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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Classified Group (Holdings) Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Classified Group (Holdings) Limited.

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# Classified Group (Holdings) Limited

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

**(Stock Code: 8232)**

- (I) PROPOSED SHARE CONSOLIDATION;  
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2)  
CONSOLIDATED SHARES HELD ON RECORD DATE;  
(IV) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT;  
(V) APPLICATION FOR WHITEWASH WAIVER; AND  
(VI) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to the Company

**MESSIS 大有融資**

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



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

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

A letter from the Board is set out on pages 16 to 57 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 58 to 59 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 IFA-1 to IFA-48 of this circular.

A notice convening the EGM to be held at 2/F., Cheung Tak Industrial Building, 30 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong, at 9:30 a.m. on Tuesday, 5 September 2023 is set out on pages EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than (48) hours before the time appointed for holding the EGM, i.e. Sunday, 3 September 2023 at 9:30 a.m. (Hong Kong time), or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

It should be noted that the Underwriting Agreement contains provisions entitling the Underwriters by notice in writing to the Company served prior to 4:00 p.m. on Friday, 13 October 2023 to terminate the obligations of the Underwriters thereunder on the occurrence of certain events. Such events are set out in the section headed "Termination of the Underwriting Agreement" of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Rights Issue will not proceed.

18 August 2023

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## CHARACTERISTICS OF GEM

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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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## DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 6 July 2023 in relation to, among other things, the Rights Issue, the Share Consolidation, the Increase in Authorised Share Capital, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time in force
“Company”	Classified Group (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8232)
“Compensatory Arrangements”	the arrangements involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected persons”	has the meaning ascribed thereto under the GEM Listing Rules

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## DEFINITIONS

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“Consolidated Shares”	the ordinary share(s) of par value of HK\$0.2 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company for the time being
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Shares”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the Share Consolidation becoming effective
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$8,000,000 divided into 800,000,000 Existing Shares to HK\$40,000,000 divided into 4,000,000,000 Existing Shares (or 200,000,000 Consolidated Shares after the Share Consolidation becoming effective)
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors who have no direct or indirect interest in the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver, which has been established to advise the Independent Shareholders on the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	the Shareholder(s) other than: (i) the Underwriters and their respective associates; (ii) any parties acting in concert with each of the Underwriters; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; and (iv) those who are involved in or interested in the Rights Issue, the Placing Agreement, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriters and parties acting in concert with any of them
“Independent Third Party(ies)”	any individual(s) or company(ies) not being the connected persons (as defined under the GEM Listing Rules) of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associate(s)

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## DEFINITIONS

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“Irrevocable Undertakings”	the irrevocable undertakings executed by Wiltshire Global and Peyton Global in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertakings” in this circular
“Last Trading Day”	6 July 2023, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Announcement
“Latest Placing Time”	4:00 p.m. on Thursday, 12 October 2023, or such later date and time as the Company may announce, being the latest date and time for the Placing Agent to execute the Compensatory Arrangements
“Latest Practicable Date”	15 August 2023, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 4 October 2023 or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Friday, 13 October 2023 or such later time or date as may be agreed between the Company and the Underwriters in writing, which shall be the latest time for termination of the Underwriting Agreement
“Mr. Pong”	Mr. Pong Kin Yee, who is an executive Director, and the sole owner of Peyton Global as at the Latest Practicable Date
“Mr. Wong”	Mr. Wong Arnold Chi Chiu, who is the chairman of the Board and an executive Director, and the sole owner of Wiltshire Global as at the Latest Practicable Date

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## DEFINITIONS

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“Net Gain”	the aggregate of any premium being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any Nil-Paid Rights at the time such Nil-Paid Rights are lapsed, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue 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
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue



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## DEFINITIONS

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“Peyton Global”	Peyton Global Limited, a company incorporated in the British Virgin Islands, which is legal and beneficial owner of 68,000,000 Existing Shares as at the Latest Practicable Date and is wholly owned by Mr. Pong
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies) and not acting in concert with the Underwriters and their respective concert parties (including Mr. Wong and Mr. Pong) and/or any of the Company’s connected persons procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares by the Placing Agent to the Placees on the terms and subject to the conditions of the Placing Agreement under the Compensatory Arrangements
“Placing Agent”	Aristo Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 6 July 2023 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis (as supplemented by the Supplemental Placing Agreement)
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus (including any supplementary prospectus, if any) to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)

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## DEFINITIONS

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“Prospectus Posting Date”	Tuesday, 19 September 2023 or such other date as may be agreed in writing between the Company and the Underwriters, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders (or in case of Non-Qualifying Shareholder(s), the Prospectus only)
“Public Float Requirement”	the public float requirement under Rule 11.23 of the GEM Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Monday, 18 September 2023, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Announcement (i.e. 6 January 2023) and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of 33,450,000 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held at the close of business on the Record Date payable in full on acceptance
“Rights Shares”	up to 33,450,000 new Consolidated Shares to be allotted and issued under the Rights Issue
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the failure to comply with the Public Float Requirement on the part of the Company

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## DEFINITIONS

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“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares or transferees of the nil-paid Rights shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger non-compliance with the Public Float Requirement on the part of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the consolidation of every twenty (20) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.2 each
“Shareholder(s)”	holder(s) of the issued Share(s)
“Shareholders’ Loans”	the amount due from the Group to Mr. Wong and Mr. Pong from time to time, which amounted to approximately HK\$4.9 million and HK\$5.9 million respectively as at the Latest Practicable Date
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.426 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Supplemental Placing Agreement”	the supplemental agreement dated 25 July 2023 and entered into between the Company and the Placing Agent to amend certain terms of the Placing Agreement
“Supplemental Underwriting Agreement”	the supplemental agreement dated 25 July 2023 and entered into between the Company, the Underwriters, Mr. Wong and Mr. Pong to amend certain terms of the Underwriting Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers

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## DEFINITIONS

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“Underwriters”	Wiltshire Global and Peyton Global, each an “Underwriter”
“Underwriting Agreement”	the underwriting agreement dated 6 July 2023 and entered into between the Company, the Underwriters, Mr. Wong and Mr. Pong in relation to the Rights Issue (as supplemented by the Supplemental Underwriting Agreement)
“Underwritten Shares”	up to an aggregate of 25,249,500 Rights Shares to be underwritten by the Underwriters on fully underwritten basis pursuant to the terms and conditions of the Underwriting Agreement
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares
“Untaken Rights Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriters to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriters and parties acting in concert with them any of which would otherwise arise as a result of the taking up the Underwritten Shares
“Wiltshire Global”	Wiltshire Global Limited, a company incorporated in the British Virgin Islands, which is legal and beneficial owner of 41,340,000 Existing Shares as at the Latest Practicable Date and is wholly owned by Mr. Wong
“%”	per cent

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## EXPECTED TIMETABLE

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The expected timetable for the Share Consolidation and the Rights Issue set out below is indicative only and has been prepared on the assumption that the Share Consolidation, the Rights Issue, the Placing Agreement, the Underwriting Agreement, and the Whitewash Waiver will be approved by the Shareholders and the Independent Shareholders (as the case may be) respectively at the EGM. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

<b>Event</b>	<b>Time and Date (Hong Kong time)</b>
Latest time for lodging transfer of Shares in order to qualify for attending and voting at the EGM . . . . .	4:00 p.m. on Tuesday, 29 August 2023
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive) . . . . .	Wednesday, 30 August 2023 to Tuesday, 5 September 2023
Latest time for lodging proxy forms for the EGM . . . . .	9:30 a.m. on Sunday, 3 September 2023
Record date for attendance and voting at the EGM . . . . .	Tuesday, 5 September 2023
Date and time of the EGM . . . . .	9:30 a.m. on Tuesday, 5 September 2023
Announcement of the poll results of the EGM . . . . .	Tuesday, 5 September 2023
Register of members of the Company re-opens . . . . .	Wednesday, 6 September 2023
Effective date of the Share Consolidation . . . . .	Thursday, 7 September 2023
Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Thursday, 7 September 2023
Original counter for trading in Existing Shares in the board lot size of 5,000 Existing Shares (in the form of existing share certificates) temporarily closes . . . . .	9:00 a.m. on Thursday, 7 September 2023
Temporary counter for trading in the Consolidated Shares in the board lot size of 250 Consolidated Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Thursday, 7 September 2023

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## EXPECTED TIMETABLE

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Event	Time and Date (Hong Kong time)
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	Thursday, 7 September 2023
Last day of dealings in the Consolidated Shares on a cum-rights basis . . . . .	Thursday, 7 September 2023
First day of dealings in the Consolidated Shares on an ex-rights basis . . . . .	Friday, 8 September 2023
Latest time for lodging transfer of Consolidated Shares in order to qualify for the Rights Issue . . . . .	4:00 p.m. on Monday, 11 September 2023
Register of members of the Company closes for determining entitlements to the Rights Issue (both days inclusive) . . . . .	Tuesday, 12 September 2023 to Monday, 18 September 2023
Record Date for determining entitlements to the Rights Issue . . . .	Monday, 18 September 2023
Register of members of the Company re-opens . . . . .	Tuesday, 19 September 2023
Despatch of the Prospectus Documents to the Qualifying Shareholders (in the case of the Non-Qualifying Shareholders, the Prospectus only) . . . . .	Tuesday, 19 September 2023
First day of dealings in nil-paid Rights Shares . . . . .	Thursday, 21 September 2023
Original counter for trading in the Consolidated Shares in the board lot size of 5,000 Consolidated Shares (in the form of new share certificates) reopens . . . . .	9:00 a.m. on Thursday, 21 September 2023
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences . . . . .	9:00 a.m. on Thursday, 21 September 2023
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . .	9:00 a.m. on Thursday, 21 September 2023

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## EXPECTED TIMETABLE

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Event	Time and Date (Hong Kong time)
Latest time for splitting of the PAL(s) . . . . .	4:00 p.m. on Monday, 25 September 2023
Last day of dealings in nil-paid Rights Shares . . . . .	Thursday, 28 September 2023
Latest Time for Acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Wednesday, 4 October 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain . . . . .	4:00 p.m. on Wednesday, 4 October 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements . . . . .	Monday, 9 October 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent . . . . .	Tuesday, 10 October 2023
Latest time of placing of Unsubscribed Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Thursday, 12 October 2023
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares . . . . .	4:00 p.m. on Thursday, 12 October 2023
Temporary counter for trading in the Consolidated Shares in the board lot size of 250 Consolidated Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Thursday, 12 October 2023
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends . . . . .	4:10 p.m. on Thursday, 12 October 2023
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Friday, 13 October 2023

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## EXPECTED TIMETABLE

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<b>Event</b>	<b>Time and Date (Hong Kong time)</b>
Latest time for free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	4:00 p.m. on Monday, 16 October 2023
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares by the Placing Agent and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements) . . . . .	Friday, 20 October 2023
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any . . . . .	Tuesday, 24 October 2023
Commencement of dealings in the fully-paid Rights Shares . . . . .	9:00 a.m. on Wednesday, 25 October 2023
Payment of Net Gain to relevant No Action Shareholders (if any) . . . . .	Wednesday, 8 November 2023



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## EXPECTED TIMETABLE

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

Whenever any part of the expected timetable of the Rights Issue as enlisted in the provisions of the Underwriting Agreement may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same Business Day; or
- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended 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 or before 4:00 p.m. on Wednesday, 4 October 2023, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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Each of the Underwriters may in its absolute discretion terminate the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination, if at or prior to such time:

- (A) such Underwriter becomes aware of the fact that there shall develop, occur, exist or come into effect:
  - (i) any new law or regulation or any change in existing laws or regulations in Hong Kong (being the place in which the Company conducts or carry on business) or the Cayman Islands (being the place of incorporation of the Company); or
  - (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions; or
  - (iii) any significant change (whether or not permanent) in local, national or international securities market conditions (any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise) or exchange controls; or
  - (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out,

and in the reasonable opinion of such Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

- (B) there comes to the notice of such Underwriter that the Company has committed any breach of or omits to observe any of its obligations or undertakings under the Underwriting Agreement, and such breach or omission would have a material and adverse effect of the business, financial or trading position or prospect of the Company or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

**If any of the Underwriters terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by any of the Underwriters.**

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## LETTER FROM THE BOARD

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# Classified Group (Holdings) Limited

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

**(Stock Code: 8232)**

*Executive Directors:*

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. PONG Kin Yee

Mr. LI Kai Leung

*Independent Non-executive Directors:*

Dr. CHAN Kin Keung Eugene

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu Matthew

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Headquarters and principal place  
of business in Hong Kong:*

2/F., Cheung Tak Industrial Building,

30 Wong Chuk Hang Road,

Wong Chuk Hang,

Hong Kong

18 August 2023

*To the Shareholders*

Dear Sir or Madam,

- (I) PROPOSED SHARE CONSOLIDATION;  
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2)  
CONSOLIDATED SHARES HELD ON RECORD DATE;  
(IV) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT;  
(V) APPLICATION FOR WHITEWASH WAIVER; AND  
(VI) NOTICE OF EXTRAORDINARY GENERAL MEETING**

### INTRODUCTION

References are made to the Announcement in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with among other things, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the EGM.

