. The Company will post an announcement on the websites of the Company at www.butaoramen.com and the GEM at www.hkgem.com to notify Shareholders of the date, time and place of the rescheduled meeting.
- (vii) Any voting at the meeting shall be taken by poll.

As at the date of this notice, the Board comprises Mr. Tang Chun Ho Chandler and Ms. Sung Kwan Wun as executive Directors; Mr. Ho Lai Chuen, Mr. Lee Koon Tak and Ms. So Siu Ying as independent non-executive Directors.

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

This notice will remain on the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and will be published on the Company's website at www.butaoramen.com.