### **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.2 each. As at the Latest Practicable Date, there are 446,000,000 Existing Shares in issue. As none of the Shareholders or their respective associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

### **Effects of the Share Consolidation**

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$8,000,000 divided into 800,000,000 Existing Shares of par value of HK\$0.01 each, of which 446,000,000 Existing Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and assuming that no further Existing Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become HK\$8,000,000 divided into 40,000,000 Consolidated Shares of par value of HK\$0.2 each, of which 22,300,000 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

Other than the expenses incurred and to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares will not be allocated to the Shareholders who may otherwise be entitled.

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## LETTER FROM THE BOARD

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### Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

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

As at the Latest Practicable Date, no procedures and requirements under the applicable laws of the Cayman Islands are required to be complied with to give effect to the Share Consolidation. Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Thursday, 7 September 2023, being the second Business Day after the fulfilment of the above conditions.

### Application for listing of the Consolidated Shares

An application has been made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second 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. All necessary arrangements will be made by the Company for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

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## LETTER FROM THE BOARD

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### **Fractional entitlement to the Consolidated Shares**

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of existing share certificates held by such holder.

### **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Thursday, 7 September 2023 to Monday, 16 October 2023 (both days inclusive), submit share certificates for Existing Shares to Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

Thereafter, share certificates for Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may be allowed by the Stock Exchange from time to time) by the Shareholders for each share certificate for Existing Shares cancelled or each new share certificate issued for Consolidated Shares, whichever number of share certificates cancelled/ issued is higher.

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Thursday, 12 October 2023, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of twenty (20) Existing Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in yellow colour in order to distinguish them from the share certificates for the Existing Shares which are in red colour.

### **Other securities of the Company**

The Company has adopted a share option scheme on 14 June 2016 ("**Share Option Scheme**") for the primary purpose of providing incentives to eligible participants for their contributions to the Group. Upon the Share Consolidation becoming effective, the maximum number of Consolidated Shares in respect of the options which the Company may grant under the Share Option Scheme is 2,000,000 Consolidated Shares. As at the Latest Practicable Date, there is no outstanding share option under the Share Option Scheme, and the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

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## LETTER FROM THE BOARD

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### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Holders of the Consolidated Shares in odd lots represented by valid share certificates for the Consolidated Shares who wish to take advantage of this facility either to dispose of their odd lots of the Consolidated Shares or to top up their odd lots to a full new board lot, may directly or through their brokers, contact Mr. Hunda Yuen of Aristo Securities Limited at (852) 3622 1129 during the period from 9:00 a.m. on Thursday, 21 September 2023 to 4:00 p.m. on Thursday, 12 October 2023 (both days inclusive). Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

### **REASONS FOR THE SHARE CONSOLIDATION**

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by Hong Kong Exchanges and Clearing Limited (the “**Guide on Trading Arrangements**”) has further stated that (i) the market price of the Existing Shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000. The trading price of the Existing Shares has remained below HK\$0.1 per Existing Share since November 2019, and the closing price of the Existing Shares as at the Last Trading Day was HK\$0.0250 per Existing Share. The value of each existing board lot of 5,000 Existing Shares was HK\$125, which was less than HK\$2,000. Based on the above, the Board resolved to propose the Share Consolidation, which will result in HK\$0.50 per Consolidated Share and value per board lot of HK\$2,500 based on the closing price of the Existing Shares as at the Last Trading Day with the view to complying with the trading requirements under the GEM Listing Rules and in line with the Guide on Trading Arrangements.

The Directors consider that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. Furthermore, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade.

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## LETTER FROM THE BOARD

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In addition, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level which will increase the attractiveness of investing the Consolidated Shares from a broader range of institutional and professional investors and thus would help to further broaden the shareholder base of the Company and improve the value of the Consolidated Shares in the long run.

The Company has considered different alternative ratios for the Share Consolidation. Taking into account (i) the reasons for the Rights Issue and the use of proceeds as set out in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this circular; and (ii) the Guide on Trading Arrangements as mentioned above, the Company considered the current Share Consolidation ratio to be appropriate and in line with the guideline. If the ratio of the share consolidation is set to a lower ratio, such as 10 to 1, the value per board lot of Shares will remain under \$2,000. If the ratio of the share consolidation is set to a higher ratio, it may create more fractional Consolidated Shares, which will be disregarded and will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company. Therefore, the Company considered to adopt the consolidation ratio of 20 to 1 is in compliance with all the applicable GEM Listing Rules and in line with the Guide on Trading Arrangements, and minimises the impact of fractional Consolidated Shares on the Shareholders.

As at the Latest Practicable Date, other than the proposed Rights Issue, the Company does not have plans regarding any other fundraising/corporate actions in the coming 12 months.

In view of the above reasons, the Company considers the Share Consolidation (including the ratio of Share Consolidation) is justifiable notwithstanding the potential costs and impact arising from the creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

### **PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

The Board proposes to increase the authorised share capital of the Company from HK\$8,000,000 divided into 800,000,000 Existing Shares to HK\$40,000,000 divided into 4,000,000,000 Existing Shares (or 200,000,000 Consolidated Shares upon the Share Consolidation becoming effective). Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

In order to facilitate the Rights Issue, accommodate the future growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board considers the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### PROPOSED RIGHTS ISSUE

Subject to, among other things, the Share Consolidation and the Increase in Authorised Share Capital having become effective, the Board proposes to implement the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date at the Subscription Price of HK\$0.426 per Rights Share, to raise gross proceeds of approximately HK\$14.25 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), by way of issuing 33,450,000 Rights Shares.

The estimated net proceeds from the Rights Issue after deducting all necessary expenses will be approximately HK\$12.75 million by issuing 33,450,000 Rights Shares (assuming (i) full acceptance by the Qualifying Shareholders under the Rights Issue; and (ii) no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date).

The principal terms of the Rights Issue are set out below:

#### **Rights Issue Statistics**

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.426 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated expenses incurred in relation to the Rights Issue)	:	Approximately HK\$0.380 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	446,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	22,300,000 Consolidated Shares
Number of Rights Shares to be issued	:	Up to 33,450,000 Rights Shares (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)

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## LETTER FROM THE BOARD

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Total number of Consolidated Shares in issue upon completion of the Rights Issue	:	Up to 55,750,000 Shares (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)
Gross proceeds from the Rights Issue (before deducting the relevant expenses)	:	Up to approximately HK\$14.25 million (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)
Net proceeds from the Rights Issue (after deducting the estimated relevant expenses)	:	Up to approximately HK\$12.75 million (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)
Right of excess applications	:	As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue
Underwriters and number of underwritten Rights Shares	:	Pursuant to the Underwriting Agreement, Wiltshire Global and Peyton Global have conditionally agreed to underwrite, pro rata to their respective shareholding in the Company as at the date of the Underwriting Agreement, on fully underwritten basis, up to an aggregate of 25,249,500 Rights Shares (of which up to 9,546,500 Rights Shares and 15,703,000 Rights Shares will be underwritten by Wiltshire Global and Peyton Global respectively, assuming no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement

Assuming no changes in the number of issues Shares of the Company save for the Share Consolidation on or before the Record Date, the 33,450,000 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 150% of the total number of Consolidated Shares in issue upon the Share Consolidation becoming effective; (ii) 60% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

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## LETTER FROM THE BOARD

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### Subscription Price

The Subscription Price is HK\$0.426 per Rights Share, which is payable in full upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of Nil-Paid Rights applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 7.4% to the adjusted closing price of approximately HK\$0.46 per Consolidated Share based on the closing price of HK\$0.0230 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 15.0% to the adjusted closing price of approximately HK\$0.50 per Consolidated Share based on the closing price of HK\$0.0250 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 15.0% to the adjusted average closing prices of approximately HK\$0.50 per Consolidated Share based on the average closing price of approximately HK\$0.0250 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 15.0% to the adjusted average closing prices of approximately HK\$0.50 per Consolidated Share based on the average closing price of approximately HK\$0.0250 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (v) a discount of approximately 17.1% to the adjusted average closing prices of approximately HK\$0.514 per Consolidated Share based on the average closing price of approximately HK\$0.0257 per Existing Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (vi) a discount of approximately 6.6% to the theoretical ex-entitlement price of approximately HK\$0.456 per Consolidated Share based on the closing price of approximately HK\$0.025 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation;

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## LETTER FROM THE BOARD

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- (vii) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 8.8%, represented by the theoretical diluted price of approximately HK\$0.456 per Consolidated Share to the benchmarked price of approximately HK\$0.50 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (viii) a discount of approximately 53.3% to the adjusted audited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.913 per Consolidated Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$20,359,000 as at 31 December 2022 as set out in the annual report of the Company for the year ended 31 December 2022 by the number of Shares as at the Latest Practicable Date after adjusted for the effect of the Share Consolidation; and
- (ix) a discount of approximately 49.2% to the adjusted unaudited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.839 per Consolidated Share, which is calculated by dividing the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$18,718,000 as at 30 June 2023 as set out in the unaudited management accounts of the Company for the six months ended 30 June 2023 by the number of Existing Shares as at the Latest Practicable Date after adjusted for the effect of the Share Consolidation.

The Subscription Price was determined with reference to and having considered (i) the closing price of HK\$0.025 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; (ii) the current financial position of the Group; and (iii) the reasons for the Rights Issue and the use of proceeds as set out in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this circular.

In determining the Subscription Price, which represents a discount of approximately 15.0% to the adjusted closing price of approximately HK \$0.50 per Consolidated Share based on the closing price of HK\$0.0250 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation, the Directors have considered, including but not limited to, (i) the historical adjusted closing prices per Consolidated Share since 31 December 2022 were in a general downtrend, as the average adjusted closing prices per Consolidated Share for (a) the last 30 consecutive trading days up to and including the Last Trading Day; (b) the last 60 consecutive trading days up to and including the Last Trading Day; and (c) the period from 1 January 2023 up to and including the Last Trading Day were HK\$0.514, HK\$0.564 and HK\$0.698 per Consolidated Share, respectively; (ii) the Company has recorded a net loss of approximately HK\$16.39 million, HK\$16.55 million and

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## LETTER FROM THE BOARD

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HK\$20.39 million for the year ended 31 December 2020, 2021 and 2022, respectively and its bank balances and cash was approximately HK\$1.7 million as at 31 December 2022, which makes it necessary for the Company to conduct fund raising activities to improve working capital for business operation; (iii) all Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment under the Rights Issue; and (iv) the Subscription Price represents a discount to the recent closing prices and to the consolidated net asset value per Consolidated Share attributable to the Shareholders adjusted for the effect of the Share Consolidation as set out above, which would encourage the Qualifying Shareholders to participate in the Rights Issue, which in turn allow them to maintain their shareholdings in the Company, thereby minimising the dilution impact of their shareholdings in the Company, and allow them to participate in the future growth and development of the Group.

After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this circular, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) 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.

### **Subscription Rate**

The subscription rate (i.e. three (3) Rights Shares for every two (2) Consolidated Shares) was determined based on (i) estimated net proceeds from the Rights Issue after deducting all necessary expenses of approximately HK\$12.75 million that the Company proposes to raise; (ii) the reasons for the Rights Issue as disclosed in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this circular; (iii) the effect of Share Consolidation together with the factors considered by the Company as set out in the section headed “Reasons for the Share Consolidation” in this circular; and (iv) the Subscription Price and the factors considered in determining the Subscription Price as set out in the section headed “Subscription Price” in this circular.

### **Conditions Precedent**

Please refer to the sub-section headed “Conditions Precedent of the Rights Issue and the Underwriting Agreement” in the section headed “The Underwriting Agreement” for the conditions precedent of the Rights Issue.

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## LETTER FROM THE BOARD

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### Status of the Rights Shares

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

### Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders. The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, despatch the Prospectus (without the PAL) to the Non-Qualifying Shareholders (if any) for their information only.

To qualify for the Rights Issue, a Shareholder:

- (i) must be registered as a member of the Company at the close of business on the Record Date; and
- (ii) is not a Non-Qualifying Shareholder.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

In order to be registered as members of the Company prior to the close of business on the Record Date so as to qualify for the Rights Issue, any transfer of Shares (together with the relevant share certificates) must be lodged with Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Monday, 11 September 2023.

It is expected that the last day of dealing in the Consolidated Shares on a cum-rights basis is Thursday, 7 September 2023 and the Consolidated Shares will be dealt with on an ex-rights basis from Friday, 8 September 2023. The Latest Time for Acceptance of and payment for the Rights Shares is expected to be at 4:00 p.m. on Wednesday, 4 October 2023.

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## LETTER FROM THE BOARD

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

### **Closure of register of members**

The register of members of the Company will be closed from Wednesday, 30 August 2023 to Tuesday, 5 September 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Tuesday, 12 September 2023 to Monday, 18 September 2023 (both days inclusive) for determining the entitlements to the Rights Issue.

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

### **Rights of Overseas Shareholders (if any)**

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory body(ies) or stock exchange(s). If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any 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 overseas regulatory body(ies) or stock exchange(s) in such place(s), no provisional allotment of the Nil-Paid Rights or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders (if any) from the Rights Issue will be set out in the Prospectus to be issued. As at the Latest Practicable Date, there were 4 Overseas Shareholders with registered addresses situated in the PRC, holding a total of 205,000 Existing Shares, representing approximately 0.04% of the total issued Shares of the Company.

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## LETTER FROM THE BOARD

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Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. If the proceeds from each such sale, less expenses, are more than HK\$100, the excess will be paid on pro-rata basis to the relevant Non-Qualifying Shareholders. The Company will retain individual amounts of HK\$100 or less for its own benefit to cover the administrative costs that it would have incurred. Any unsold entitlements of Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders will be offered for subscription by the Placing Agent to the Placees under the Placing and, if not successfully placed out, will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

**Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. The Company reserves the right to treat as invalid any acceptance of or applications for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.**

### **Basis of provisional allotments**

The Rights Shares will be allotted on the basis of three (3) Rights Shares for every two (2) Consolidated Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the 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. Any holdings (or balance of holdings) of less than two (2) Consolidated Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements to the Rights Shares" below.

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

The Company will not provisionally allot and will not accept application for any fractions of the Rights Shares. All fractions of the Rights Shares will be aggregated and rounded down to the nearest whole number. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be offered for subscription by the Placing Agent to the Placees under the Placing and, if not successfully placed out, will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.



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## LETTER FROM THE BOARD

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### **Share certificates of the Rights Shares and refund cheques for the Rights Issue**

Subject to fulfilment of the conditions precedent of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Tuesday, 24 October 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, or if the Rights Issue is otherwise terminated, refund cheques will be posted on or before Tuesday, 24 October 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

### **Scale-down of subscriptions to avoid the triggering of non-compliance with Public Float Requirement**

To avoid the unwitting triggering of non-compliance of Public Float Requirements, all applications for Rights Shares whether under the PAL(s), or by transferees of nil-paid Rights Shares, or by the Underwriters will be made on the basis that the applications are to be scaled-down by the Company to a level which does not result in the non-compliance of the Public Float Requirement on the part of the Company. Any subscription monies for the Scale-down PAL Shares will be refunded to the applicants, and the Scale-down PAL Shares will be offered for subscription by the Placing Agent to the Placees under the Placing and, if not successfully placed out, will be taken up by the Underwriters to the extent Public Float Requirements are satisfied, pursuant to the terms of the Underwriting Agreement.

In addition, under and/or pursuant to the Scaling-down, any application for Rights Shares shall be subject to the scale-down mechanisms of the Rights Issue as determined by the Company to levels which do not trigger any non-compliance of Public Float Requirement. Such scale-down of applications of Rights Shares shall operate on a fair and equitable basis under the following principle that where the scale-down is necessitated by the exceeding of shareholding by a group of Qualifying Shareholders rather than an individual Qualifying Shareholder, the allocations of PAL(s) to members of the affected group should be made on a pro rata basis by reference to the number of Shares held by the affected applicants on the Record Date, but for the avoidance of any doubt, any or any such onward allocation(s) shall be subject to the Scaling-down as well.

The Underwriters shall use all reasonable endeavours to ensure that Public Float Requirements are complied with upon completion of the Rights Issue.

### **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid 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 (in both nil-paid and fully-paid forms).

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## LETTER FROM THE BOARD

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### **Application for listing**

The Company will make an application 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 Rights Shares will be traded in the board lots of 5,000 Rights Shares. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and the permission to deal in, the 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 if they are in any doubt. 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.

### **The Irrevocable Undertakings**

As at the Latest Practicable Date, Wiltshire Global (which is wholly-owned by Mr. Wong) and Peyton Global (which is wholly-owned by Mr. Pong) are interested in 41,340,000 Existing Shares and 68,000,000 Existing Shares, which represent approximately 9.27% and 15.25% of the issued Existing Shares respectively. Pursuant to the Irrevocable Undertakings, (i) Wiltshire Global has undertaken to the Company that it will subscribe for the 3,100,500 Rights Shares representing its full entitlement under the Rights Issue; (ii) Peyton Global has undertaken to the Company that it will subscribe for the 5,100,000 Rights Shares representing its full entitlement under the Rights Issue; and (iii) Wiltshire Global and Peyton Global have undertaken to the Company that they will not dispose of any of the 41,340,000 Existing Shares (or 2,067,000 Consolidated Shares upon the Share Consolidation becoming effective) and 68,000,000 Existing Shares (or 3,400,000 Consolidated Shares upon the Share Consolidation becoming effective) representing their respective shareholding in the Company, and such Shares remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

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## LETTER FROM THE BOARD

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

### **Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements**

Pursuant to Rule 10.31(2) of the GEM Listing Rules, as one of the Underwriters, Peyton Global, is a substantial shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares, by offering the Unsubscribed Rights Shares to Placees by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to Placees on a best effort basis, and any Net Gain will be paid to the No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 12 October 2023, Placee(s), to subscribe for the Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded to the nearest cent) will be paid to the No Action Shareholders, including (i) the relevant Qualifying Shareholders whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and (ii) the relevant Non-Qualifying Shareholders with reference to their shareholding in the Company on the Record Date, as set out below on pro-rata basis:

- (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; and
- (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.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

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## LETTER FROM THE BOARD

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In order to comply with the GEM Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Rights Shares at the placing price. Any unplaced Unsubscribed Rights Shares will then be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

### THE PLACING AGREEMENT

On 6 July 2023 (after trading hours), the Company entered into the Placing Agreement (as supplemented by the Supplemental Placing Agreement) with the Placing Agent. Principal terms of the Placing Agreement are as follow:

Date : 6 July 2023 (after trading hours)

Placing Agent : Aristo Securities Limited

As at the Latest Practicable Date, (i) the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties; and (ii) the Placing Agent and its ultimate beneficial owner(s) are independent from and not acting in concert with any of the Underwriters.

Placing commission : The Company shall pay the Placing Agent fixed commission fee of HK\$38,000, irrespective of (i) whether or not any Unsubscribed Rights Shares are successfully placed; and (ii) the actual number of Unsubscribed Rights Shares which are successfully placed, by the Placing Agent.

Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.

The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.

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## LETTER FROM THE BOARD

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- Placees : The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with the Underwriters and their respective concert parties and/or any of the Company's connected persons. The Placing Agent shall ensure that (i) the Placing is conducted in accordance with the GEM Listing Rules and none of the Placees shall be or become a substantial shareholder of the Company immediately upon completion of the Placing; and (ii) no Placees will be under an obligation to make a mandatory general offer under the Takeovers Code as a result of the Placing and the Placing will not have any implications under the Takeovers Code.
- Ranking of Unsubscribed Rights Shares : The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares then in issue.
- Placing condition : The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; and (ii) all necessary consents and approvals to be obtained by the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.
- Placing period : The period from Tuesday, 10 October 2023 up to 4:00 p.m. on Thursday, 12 October 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

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## LETTER FROM THE BOARD

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### Termination of the Placing Agreement

The Placing Agent may terminate the Placing Agreement by a notice in writing given to the Company at any time prior to the Latest Time for Termination upon the occurrence of the following events:

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than ten (10) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would materially and adversely affect the success of the Placing, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements and circulars of the Company in connection with the Rights Issue; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (vi) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of despatch of share certificates for fully-paid Rights Shares and refund cheques (if any), which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement.

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## LETTER FROM THE BOARD

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The Underwriters confirm that they and parties acting in concert with any of them (including Mr. Wong and Mr. Pong) will not be involved in the solicitation, screening and selecting of Placees in relation to the Unsubscribed Rights Shares.

The Placing Agent confirms that it is an Independent Third Party, each of it and its ultimate beneficial owner(s) is independent of and not connected or acting in concert with the Underwriters and any parties acting in concert with any of them (including Mr. Wong and Mr. Pong) and there is no other arrangement, agreement, understanding or undertaking with the Underwriters in relation to the Shares.

The terms of the Placing Agreement (including the Placing commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of placing commission, as the terms (including the rate of placing commission) of the Placing Agreement are comparable to those of the placing agreements in the recent rights issue exercise undertaken by other Hong Kong listed issuers, and are on normal commercial terms. Further, taking into account (i) a fixed commission fee would provide certainty in respect of the amount of costs to be borne by the Company in the Placing; (ii) the Company is able to minimise the transaction costs if a substantial number of Rights Shares are placed by the Placing Agent, the Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) consider that a fixed placing commission is in line with market practice, on normal commercial terms and in the interest of the Company and its Shareholders as a whole. The Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders and protect the interest of the Independent Shareholders, the Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) consider that the Compensatory Arrangements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Pursuant to Rule 10.31(2) of the GEM Listing Rules, as one of the Underwriters, Peyton Global, is a substantial shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares, by offering the Unsubscribed Rights Shares to independent placees who are not Shareholders by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to Placees on a best effort basis, and any Net Gain will be paid to the No Action Shareholders in a manner set out above. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 12 October 2023, Placee(s), to subscribe for the Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

### THE UNDERWRITING AGREEMENT

On 6 July 2023 (after trading hours), the Company, the Underwriters, Mr. Wong and Mr. Pong (each a “Party” and collectively, the “Parties”) entered into the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement) in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:

#### Underwriting Agreement

Date	:	6 July 2023 (after trading hours)
Issuer	:	The Company
Underwriters	:	(1) Wiltshire Global; and (2) Peyton Global.
Number of Rights Shares underwritten by the Underwriters	:	Up to an aggregate of 25,249,500 Rights Shares (of which up to 9,546,500 Rights Shares and 15,703,000 Rights Shares will be underwritten by Wiltshire Global and Peyton Global respectively, assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), representing all the Rights Shares under the Rights Issue other than the 8,200,500 Rights Shares that have been undertaken to be subscribed by Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings.
Underwriting Commission	:	The Underwriters will not receive any underwriting commission.



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## LETTER FROM THE BOARD

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Subject to the fulfilment of all the conditions (or any waiver, as the case may be, by the Underwriters) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, Wiltshire Global and Peyton Global shall, on fully underwritten basis, subscribe for the Untaken Rights Shares in proportion to their respective shareholding in the Company as at the date of the Underwriting Agreement.

The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriters taking into account prevailing market practices and terms for recent rights issue exercises undertaken by other Hong Kong listed issuers, and, in view of the recent trend of the Shares' trading price, the size of the Rights Issue and the market condition, it is possible that the Rights Shares will not be fully taken by the Qualifying Shareholders or placed by the Placing Agent, thus the arrangement under the Underwriting Agreement could secure the net proceeds from the Rights Issue as proposed by the Group to enhance its working capital and strengthen its financial position, as further set out under the subsection headed "Reasons for and Benefits of the Rights Issue and Use of Proceeds". The Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) consider that the terms of the Underwriting Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **Information on the Underwriters**

Wiltshire Global is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, Wiltshire Global, which is wholly-owned by Mr. Wong, the chairman of the Board and an executive Director, owns 41,340,000 Existing Shares, representing approximately 9.27% of the total issued share capital of the Company. Mr. Wong is the sole director of Wiltshire Global.

Mr. Wong joined the Group in June 2005 and is one of the founders of the Group. He is primarily responsible for overseeing the overall financial matters of the Group. Mr. Wong graduated from St. Hugh's College, Oxford University, the United Kingdom with a Bachelor's degree in Jurisprudence in June 1996. Mr. Wong had three years and six years of experience in auditing and corporate finance, respectively.

Peyton Global is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, Peyton Global, which is wholly-owned by Mr. Pong, an executive Director, owns 68,000,000 Existing Shares, representing approximately 15.25% of the total issued share capital of the Company, and is a substantial shareholder of the Company. Mr. Pong is the sole director of Peyton Global.

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## LETTER FROM THE BOARD

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Mr. Pong joined the Group in June 2005 and is one of the founders of the Group. He is primarily responsible for the Group's business development. Mr. Pong graduated from the Massachusetts Institute of Technology, Cambridge, the United States of America with a Bachelor's degree in Materials Science and Engineering in June 2000. In March 1999, Mr. Pong and his father co-founded Altaya Wines Limited, a company that imports and distributes fine wines in Hong Kong.

Mr. Pong also actively participates in various public advisory boards. In the arts, cultural and tourism sphere, Mr. Pong is the Chairman to the Board of Ocean Park Corporation; a Board Member of West Kowloon Cultural District Authority; a Board of Director of M+ Museum Ltd; the Governing Board Chairman of JCCAC; and a Trustee of the Museum of Art. Mr. Pong is also a Member of HKTDC Hong Kong-Europe Business Council; a Council Member & Executive Director of The Hong Kong Chinese Importers and Exporters Association; and a Board Member, Executive Committee Member and Campaign Committee Chairman of The Community Chest. He has been Justice of the Peace since July 2018.

As such, each of Wiltshire Global and Peyton Global is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Taking into account the following factors: (i) Wiltshire Global and Peyton Global constitute a closely allied group of Shareholders as defined in Rule 19.45 of the GEM Listing Rules, considering (a) Mr. Wong and Mr. Pong, the sole beneficial owners of the Wiltshire Global and Peyton Global respectively, are the co-founders of the Group, which was established in 2006, and have been directors and ultimate shareholders of the Company since its incorporation in 2014; and (b) Mr. Wong and Mr. Pong have voted in an unanimous manner (through Wiltshire Global and Peyton Global respectively) on the proposed shareholders' resolutions of the Company since of the listing of the Company's shares on GEM in 2016; (ii) Wiltshire Global and Peyton Global are parties acting in concert for the purposes of the Takeovers Code; (iii) Wiltshire Global and Peyton Global are subject to the same terms and conditions as the Underwriters pursuant to the Underwriting Agreement (save as to the number of Rights Shares underwritten by them respectively); and (iv) Wiltshire Global and Peyton Global own an aggregate of 109,340,000 Existing Shares, representing approximately 24.52% of the total issued share capital of the Company, for the purpose of Rule 10.24A(2) of the GEM Listing Rules, the Underwriters are regarded as a group of substantial shareholders of the Company and therefore comply with 10.24A(2) of the GEM Listing Rules.

### **Conditions precedent of the Rights Issue and the Underwriting Agreement**

The completion of the Rights Issue and the obligations of the Underwriters under the Underwriting Agreement are conditional upon:

- (i) (a) the passing by the Shareholders at the EGM of ordinary resolutions to approve the Share Consolidation and the Increase in Authorised Share Capital; and (b) the passing by the Independent Shareholders at the EGM of (1) ordinary resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the EGM by way of poll); and (2) a special resolution to approve the Whitewash

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## LETTER FROM THE BOARD

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Waiver (at least 75% of the Independent Shareholders at the EGM by way of poll) in accordance with the GEM Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;

- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Companies Registry in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the GEM Listing Committee granting and not having revoked, the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriters accept and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date, and such listing and permission to deal not having been withdrawn or revoked;
- (v) the Underwriting Agreement not having been terminated in accordance with its terms;
- (vi) the Company having complied with and performed all undertakings and obligations, and representations and warranties of the Company under the Underwriting Agreement;
- (vii) the Company having complied with the requirements under all applicable laws and regulations;
- (viii) the Company and the Underwriters having obtained all necessary board approval for entering into the Underwriting Agreement or the transactions contemplated therein;
- (ix) the Executive granting the Whitewash Waiver to the Underwriters and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (x) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect;

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## LETTER FROM THE BOARD

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- (xi) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and no notification having been received by the Company from the HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused; and
- (xii) the Underwriters receiving from the Company all the documents as set out in the Underwriting Agreement in such form and substance satisfactory to the Underwriters as soon as practicable after the date of the Underwriting Agreement, and not later than 4:00 p.m. on the Business Day immediately before the Prospectus Posting Date.

Apart from the conditions precedent as set out in (vi) and (xii) above which can be waived in whole or in part by the Underwriters unilaterally (but not by the Company) by notice in writing to the Company prior to the Latest Time for Termination, all other conditions precedent are incapable of being waived. As at the Latest Practicable Date, the condition precedent set out in (viii) is fulfilled. The Company and the Underwriters shall use their respective best endeavours to procure the fulfilment of all the conditions precedent by the Latest Time for Termination or such other date as the Company and the Underwriters may agree in writing and in particular shall furnish such information, supply such documents, pay such fees, give such undertakings and do all such acts and things as may be necessary in connection with the listing of the Rights Shares (in their nil-paid or fully-paid forms) or to give effect to the Rights Issue and the arrangements contemplated in the Underwriting Agreement.

If any of the conditions precedent (save and except those having been waived in accordance with the above paragraph) are not satisfied in whole by the Latest Time for Termination or such other date as the Company and the Underwriters may agree in writing, the Underwriting Agreement shall terminate (save and except the clauses of indemnity and certain clauses which shall remain in full force and effect) and no Party shall have any claim against the other Parties for costs, damages, compensation or otherwise save for any antecedent breaches.

### **Termination of the Underwriting Agreement**

Each of the Underwriters may in its absolute discretion terminate the Underwriting Agreement by notice in writing to the Company at any time prior to the Latest Time for Termination, if at or prior to such time:

- (A) such Underwriter becomes aware of the fact that there shall develop, occur, exist or come into effect:
  - (i) any new law or regulation or any change in existing laws or regulations in Hong Kong (being the place in which the Company conducts or carry on business) or the Cayman Islands (being the place of incorporation of the Company); or

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## LETTER FROM THE BOARD

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- (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions; or
- (iii) any significant change (whether or not permanent) in local, national or international securities market conditions (any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise) or exchange controls; or
- (iv) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out,

and in the reasonable opinion of such Underwriter, such change has or would have a material and adverse effect on the business, financial or trading position or prospects of the Company or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue; or

- (B) there comes to the notice of such Underwriter that the Company has committed any breach of or omits to observe any of its obligations or undertakings under the Underwriting Agreement, and such breach or omission would have a material and adverse effect of the business, financial or trading position or prospect of the Company or the success of the Rights Issue or make it inadvisable or inexpedient to proceed with the Rights Issue.

**If any of the Underwriters terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by any of the Underwriters.**

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

The Company is principally engaged in investment holding and the Group is principally engaged in restaurant operations in Hong Kong.

For the year ended 31 December 2022, the Group recorded an audited loss of approximately HK\$20.4 million and the financial performance of the Group was adversely affected by (i) decrease in revenue from existing restaurants as affected by repeated sporadic outbreak of COVID-19 which had a greater adverse impact than the previous year; (ii) impairment loss of certain property, plant and right-of-use assets associated to the restaurants; (iii) write-down of the inventories to net realisable values; and (iv) decrease in profit due to the discontinued operation.

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## LETTER FROM THE BOARD

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The COVID-19 pandemic and government social distancing measures and restrictions on public gatherings have had significant adverse impact on Hong Kong's food and beverage industry. Following the reopening of the border with Mainland China, relaxation of COVID-19 restrictions and increase in tourist arrivals in Hong Kong, the management believes the restaurant business will recover gradually. However, the business environment of the food and beverage industry in Hong Kong remains challenging, dynamic, and competitive. Pressure from rising food costs, rental expenses, utilities expenses and labour costs is enduring, which further squeezes the Group's profit margin. Customers are more budget conscious and price sensitive to the amounts they spend on dining out and the revenues of our restaurants were weaker than expected. The management believes the difficult situation may continue, which will adversely affect the food and beverage industry and the Group's business performance.

Considering the uncertain market condition, the management considers that expanding the Group's current restaurant portfolio would be too risky and it is appropriate for the Group to enhance its working capital and financial position in order to improve the Group's operation by benefiting from the gradual recovery of the economy. The Directors believe that it is more suitable for the expansion plan of the Group to be carried out after improving the financial performance of the Group.

In order to maintain sufficient cash level for the Group's current operation, the Group had obtained short-term financing from Mr. Wong and Mr. Pong since 2021. The Shareholders' Loans are interest free, without maturity date and payable on demand. As at the Latest Practicable Date, the outstanding Shareholders' Loans owing to Mr. Wong and Mr. Pong amounted to approximately HK\$4.9 million and HK\$5.9 million respectively. As at 31 December 2022, the Group had the cash and cash equivalents of approximately HK\$1.74 million, which was not sufficient to settle the Shareholders' Loans.

For the year ended 31 December 2022, the Group's total audited revenue was approximately HK\$37.5 million, including revenue from continuing operations of HK\$37.5 million and no revenue was recorded for discontinued operation, while for the year ended 31 December 2021, the Group's total audited turnover was approximately HK\$76.1 million, including revenue from continuing operations of HK\$59.9 million and revenue from discontinued operation of HK\$16.2 million, representing a decrease of approximately 50.7% as compared with the year ended 31 December 2021. The decrease in revenue for the year ended 31 December 2022 was mainly due to the closure of "The Pawn" in September 2021 and two "Classified" restaurants in February 2022 and July 2022, respectively, the outbreak of the fifth waves of the COVID-19 and the adverse impacts of anti-pandemic measures imposed by the Hong Kong Government. Total loss attributable to owners of the Company was approximately HK\$20.4 million for the year ended 31 December 2022, representing an increase of approximately HK\$3.8 million or 22.89% as compared to the Group's total loss of approximately HK\$16.6 million for the year ended 31 December 2021. The increase in loss attributable to owners of the Company was mainly due to the (i) decrease in revenue from existing restaurants as affected by repeated sporadic outbreak of

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## LETTER FROM THE BOARD

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COVID-19 which had a greater adverse impact than the previous year; (ii) impairment loss of certain property, plant and right-of-use assets associated to the restaurants; (iii) write-down of the inventories to net realisable values; and (iv) decrease in profit due to discontinued operation.

As at 31 December 2022, the Group's current assets amounted to approximately HK\$37.5 million, representing a decrease of approximately HK\$28.1 million or 42.8% as compared to the current assets of HK\$65.6 million as at 31 December 2021, of which approximately HK\$1.7 million was bank balances and cash, approximately HK\$31.2 million was inventory which mainly consists of wines and raw materials, as well as approximately HK\$3.9 million was trade and other receivables, deposits and prepayments. As at 31 December 2022, the Group's current liabilities amounted to approximately HK\$16.2 million, which mainly included lease liabilities in the amount of approximately HK\$4.5 million and trade and other payables and accrued charges in the amount of approximately HK\$9.1 million.

The management considers it is imperative to conduct the Rights Issue in order to repay the Shareholders' Loans and enhance the Group's working capital. The Shareholders' Loans (which were interest free and repayable on demand) were provided by both Mr. Wong and Mr. Pong to the Group in order to mitigate short-term financial difficulties and both Mr. Wong and Mr. Pong have expressed their intention to require the Group to repay the Shareholders' Loan as soon as practicable. As at 31 December 2022, since (i) the Group's bank balances and cash of approximately HK\$1.7 million; and (ii) the Group's inventory of approximately HK\$31.2 million, as well as trade and other receivables, deposits and prepayments of approximately HK\$3.9 million, cannot be considered as acceptable collateral by financial institutions to lend additional cash to the Group, the Group does not have sufficient financial resources to repay the Shareholders' Loans. In light of both Mr. Wong and Mr. Pong have expressed their intention to require the Group to repay the Shareholders' Loans as soon as practicable, there is an uncertainty that the Group may receive demand notes from Mr. Wong and Mr. Pong in relation to the immediate repayment of the Shareholders' Loans. As such, the management considers it is in the interest of the Group to maintain its ordinary business operation without expansion of business until both the financial position and the financial performance of the Group are improved. However, the current financial position restricts the Group's business operation and development.

The management considers it is not sustainable for the Group to rely on Shareholders' Loans in the long run and the Shareholders' Loans were only provided to the Group to mitigate short term financial difficulties. If the Group has sufficient financial resources, it is the top priority of the Group to repay the Shareholders' Loans. Following repayment of the Shareholders' Loans and improvement of the working capital and profitability of the Group, the Group can seek for external financial resources to carry out expansion plan. As such, the payment of Shareholders' Loans and improvement of the Group's working capital is the only option for the Group to consider for the use of proceed under the Rights Issue.



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## LETTER FROM THE BOARD

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As mentioned above, the management does not consider that expansion of the Group's current restaurant portfolio to be realistic at the moment as it involves substantial investment and such expansion would place the Group in a risky position before settlement of Shareholders' Loans and improvement of the working capital and profitability of the Group. In addition, since the settlement of Shareholders' Loans is important to the Group for its business development, the Company invited Mr. Wong and Mr. Pong to act as the Underwriters in relation to the Rights Issue for the potential conversion of the Shareholders' Loans into the Shares at the Subscription Price in the event that any Unsubscribed Rights Shares were not taken up by any Shareholders and/ or other potential investors. Mr. Wong and Mr. Pong have agreed to commit HK\$9.15 million in total in cash for the Rights Issue after deducting the repayment of Shareholders Loans to act as the Underwriters. In that case, assuming no Rights Shares are taken up by the Qualifying Shareholders (other than Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings), the Company believes that given (i) the gross proceeds of approximately HK\$14.25 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date); and (ii) the level of cash committed from Mr. Wong and Mr. Pong for the Rights Issue regarding their obligations under both the Irrevocable Undertakings and Underwriting Agreement, 40% of the net proceeds of HK\$12.75 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), being HK\$5.10 million, is the amount to be allocated for the repayment of the Shareholders Loans. Unless Mr. Wong and Mr. Pong agree to further commit capital, the Company would not be able to proceed with the Rights Issue if the Company intends to allocate less net proceeds for repayment of Shareholders' Loans and allocate more net proceeds for the working capital. Therefore, based on the above, the Company considers that the allocation of the use of proceeds under the Rights Issue is the best available option for the Group to enhance its working capital and strengthen its financial position.

Based on above, the management considers that the repayment of Shareholders' Loans and improvement of the Group's working capital as a necessity and is the only option for the Group to consider when formulating use of proceeds under the Rights Issue given that the Group is unable to obtain external financing. In view that (i) the Group does not have sufficient available cash to fulfil the repayment obligations of the Shareholders' Loans; (ii) the repayable on demand nature of the Shareholders' Loans creates uncertainty to Group's business development; (iii) the allocation under the use of proceed is the best available option for the Company to strengthen its working capital and financial position; (iv) as both Mr. Wong and Mr. Pong have expressed their intention to demand the repayment of the Shareholders' Loans, the Group may receive demand notes from Mr. Wong and Mr. Pong in relation to the immediate repayment of the Shareholders' Loans; (v) it is unsustainable and not appropriate for the Group to rely on Shareholders' Loans to maintain its operation in the long run; and (vi) it is the Group's objective to improve financial position and obtain facilities from financial institutions in the long run, the Directors consider that it is necessary to conduct fund raising activities to strengthen the financial position of the Group by repayment of the Shareholders' Loans and improvement of the Group's working capital. Thus, the Company considers that the Rights Issue together with the allocation of the use of proceeds is in the interest of the Company and Independent Shareholders as a whole.



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## LETTER FROM THE BOARD

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Assuming all Rights Shares are taken up, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.5 million) are estimated to be approximately HK\$12.75 million (assuming no change in the number of Shares in issue save for the Share Consolidation on or before the Record Date).

The Company intends to apply the net proceeds from the Rights Issue in the following manner:

- (i) approximately 40% (being approximately HK\$5.10 million) for repayment of the outstanding Shareholders' Loans;
- (ii) approximately 60% (being approximately HK\$7.65 million) as general working capital of the Group, of which:
  - (a) approximately 19% (being approximately HK\$2.4225 million) for payment for purchase of raw materials from suppliers for enhancing signature dishes in order to promote the brand name of restaurants;
  - (b) approximately 30% (being approximately HK\$3.825 million) for payment of future payroll and/or training of existing and additional staff; and
  - (c) approximately 11% (being approximately HK\$1.4025 million) for enhancement and upgrade of restaurant facilities.

As at the Latest Practicable Date, Mr. Wong, the ultimate shareholder of Wiltshire Global, and Mr. Pong, the ultimate shareholder of Peyton Global, do not intend to introduce any major change to the Group's business (including any re-deployment of the Group's fixed assets).

Pursuant to the Underwriting Agreement, the Company intends to apply HK\$1.9282 million and HK\$3.1718 million from the net proceeds from the Rights Issue to repay part of the outstanding Shareholders' Loan owed to Mr. Wong and Mr. Pong, respectively, in the following manner:

- (i) Wiltshire Global, the Company and Mr. Wong agreed that the total amount of subscription monies payable by Wiltshire Global for the Rights Shares to which it is entitled to and/or is required to subscribe for under the Rights Issue and the Underwriting Agreement ("**Wiltshire Global Subscription Monies**") would be (i) firstly offset on a dollar-to-dollar basis up to HK\$1.9282 million against the equivalent amount of the outstanding Shareholders' Loans owed by the Group to Mr. Wong on the completion date of the Rights Issue; and (ii) settled by cash, if there remains any outstanding Wiltshire Global Subscription Monies payable after the aforementioned set-off.

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## LETTER FROM THE BOARD

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- (ii) Peyton Global, the Company and Mr. Pong agreed that the total amount of subscription monies payable by Peyton Global for the Rights Shares to which it is entitled to and/or is required to subscribe for under the Rights Issue and the Underwriting Agreement (“**Peyton Global Subscription Monies**”) would be (i) firstly offset on a dollar-to-dollar basis up to HK\$3.1718 million against the equivalent amount of the outstanding Shareholders’ Loans owed by the Group to Mr. Pong on the completion date of the Rights Issue; and (ii) settled by cash, if there remains any outstanding Peyton Global Subscription Monies payable after the aforementioned set-off.
  
- (iii) The exact amount of the Shareholders’ Loans to be offset depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Rights Shares to be successfully placed by the Placing Agent to the Places pursuant to the Compensatory Arrangements. The Company shall continue to assume its repayment obligations in respect of the balance of the Shareholders’ Loans after the aforementioned set-offs. In the case where the amount of Wiltshire Global Subscription Monies is less than HK\$1.9282 million, the Company shall utilize part of the net proceeds from the Rights Issue in the amount of HK\$1.9282 million less the amount of Wiltshire Global Subscription Monies to repay the outstanding Shareholders’ Loans to Mr. Wong. In the case where the amount of Peyton Global Subscription Monies is less than HK\$3.1718 million, the Company shall utilize part of the net proceeds from the Rights Issue in the amount of HK\$3.1718 million less the amount of Peyton Global Subscription Monies to repay the outstanding Shareholders’ Loans to Mr. Pong.

The Rights Issue will be conducted on a fully underwritten basis pursuant to the terms of the Underwriting Agreement. The terms of the Underwriting Agreement were determined after arm’s length negotiation between the Company and the Underwriters by reference to the existing financial position of the Group, the size of the Rights Issue, and the market conditions. It is not in the ordinary course of business of the Underwriters to underwrite issues of shares. The Underwriters’ role as underwriters in respect of the Rights Issue, together with the Irrevocable Undertakings, signify their strong support to the Group and their confidence in the development of the Group. Save for the Underwriting Agreement and the Irrevocable Undertakings, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriters or any of their connected persons and their respective associates.

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. As debt financing would result in additional interest burden particularly in an ever interest rising environment and subject the Group to repayment obligations, the Board does not consider it to be beneficial to the Group. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, taking into account that (i) it is relatively smaller in scale as compared to fund raising through rights issue; (ii) the engagement of a placing agent

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## LETTER FROM THE BOARD

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which would incur additional costs and expenses on the part of the Company; (iii) it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company, it was not considered by the Board to be the most suitable fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

The Board considers that the Rights Issue, when compared with other forms of equity fund raising, would offer the Qualifying Shareholders the opportunity to subscribe for Rights Shares in proportion to their existing shareholdings in the Company without having their relative shareholdings being diluted and the Board considers that the terms of the Rights Issue are fair and reasonable and in the best interest of the Independent Shareholders as a whole as it allows Qualifying Shareholders to maintain their respective pro rata shareholding interests in the Company and to continue to participate in the future development of the Company and it will improve the capital base of the Company. **However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.**

In the event that the Rights Issue is not approved by the Independent Shareholders and therefore does not proceed, the Company will have to attempt other forms of equity financing or debt financing to meet the expected funding needs for the next twelve months.

Having considered the above, the Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) consider that the Underwriters, who are willing to support the continuing growth of the Group, being the underwriters for the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

## LETTER FROM THE BOARD

### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming there is no other change in the number of Shares in issue save for the Share Consolidation from the Latest Practicable Date up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective; and (iii) immediately after completion of the Rights Issue:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Assuming all Rights Shares are subscribed by the Qualifying Shareholders		Immediately after completion of the Rights Issue Assuming no Qualifying Shareholder (other than Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings) takes up any of the Rights Shares and all the Unsubscribed Rights Shares are placed by the Placing Agent to independent placees				Assuming no Qualifying Shareholder (other than Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings) takes up any of the Rights Shares and the Underwriters take up all Underwritten Shares	
	No. of Shares	Approx.%	No. of Shares	Approx.%	No. of Shares	Approx.%	No. of Shares	Approx.%	No. of Shares	Approx.%	No. of Shares	Approx.%
Wiltshire Global and its concert parties (Note 1)	41,340,000	9.27	2,067,000	9.27	5,167,500	9.27	5,167,500	9.27	14,714,000	26.39		
Peyton Global and its concert parties (Note 2)	68,000,000	15.25	3,400,000	15.25	8,500,000	15.25	8,500,000	15.25	24,203,000	43.41		
Subtotal of the Underwriters and parties acting in concert with any of them	109,340,000	24.52	5,467,000	24.52	13,667,500	24.52	13,667,500	24.52	38,917,000	69.8		
VMS Investment Group Limited ("VMS") (Note 3)	68,000,000	15.25	3,400,000	15.25	8,500,000	15.25	3,400,000	6.10	3,400,000	6.10		
Millennium Pacific Information Technology Limited ("Millennium") (Note 4)	53,320,000	11.96	2,666,000	11.96	6,665,000	11.96	2,666,000	4.78	2,666,000	4.78		
Independent placees under the Placing (Note 5)	-	-	-	-	-	-	25,249,500	45.29	-	-		
Other public Shareholders	215,340,000	48.28	10,767,000	48.28	26,917,500	48.28	10,767,000	19.31	10,767,000	19.31		
<b>Total</b>	<b>446,000,000</b>	<b>100.00</b>	<b>22,300,000</b>	<b>100.00</b>	<b>55,750,000</b>	<b>100.00</b>	<b>55,750,000</b>	<b>100.00</b>	<b>55,750,000</b>	<b>100.00</b>		

**Notes:**

- Wiltshire Global is wholly owned by Mr. Wong, the chairman of the Board and an executive Director, and is acting in concert with Peyton Global.
- Peyton Global is wholly owned by Mr. Pong, an executive Director, and is acting in concert with Wiltshire Global.
- VMS is wholly-owned by Ms. Mak Siu Hang, Viola.
- Millennium is indirectly wholly-owned by Mr. Yeung Shing Wai.
- Pursuant to the terms and conditions of the Placing Agreement, the Placing Agent shall ensure that no Placees will be under an obligation to make a mandatory general offer under the Takeovers Code as a result of the placing and the Placing will not have any implications under the Takeovers Code.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

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## LETTER FROM THE BOARD

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Pursuant to the Underwriting Agreement, in the event of the Underwriters being called upon to subscribe for the Underwritten Shares, the Underwriters shall confirm with the Company the actual number of Underwritten Shares after completion of the Placing under the Compensatory Arrangements, and shall subscribe therefor.

### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

### 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 includes but are not limited to, the following:

- (1) the Group may fail to find commercially attractive locations for new restaurants and/or renew existing leases on commercially acceptable terms, and the aforesaid potential failure would have a material adverse effect on the Group's business and future development;
- (2) the operation of the Group may be affected by the price of the food ingredients, including the price of the imported food ingredients which will be affected by the fluctuating exchange rate;
- (3) there may be labour shortage in the future and competition for qualified individuals in the food and beverage industry may be intense;
- (4) the Group's success depends on its key personnel and its business may be harmed if the Group loses such key personnel to manage the Group's operations;
- (5) if the Group fails to obtain sufficient funding, its business and growth prospect may be adversely affected;
- (6) the Group's operations and financial results may not perform in the manner as it anticipates if the customers are unable to maintain their purchasing power under economic downturn, political and social instability; and
- (7) the Group's business depends on the macro-economic situation in Hong Kong and may be adversely affected by reductions in discretionary consumer spending as a result of downturns in the economy and increase in inflation.

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## LETTER FROM THE BOARD

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### SUFFICIENCY OF WORKING CAPITAL

Mr. Wong and Mr. Pong have agreed to update their respective undertakings as disclosed in the annual report of the Company for the year ended 31 December 2022, pursuant to which Mr. Wong and Mr. Pong have agreed to provide adequate financial resources by way of equity and/or debt financings to the Group over the period up to 30 September 2024 (the “**Updated Undertakings**”).

The Directors, after due and careful enquiries and after taking into account (i) the present financial resources available to the Group including internally generated funds and the Updated Undertakings, to the extent that is necessary based on the cash flow forecast; and (ii) the estimated net proceeds from the Rights Issue, are of the opinion that, the Group has sufficient working capital for its present requirements for at least the 12 months from the date of this circular in the absence of any unforeseen circumstances.

Barring any unforeseen circumstances, assuming the Rights Issue will be duly completed, the Group expects that no additional debt financings from Mr. Wong and Mr. Pong are necessary for the twelve months from the date of this circular.

### GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29 of the GEM Listing Rules, as the Rights Issue will increase the number of issued Shares of the Company by more than 50% within the 12-month period immediately preceding the date of the Announcement, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour.

As at the Latest Practicable Date, the Company has no Controlling Shareholder as defined under the GEM Listing Rules. Wiltshire Global (a corporation interested in 41,340,000 Existing Shares, representing approximately 9.27% of the issued Existing Shares and is wholly-owned by Mr. Wong, the chairman of the Board and an executive Director) and Peyton Global (a corporation interested in 68,000,000 Existing Shares, representing approximately 15.25% of the issued Existing Shares and is wholly-owned by Mr. Pong, an executive Director) and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder has informed the Company that he/she/it intends to vote in favour of or against the proposed resolutions in connection with the Rights Issue as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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As (i) Wiltshire Global is wholly-owned by Mr. Wong, the chairman of the Board and an executive Director; and (ii) Peyton Global is wholly-owned by Mr. Pong, an executive Director, and is interested in 68,000,000 Existing Shares, representing approximately 15.25% of the total issued Existing Shares and is therefore a substantial shareholder of the Company, each of Wiltshire Global and Peyton Global is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

As at the Latest Practicable Date, the Underwriters do not have any other associates or concert parties which are shareholders of the Company.

### **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue save for the Share Consolidation; (ii) no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings); and (iii) no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the aggregate shareholding of the Underwriters (which are parties acting in concert) and parties acting in concert with any of them in the Company upon the close of the Rights Issue will increase from the current level of approximately 24.52% to approximately 69.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares (of which Wiltshire Global's shareholding in the Company will increase from approximately 9.27% to approximately 26.39% and Peyton Global's shareholding in the Company will increase from approximately 15.25% to approximately 43.41%). In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by the Underwriters (which are acting in concert) pursuant to the Irrevocable Undertakings and the Underwriting Agreement will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Underwriters to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, and the Underwriting Agreement and the transactions contemplated thereunder. Therefore, the Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and passing of resolutions by the Independent Shareholders at the EGM by way of poll approving the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Underwriting Agreement is not fulfilled, the Rights Issue will not proceed. The Executive has indicated that it would, subject to the approval by the Independent Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

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## LETTER FROM THE BOARD

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Shareholders and potential investors should be aware that there is a possibility that, upon the completion of the Rights Issue, the Underwriters (which are parties in concert) and parties acting in concert with any of them may hold more than 50% of the issued share capital of the Company. Hence, the Underwriters (which are parties in concert) and parties acting in concert with any of them may increase their shareholdings of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after completion of the Rights Issue.

As at the Latest Practicable Date, the Company is not aware that the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder does not comply with other applicable rules and regulations.

### **INTERESTS IN AND DEALINGS OF THE SHARES BY THE UNDERWRITERS AND PARTIES ACTING IN CONCERT WITH ANY OF THEM**

As at the Latest Practicable Date, the Underwriters (which are parties acting in concert) and parties acting in concert with any of them:

- (i) do not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for the Shares as set out in the section headed “Effects on the Shareholding Structure of the Company” in this circular;
- (ii) have not received any irrevocable commitment to vote for or against the Rights Issue, the Placing Agreement, the Underwriting Agreement, and/or the Whitewash Waiver;
- (iii) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (iv) have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Company in connection with the Rights Issue and the Underwriting Agreement, save for the Rights Shares to be subscribed and underwritten by the Underwriters;
- (v) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue, the Underwriting Agreement, the Placing Agreement, and/or the Whitewash Waiver, with any other persons, save for the Underwriting Agreement and the Irrevocable Undertakings;



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## LETTER FROM THE BOARD

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- (vi) do not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement and/or the Whitewash Waiver, except that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver as set out in the subsection headed “Conditions precedent of the Rights Issue and the Underwriting Agreement” under the section headed “The Underwriting Agreement” of this circular;
- (vii) have not dealt in any securities of the Company in the 6-month period preceding to and including the Latest Practicable Date; and
- (viii) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the Latest Practicable Date,

- (i) apart from the Underwriting Agreement and the Irrevocable Undertakings, there is no other understanding, arrangement or special deal between the Group on the one hand, and the Underwriters and parties acting in concert with any of them on the other hand; and
- (ii) apart from the Underwriting Agreement and the Irrevocable Undertakings, there is no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) (i) the Underwriters and parties acting in concert with any of them; or (ii) the Company, its subsidiaries or associated companies.

### EGM

The register of members of the Company will be closed from Wednesday, 30 August 2023 to Tuesday, 5 September 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things: (i) the Share Consolidation; (ii) the Increase in Authorised Share Capital; (iii) the Rights Issue; (iv) the Placing Agreement; (v) the Underwriting Agreement; and (vi) the Whitewash Waiver. Only the Independent Shareholders will vote on the resolutions to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver at the EGM.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong

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## LETTER FROM THE BOARD

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Kong as soon as possible and in any event not less than (48) hours before the time appointed for holding the EGM, i.e. Sunday, 3 September 2023 at 9:30 a.m. (Hong Kong time), or any adjournment thereof.

Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

In accordance with the GEM Listing Rules and the Takeovers Code, (i) the Underwriters and their respective associates; (ii) any parties acting in concert with any of the Underwriters; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; and (iv) Shareholders who are involved in or interested in the Rights Issue, the Placing Agreement, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriters (which are parties acting in concert) and parties acting in concert with any of them, will be required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder respectively at the EGM.

As Mr. Wong and Mr. Pong are the sole beneficial owners of Wiltshire Global and Peyton Global, who are the Underwriters, respectively, Mr. Wong and Mr. Pong were required to abstain from voting at the Board resolutions approving such matter.

Save as the above, no other Shareholder is required to abstain from voting on the resolution(s) to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder at the EGM.

### **THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors, namely Dr. Chan Kin Keung Eugene, Mr. Ng Chun Fai Frank and Mr. Yue Man Yiu Matthew, has been established in compliance with Chapter 20 of the GEM Listing Rules and Rule 2.8 of the Takeovers Code to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM, taking into account the recommendations of the Independent Financial Adviser.

The Independent Financial Adviser was appointed by the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM. Please refer to the letter from the

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## LETTER FROM THE BOARD

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Independent Board Committee set out on pages 58 to 59 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-48 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.

### **DESPATCH OF PROSPECTUS DOCUMENTS**

Subject to, among other things, the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the transactions contemplated thereunder having been approved by the Independent Shareholders at the EGM, the Prospectus Documents will be despatched to the Qualifying Shareholders. The Prospectus will also be despatched to the Non-Qualifying Shareholders for information only. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

### **RECOMMENDATION**

The Directors (excluding Mr. Wong and Mr. Pong who shall abstain from voting, and including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) consider that the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee whose opinion are set forth in the letter from the Independent Board Committee in this circular) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.

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

**Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the sections headed “Conditions precedent of the Rights Issue” and “Termination of the Underwriting Agreement” in this circular). Accordingly, the Rights Issue may or may not proceed.**

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## LETTER FROM THE BOARD

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Any Shareholder or other person dealing in the Shares and/or the Nil-Paid Rights up to the date on which all the conditions to which the Rights Issue are fulfilled or waived (as applicable) (and the date on which the Underwriters' right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Nil-Paid Rights. Any party (including Shareholders and potential investors of the Company) who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

### FURTHER INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 58 to 59 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM and the letter from the Independent Financial Adviser set out on pages IFA-1 to IFA-48 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.

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

By order of the Board  
**Classified Group (Holdings) Limited**  
**WONG Arnold Chi Chiu**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter of recommendation, prepared for the purpose of incorporation in this circular, from the Independent Board Committee to the Independent Shareholders regarding the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver.*

### **Classified Group (Holdings) Limited**

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

**(Stock Code: 8232)**

*Executive Directors:*

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. PONG Kin Yee

Mr. LI Kai Leung

*Independent Non-executive Directors:*

Dr. CHAN Kin Keung Eugene

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu Matthew

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Headquarters and principal place*

*of business in Hong Kong:*

2/F., Cheung Tak Industrial Building,

30 Wong Chuk Hang Road,

Wong Chuk Hang,

Hong Kong

18 August 2023

*To the Shareholders*

Dear Sir or Madam,

- (I) PROPOSED SHARE CONSOLIDATION;  
(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY TWO (2)  
CONSOLIDATED SHARES HELD ON RECORD DATE;  
(IV) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT;  
(V) APPLICATION FOR WHITEWASH WAIVER; AND  
(VI) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 18 August 2023 (the “**Circular**”) of the Company of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

Red Sun Capital Limited has been appointed with our approval as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of the advice from the Independent Financial Adviser, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-48 of the Circular. Your attention is also drawn to the letter from the Board set out on pages 16 to 57 of the Circular.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser, we are of the opinion that the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver are on normal commercial terms, are in the interests of the Company and the Independent Shareholders as a whole, and the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, despite the transactions contemplated under the Underwriting Agreement are not in the Company's ordinary and usual course of business. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver.

Yours faithfully,

Independent Board Committee of  
**Classified Group (Holdings) Limited**

**Dr. CHAN Kin Keung Eugene**

*Independent  
non-executive Director*

**Mr. NG Chun Fai Frank**

*Independent  
non-executive Director*

**Mr. YUE Man Yiu Matthew**

*Independent  
non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions as contemplated thereunder and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.



**红日资本有限公司**  
**RED SUN CAPITAL LIMITED**

Room 310, 3/F.,  
China Insurance Group Building,  
141 Des Voeux Road Central,  
Hong Kong

Tel: (852) 2857 9208  
Fax: (852) 2857 9100

18 August 2023

To: *The independent board of committee and the independent shareholders of Classified Group (Holdings) Limited*

**(I) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARES FOR EVERY  
TWO (2) SHARES HELD ON THE RECORD DATE;  
(II) CONNECTED TRANSACTION IN RELATION TO  
THE UNDERWRITING AGREEMENT; AND  
(III) APPLICATION FOR WHITEWASH WAIVER**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 18 August 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Letter from the Board, subject to, among other things, the Share Consolidation and the Increase in Authorised Share Capital having become effective, the Board proposed to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Shares held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price of HK\$0.426 per Rights Share, to raise gross proceeds of approximately HK\$14.25 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), by way of issuing 33,450,000 Rights Shares. The Rights Shares will be conducted on a fully underwritten basis pursuant to the terms and conditions of the Underwriting Agreement and the Company will make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares, by offering the Unsubscribed Rights Shares to Placees by way of placing by the Placing Agent for the benefit of the relevant No Action Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In this connection, on 6 July 2023 (after trading hours), the Company entered into the Placing Agreement (as supplemented by the Supplemental Placing Agreement) with the Placing Agent, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions during the process of the Placing.

On 6 July 2023 (after trading hours), the Company, the Underwriters, Mr. Wong and Mr. Pong entered into the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement) in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite, on fully underwritten basis, the Underwritten Shares of up to an aggregate of 25,249,500 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

### GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29 of the GEM Listing Rules, as the Rights Issue will increase the number of issued Shares of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date, the Rights Issue is conditional on approval by the Independent Shareholders at the EGM by a resolution on which any Controlling Shareholders and their associates or, where there are no Controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour.

As at the Latest Practicable Date, the Company has no Controlling Shareholder as defined under the GEM Listing Rules. Wiltshire Global (a corporation interested in 41,340,000 Existing Shares and is wholly-owned by Mr. Wong, the chairman of the Board and an executive Director) and Peyton Global (a corporation interested in 68,000,000 Existing Shares and is wholly-owned by Mr. Pong, an executive Director) and their respective associates shall abstain from voting in respect of the resolution(s) relating to the Rights Issue at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder has informed the Company that he/she/it intends to vote in favour of or against the proposed resolutions in connection with the Rights Issue as at the Latest Practicable Date.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As (i) Wiltshire Global is wholly-owned by Mr. Wong, the chairman of the Board and an executive Director; and (ii) Peyton Global is wholly-owned by Mr. Pong, an executive Director, and is interested in 68,000,000 Existing Shares, representing approximately 15.25% of the total issued Existing Shares and is therefore a substantial shareholder of the Company, each of Wiltshire Global and Peyton Global is a connected person of the Company under Chapter 20 of the GEM Listing Rules and the transactions contemplated under the Underwriting Agreement constitute connected transactions of the Company under the GEM Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. As at the Latest Practicable Date, the Underwriters do not have any other associates or concert parties which are shareholders of the Company.

### **TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER**

Assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue save for the Share Consolidation; (ii) no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings); and (iii) no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the aggregate shareholding of the Underwriters (which are parties acting in concert) and parties acting in concert with any of them in the Company upon the close of the Rights Issue will increase from the current level of approximately 24.52% to approximately 69.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares (of which Wiltshire Global's shareholding in the Company will increase from approximately 9.27% to approximately 26.39% and Peyton Global's shareholding in the Company will increase from approximately 15.25% to approximately 43.41%). In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by the Underwriters (which are acting in concert) pursuant to the Irrevocable Undertakings and the Underwriting Agreements will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Underwriters to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder. Therefore, the Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and passing of resolutions by the Independent Shareholders at the EGM by way of poll approving the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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and the Whitewash Waiver. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Underwriting Agreement is not fulfilled, the Rights Issue will not proceed. The Executive has indicated that it would, subject to the approval by the Independent Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

Shareholders and potential investors should be aware that there is a possibility that, upon the completion of the Rights Issue, the underwriters (which are parties in concert) and parties acting in concert with any of them may hold more than 50% of the issued share capital of the Company. Hence, the underwriters (which are parties in concert) and parties acting in concert with any of them may increase their shareholdings of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after completion of the Rights Issue.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising three independent non-executive Directors, namely Dr. Chan Kin Keung Eugene, Mr. Ng Chun Fai Frank and Mr. Yue Man Yiu Matthew, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver, are entered into in the usual and ordinary course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. We have been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company or the Placing Agent or the Underwriters or the Mr. Pong or Mr. Wong or their respective concert parties that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the GEM Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible in accordance with Rule 9.1 of the Takeovers Code. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have also reviewed documents and information, such as (i) the Underwriting Agreement; (ii) the Placing Agreement; (iii) the Announcement, the Letter from the Board of the circular and the accompanying appendices; (iv) the annual reports of the Company for the years ended 31 December 2021 (the “**2021 Annual Report**”) and 31 December 2022 (the “**2022 Annual Report**”), and the Company’s interim report for the six months ended 30 June 2023 (the “**2023 Interim Report**”), respectively; and (v) the historical closing price and trading volume of the Shares during the Share Price Review Period (defined hereafter). We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions as contemplated under the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder and the Whitewash Waiver 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions as contemplated thereunder and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

#### 1. Background and financial information of the Group

As set out in the Letter from the Board, the Company is principally engaged in investment holding and the Group is principally engaged in restaurant operations in Hong Kong. As at 31 December 2021, the Group operated five restaurants under the brand name “Classified”, two restaurants under the brand name “Rise by Classified”, and had franchise arrangement for three restaurants in Indonesia. While as at 31 December 2022, the Group operated four and two restaurants under the brand name “Classified”, and “Rise by Classified”, respectively, and had franchise arrangement for two restaurants in Indonesia.

Set out below is a summary of (i) the audited consolidated financial performance of the Group for each of the years ended 31 December 2020, 2021 and 2022 as extracted from the 2021 Annual Report and the 2022 Annual Report, respectively; and (ii) the unaudited condensed consolidated financial performance of the Group for the six months ended 30 June 2023 as extracted from the 2023 Interim Report.

#### *Summary of the Group’s consolidated statement of comprehensive income*

	<b>For the six months ended</b>	
	<b>30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(unaudited)
Revenue	18,104	20,607
Loss before taxation	(1,641)	(3,025)
Loss for the period	(1,641)	(3,025)

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>For the year ended 31 December</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
<b>Continuing operation – Casual service</b>			
<i>(Note 1)</i>			
Revenue	37,465	59,898	57,481
Loss before taxation	(20,392)	(17,006)	(4,360)
Loss for the year from continuing operations	(20,392)	(18,606)	(4,756)
<b>Discontinued operation – Full service</b> <i>(Note 2)</i>			
Profit/(loss) for the year from discontinued operations	–	2,053	(11,637)
Loss and total comprehensive expense for the year attributable to owners of the Company	(20,392)	(16,553)	(16,393)

*Notes:*

- (1) Casual service is referred to as the Group's restaurants under the brand name "Classified" and "Rise by Classified" in Hong Kong with an aim to provide a more casual and relaxing atmosphere.
- (2) Full service is referred to as the Group's restaurant under the brand name "The Pawn" in Hong Kong with an aim to provide dining experience with full table services.

***Financial performance for the six months ended 30 June 2023***

As set out in the 2023 Interim Report, for the six months ended 30 June 2023, the Group recorded net revenue of approximately HK\$18.1 million, representing a decrease of approximately 12.1% as compared to approximately HK\$20.6 million recorded for the six months ended 30 June 2022. Such decrease was mainly due to the closure of two "Classified" restaurants.

For the six months ended 30 June 2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$1.6 million, as compared to the loss attributable to owners of the Company of approximately HK\$3.0 million recorded for the six months ended 30 June 2022, mainly attributable to the net effect of (i) the closure of two loss-making restaurants upon expiry of their respective tenancy agreements in 2022; (ii) better costs and expenses control; and (iii) more revenue generated from existing restaurants although there were significant reduction in government subsidies and rent concessions related to COVID-19.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***Financial performance for the year ended 31 December 2022***

As set out in the 2022 Annual Report, for the year ended 31 December 2022, the Group recorded net revenue of approximately HK\$37.5 million from continuing operations, representing a decrease of approximately 37.5% as compared to approximately HK\$59.9 million recorded for the year ended 31 December 2021. Such decrease was mainly due to the close of two “Classified” restaurants due to the expiry of tenancy agreement, the outbreak of the fifth waves of the COVID-19 and the adverse impacts of anti-pandemic measures imposed by the Hong Kong Government.

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$20.4 million, as compared to the loss attributable to owners of the Company of approximately HK\$16.6 million recorded for the year ended 31 December 2021, including loss from continuing operations of approximately HK\$18.6 million and profit from discontinued operation of approximately HK\$2.0 million. Based on the 2022 Annual Report, such increase in loss was mainly attributable to (i) decrease in revenue from existing restaurants as affected by repeated sporadic outbreak of COVID-19 which had a greater adverse impact than the corresponding prior year; (ii) impairment loss of certain property, plant and right-of-use assets associated to the restaurants of approximately HK\$4.5 million in aggregate; (iii) write-down of the inventories to net realisable values of approximately HK\$9.5 million; and (iv) decrease in profit due to discontinued operations.

### ***Financial performance for the year ended 31 December 2021***

As set out in the 2021 Annual Report, for the year ended 31 December 2021, the Group recorded net revenue of approximately HK\$59.9 million from continuing operations, representing a slight increase of approximately 4.2% as compared to approximately HK\$57.5 million recorded for the year ended 31 December 2020. In addition, the Group recorded net revenue of approximately HK\$16.2 million from discontinued operations for the year ended 31 December 2021, representing a slight decrease of approximately 5.3% as compared to approximately HK\$17.1 million recorded for the year ended 31 December 2020. The increase in overall revenue for the year ended 31 December 2021 was mainly due to the relaxation of the COVID-19 anti-pandemic measures imposed by the Hong Kong Government and the increase in sale of premium wines.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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For the year ended 31 December 2021, the Group recorded a loss attributable to owners of the Company of approximately HK\$16.6 million (including loss from continuing operations of approximately HK\$18.6 million and profit from discontinued operations of approximately HK\$2.0 million) as compared to the loss attributable to owners of the Company of approximately HK\$16.4 million recorded for the year ended 31 December 2020 (including loss from continuing operations of approximately HK\$4.8 million and loss from discontinued operations of approximately HK\$11.6 million). Based on the 2021 Annual Report, such increase in loss was mainly attributable to the decrease of government grants from the Hong Kong Government and decrease in rent concessions, although there was relaxation of the COVID-19 anti-pandemic measures imposed by the Hong Kong Government and a one-off other income as a result of the closure of “The Pawn” restaurant.

### ***Summary of the Group’s consolidated statement of financial position***

	<b>As at</b>	<b>As at 31 December</b>		
	<b>30 June</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
	(unaudited)	(audited)	(audited)	(audited)
<b>Non-current assets</b> <i>(Note)</i>	714	1,414	12,050	23,977
Right-of-use assets	267	801	9,298	13,642
Deposits	319	571	2,222	4,994
<b>Current assets</b> <i>(Note)</i>	38,390	37,512	65,642	66,858
Inventories	30,698	31,165	43,294	34,063
Trade and other receivables, deposits and prepayments	4,858	3,885	4,512	6,738
Bank balances and cash	2,162	1,736	17,271	25,606
<b>Non-current liabilities</b> <i>(Note)</i>	1,159	2,414	6,224	10,738
Lease liabilities	469	1,295	5,842	9,422
<b>Current liabilities</b> <i>(Note)</i>	19,227	16,153	30,717	22,793
Trade and other payables and accrued charges	5,371	9,056	9,003	6,813
Amounts due to directors	10,713	1,212	11,982	–
Lease liabilities	2,587	4,546	6,533	15,409
<b>Total equity attributable to owners of the Company</b>	<b>18,718</b>	<b>20,359</b>	<b>40,751</b>	<b>57,304</b>

*Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***Financial position as at 30 June 2023***

As at 30 June 2023, the Group's total assets amounted to approximately HK\$39.1 million, representing an increase of approximately 0.5% as compared to approximately HK\$38.9 million as at 31 December 2022, which mainly comprised inventories of approximately HK\$30.7 million as compared to approximately HK\$31.2 million as at 31 December 2022. In addition, bank balances and cash amounted to approximately HK\$2.2 million as compared to approximately HK\$1.7 million as at 31 December 2022.

As at 30 June 2023, the Group's total liabilities amounted to approximately HK\$20.4 million, representing an increase of approximately 9.8% as compared to approximately HK\$18.6 million as at 31 December 2022, which mainly comprised amounts due to directors of approximately HK\$10.7 million as compared to approximately HK\$1.2 million as at 31 December 2022. The Management advised that the amounts due to director(s) (i.e. loan from director(s)) are a form of debt obligation of the Group, and similar to other forms of debt obligations, the Group is obliged to repay and settle its debt obligations as and when it falls due regardless of the financial performance of the Group at the material time. As discussed with the Management and with reference to note 21 to the consolidated financial statements of the Group as set out in the 2022 Annual Report, we also noted that, the amounts due to director(s) are repayable on demand, which totalled to approximately HK\$10.7 million (being the aggregate amount due to Mr. Wong and due to Mr. Pong of approximately HK\$4.9 million and HK\$5.9 million, respectively) as at 30 June 2023 and approximately HK\$1.2 million (being the aggregate amount due to Mr. Wong and due to Mr. Pong of approximately HK\$355,000 and HK\$857,000, respectively) as at 31 December 2022. We considered that it is not uncommon for director(s) and/or controlling shareholder(s) of listed companies to provide short term liquidity support for listed companies and it is also not uncommon for listed companies to settle the corresponding balances due to director(s) and/or controlling shareholder(s) from time to time, in part or in full.

As at 30 June 2023, total equity attributable to owners of the Company amounted to approximately HK\$18.7 million, representing a decrease of approximately 8.1% as compared to approximately HK\$20.4 million as at 31 December 2022.

### ***Financial position as at 31 December 2022***

As at 31 December 2022, the Group's total assets amounted to approximately HK\$38.9 million, representing a decrease of approximately 49.9% as compared to approximately HK\$77.7 million as at 31 December 2021, which mainly comprised inventories of approximately HK\$31.2 million as compared to approximately HK\$43.3 million as at 31 December 2021. As set out in the 2022 Annual Report and as confirmed by the Management, the decrease was mainly attributable to the inventories balance related to food, beverage, wine and other consumables, which was recorded at cost, was written down



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to their net realisable values in accordance to the applicable accounting standards adopted by the Group. The amount of write-down of inventories totalled to approximately HK\$9.5 million after the retail prices were marked down with estimated costs of selling in light of the market and economic conditions. In addition, bank balances and cash decreased by approximately HK\$15.6 million or 89.9% from approximately HK\$17.3 million as at 31 December 2021 to approximately HK\$1.7 million as at 31 December 2022.

As at 31 December 2022, the Group's total liabilities amounted to approximately HK\$18.6 million, representing a decrease of approximately 49.7% as compared to approximately HK\$36.9 million as at 31 December 2021, which mainly comprised trade and other payables and accrued charges of approximately HK\$9.1 million as compared to approximately HK\$9.0 million as at 31 December 2021. The decrease in total liabilities was mainly attributable to the decrease in amounts due to director(s). The Management advised that the amounts due to director(s) (i.e. loan from director(s)) are a form of debt obligation of the Group, and similar to other forms of debt obligations, the Group is obliged to repay and settle its debt obligations as and when it falls due regardless of the financial performance of the Group at the material time. We also noted from note 21 to the consolidated financial statements of the Group as set out in the 2022 Annual Report, the amounts due to director(s) are repayable on demand, which totalled to approximately HK\$12.0 million due to Mr. Pong as at 31 December 2021 and approximately HK\$1.2 million (being the aggregate amount due to Mr. Wong and due to Mr. Pong of approximately HK\$355,000 and HK\$857,000, respectively) as at 31 December 2022.

As at 31 December 2022, total equity attributable to owners of the Company amounted to approximately HK\$20.4 million, representing a decrease of approximately 50.0% as compared to approximately HK\$40.8 million as at 31 December 2021.

### ***Financial position as at 31 December 2021***

As at 31 December 2021, the Group's total assets amounted to approximately HK\$77.7 million, representing a decrease of approximately 14.5% as compared to approximately HK\$90.8 million as at 31 December 2020, which mainly comprised (i) right-of-use assets balance of approximately HK\$9.3 million as compared to approximately HK\$13.6 million as at 31 December 2020, which was mainly attributable to the termination of lease and expiry of lease terms; (ii) decrease of property, plant and equipment of approximately HK\$3.2 million attributable to depreciation and impairment during the year ended 31 December 2021; (iii) inventories of approximately HK\$43.3 million as compared to approximately HK\$34.1 million as at 31 December 2020; and (iv) balances and cash of approximately HK\$17.3 million, representing a decrease of approximately 32.6% as compared to approximately HK\$25.6 million as at 31 December 2020, which was mainly attributable to the net effect of (a) net cash used in operations of approximately HK\$3.3 million; (b) net cash used in investing activities of approximately HK\$2.1 million; and (c)

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net cash used in financing activities of approximately HK\$2.9 million, details of the cashflow movements are set out in the consolidated statement of cash flows of the Group in the 2022 Annual Report.

As at 31 December 2021, the Group's total liabilities amounted to approximately HK\$36.9 million, representing an increase of approximately 10.2% as compared to approximately HK\$33.5 million as at 31 December 2020, which mainly comprised (i) amounts due to a director of approximately HK\$12.0 million; and (ii) trade and other payables and accrued charges of approximately HK\$9.0 million as compared to approximately HK\$6.8 million as at 31 December 2020.

As at 31 December 2021, total equity attributable to owners of the Company amounted to approximately HK\$40.8 million, representing a decrease of approximately 28.9% as compared to approximately HK\$57.3 million as at 31 December 2020.

### ***Our analysis***

We reviewed the historical financial information of the Group and noted that, in particular, (i) the Group has recorded loss and total comprehensive expense attributable to owners of the Company of approximately HK\$16.4 million, HK\$16.6 million, HK\$20.4 million and HK\$1.6 million for the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively; (ii) the outstanding Shareholders' Loans due to Mr. Wong and Mr. Pong amounted to approximately HK\$4.9 million and HK\$5.9 million, respectively, as at the Latest Practicable Date; (iii) the Group's bank balances and cash amounted to approximately HK\$1.7 million and HK\$2.2 million as at 31 December 2022 and 30 June 2023, respectively; and (iv) the total equity of the Group decreased by approximately 28.9% from approximately HK\$57.3 million as at 31 December 2020 to approximately HK\$40.8 million as at 31 December 2021, and further decreased by approximately 50.0% to approximately HK\$20.4 million as at 31 December 2022.

We also noted from the 2022 Annual Report that in the opinion of the Company's independent auditors, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022. However, it is noted that in the independent auditor's report set out in the 2022 Annual Report, the consolidated financial statements for the year ended 31 December 2022 indicate that material uncertainties around the Group's ability to continue as a going concern exists. Having considered the above, we are of the view that the Group have funding needs in light of the Group's financial position and daily operational needs, and therefore the Rights Issue is in the interests of the Company as a whole.

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### 2. Reasons for the Rights Issue and the use of proceeds

#### *(a) Reasons for the Rights Issue*

As stated in the Letter from the Board, for the year ended 31 December 2022, the Group recorded an audited loss of approximately HK\$20.4 million and the financial performance of the Group was adversely affected by (i) decrease in revenue from existing restaurants as affected by repeated sporadic outbreak of COVID-19 which had a greater adverse impact than the previous year; (ii) impairment loss of certain property, plant and right-of-use assets associated to the restaurants; (iii) write-down of the inventories to net realisable values; and (iv) decrease in profit from discontinued operations. Please refer to the section headed “Reasons for and benefits of the rights issue and use of proceeds” in the Letter from the Board for the further details of how the operations of the Group has been affected by the macro environment.

In order to maintain sufficient cash level for the Group’s current operation, the Group had obtained financing from Mr. Wong and Mr. Pong since 2021. The Shareholders’ Loans are interest free, without maturity date and payable on demand. As at the Latest Practicable Date, the outstanding Shareholders’ Loans due to Mr. Wong and Mr. Pong amounted to approximately HK\$4.9 million and HK\$5.9 million, respectively. As at 30 June 2023, the Group had the cash and cash equivalents of approximately HK\$2.2 million, which was not sufficient to settle the Shareholders’ Loans.

For our analysis on the recent financial performance and position of the Group as set out in the 2021 Annual Report, 2022 Annual Report and 2023 Interim Report, please refer to the paragraph headed “1. Background and financial information of the Group” in this letter for further details.

#### *(b) Fund raising alternatives*

As set out in the Letter from the Board, the Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to, debt financing, placing and open offer. It is noted that debt financing would result in additional interest burden, particularly, under the current interest rate environment and subject the Group to repayment obligations. In addition, the Board considered that debt financing may not be achievable on acceptable terms in a timely manner.

In relation to debt financing, we have discussed with the Management and understand that, it is unlikely for the Company to obtain further debt financing from financial institutions given the continued loss-making financial performance of the Group in the recent past as well as the lack of sufficient and appropriate collaterals to secure against any potential debt financing. In addition, debt financing will increase the Group’s gearing ratio and financial burden due to increase in the finance costs. Although the Group had no external interest-bearing bank borrowings as at 30 June 2023, the Group had Shareholders’

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Loans of approximately HK\$10.7 million as at the Latest Practicable Date, being a form of debt obligation. For illustration purposes, based on the Shareholders' Loans of approximately HK\$10.7 million divided by the Group's total equity of approximately HK\$18.7 million as at 30 June 2023, such ratio would be approximately 57.2%.

In relation to equity financing, as set out in the Letter from the Board, for placement of new Shares, taking into account that (i) the engagement of a placing agent which would incur additional costs and expenses on the part of the Company; and (ii) it would lead to immediate dilution in the shareholding interests of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, therefore it was not considered by the Board to be the preferred fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, unlike a rights issue, it does not allow free trading of rights entitlements in the open market, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

It is noted from the Management that they have contacted not less than three financial institutions (the "**Financial Institutions**"), which are licensed by the SFC to carry out type 1 (dealing in securities) and/or type 6 (advising on corporate finance) regulated activities, such as equity fund raisings and other capital market activities, regarding the possibilities of equity fund raising exercise other than rights issue. However, based on the relevant feedback and discussion with the Management, given the uncertainties and costs associated with the abovementioned equity fund raising exercises (i.e. in terms of the timing for negotiation, duration, costs, and the amount to be raised, etc.), and taking into consideration the relatively low bank balances and cash of the Group of approximately HK\$1.7 million as at 31 December 2022, the recent financial performance of the Group, being in a loss making position for each of the years ended 31 December 2021 and 2022, and the declination from the Financial Institutions, in particular considering the financial position and financial performance of the Group, which has been loss making for each of the three years ended 31 December 2020, 2021 and 2022, such makes the rights issue a more preferable option as the Group's fund raising exercise, having considered the relatively lower execution uncertainty of the Rights Issue compared to other equity fund raising options which would be more dependent on the prevailing market environment and conditions at the material time as well as the overall costs of the fund raising exercise to the Group as set out under this section.

Having taken into consideration the above, including, (i) the Rights Issue will strengthen the capital base of the Company, thus enhancing the Group's overall liquidity position without incurring additional interest expenses, and also offers all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid dilution for those Shareholders who take up their entitlement under the Rights Issue in full, although Shareholder(s) who does not take up their provisional allotments under the Rights Issue will subject to dilution on their respective shareholding in

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the Company; (ii) the Rights Issue allows Qualifying Shareholders, who take up their entitlement under the Rights Issue in full, to maintain their respective pro-rata shareholdings in the Company; and (iii) the reasons for the Rights Issue as discussed above, we concur with the Directors that the Rights Issue are in the interests of the Company and the Independent Shareholders as a whole.

**(c) Proposed use of proceeds**

Assuming all Rights Shares are taken up, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.5 million) are estimated to be approximately HK\$12.75 million (assuming no change in the number of Shares in issue save for the Share Consolidation on or before the Record Date). Please refer to the section headed “2. Reasons for and benefits of the rights issue and use of proceeds” in the Letter from the Board in relation to the details of intended application of the net proceeds from the Rights Issue.

We noted from the Letter from the Board that approximately HK\$5.10 million, being approximately 40% of net proceeds from the Rights Issue, will be applied for repayment of the outstanding Shareholders’ Loans, which was determined after taken into consideration of (i) the recent financial performance and position of the Group as set out in the paragraph headed “1. Background and Financial Information of the Group – Our Analysis” in this letter; and (ii) the outstanding Shareholders’ Loans, which are payable on demand, amounted to approximately HK\$10.7 million as at the Latest Practicable Date. As such, in the event that the subject Shareholders demand the immediately settlement of the outstanding Shareholders’ Loans in full, the Group would not have sufficient internal resources to settle the Shareholders’ Loans in full as at the Latest Practicable Date.

In addition, we noted from the Letter from the Board and as discussed with the Management, the other 60% of the net proceeds from the Rights Issue is intended to be utilised as follows, namely, (i) approximately HK\$2.4225 million of net proceeds from the Rights Issue will be applied for the purchase of raw materials enhancing signature dishes in western cuisine style, mainly including food ingredients, beverages and wines, with an aim to improve and extend the products offered to customers of the Group, to be utilised within 12 months after completion of the Rights Issue; (ii) approximately HK\$3.825 million of net proceeds from the Rights Issue will be applied for payment of future payroll and/or training of existing and additional staff, which including, among others, recruiting one to two kitchen and/or supporting staff for each restaurant operated by the Group with a view to ensure there is sufficient manpower and that service quality can be enhanced, so as to allow the Group to capture business opportunities arise from the re-opening of the border, which is supported by the continued economic normalisation, and provide various training to the staff of the Group to improve service quality, which will be utilised within 12 months after completion of the Rights Issue; and (iii) approximately HK\$1.4025 million of net proceeds from the Rights Issue will be applied for enhancement and upgrade of restaurant facilities,

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mainly including labour and material costs in relation to renovation of the dining area for two of the restaurants in Hong Kong Island, and additions/replacement of furniture and/or tableware for all restaurants of the Group with an aim to improve customers' dining experience, which will be utilised within 12 months after completion of the Rights Issue.

As set out in the Letter from the Board, in the event that the Rights Issue is not approved by the Independent Shareholders and therefore does not proceed, the Company will have to attempt debt financing or other forms of equity financing to meet the expected funding needs for the next twelve months, which the relevant terms and conditions are subject to further negotiation.

In view of (i) the unsatisfactory financial performance of the Group as discussed in the paragraph headed "1. Background and financial information of the Group" above in this letter; (ii) financial position and funding requirements of the Group; (iii) it is not ideal for the Group's operations to rely on Shareholders' Loans in long run; (iv) the Group would not be able to satisfy its repayment obligations in a timely manner if the Shareholders' Loans are demanded to be repaid as at the Latest Practicable Date; (v) additional debt financing will increase the financial burden of the Group; and (vi) placing of new Shares would dilute the shareholding of the existing Shareholders while the Rights Issue will allow the Qualifying Shareholders to maintain their respective shareholdings in the Company on a pro rata basis, we concur that the Directors' view the Rights Issue is in the interests of the Company as a whole.

### **3. Previous fundraising exercise involving issue of securities in the prior 12-month period**

The Company has not conducted any equity fund raising activities in the past 12 months immediately before the date of the Announcement and up to the Latest Practicable Date.

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### 4. Principal terms of the Rights Issue

Principal terms of the Rights Issue are summarised as below:

Basis of the Rights Issue:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.426 per Rights Share
Net price per Rights Share (i.e. Subscription Price less estimated expenses incurred in relation to the Rights Issue):	Approximately HK\$0.380 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date:	446,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	22,300,000 Consolidated Shares
Number of Rights Shares to be issued:	Up to 33,450,000 Rights Shares (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)
Total number of Consolidated Shares in issue upon completion of the Rights Issue:	Up to 55,750,000 Shares (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)
Gross proceeds from the Rights Issue (before deducting the relevant expenses):	Up to approximately HK\$14.25 million (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)

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Net proceeds from the Rights Issue (after deducting the estimated relevant expenses):	Up to approximately HK\$12.75 million (assuming (i) no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date and (ii) full subscription under the Rights Issue)
Right of excess applications:	As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue
Underwriters and number of underwritten Rights Shares:	Pursuant to the Underwriting Agreement, Wiltshire Global and Peyton Global have conditionally agreed to underwrite, pro rata to their respective shareholding in the Company as at the date of the Underwriting Agreement, on fully underwritten basis, up to an aggregate of 25,249,500 Rights Shares of which up to 9,546,500 Rights Shares and 15,703,000 Rights Shares will be underwritten by Wiltshire Global and Peyton Global respectively, (assuming no other change in the total number of Shares in issue save for the Share Consolidation on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement

Assuming no changes in the number of issues Shares of the Company save for the Share Consolidation on or before the Record Date, the 33,450,000 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent approximately (i) 150% of the total number of Consolidated Shares in issue upon the Share Consolidation becoming effective; and (ii) 60% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

### **5. Analysis of the Subscription Price**

With a view to assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purposes.

#### ***(a) The Subscription Price***

As set out in the Letter from the Board, the Subscription Price is HK\$0.426 per Rights Share, which is payable in full upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of Nil-Paid Rights applies for the Rights Shares.



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The Subscription Price represents:

- (i) a discount of approximately 7.4% to the adjusted closing price of HK\$0.46 per Consolidated Share as quoted on the closing price of HK\$0.0230 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date and adjusted for the effect of the Share Consolidation;
- (ii) a discount of approximately 15.0% to the adjusted closing price of approximately HK\$0.50 per Consolidated Share based on the closing price of HK\$0.0250 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 15.0% to the adjusted average closing prices of approximately HK\$0.50 per Consolidated Share based on the average closing price of approximately HK\$0.0250 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 15.0% to the adjusted average closing prices of approximately HK\$0.50 per Consolidated Share based on the average closing price of approximately HK\$0.0250 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (v) a discount of approximately 17.1% to the adjusted average closing prices of approximately HK\$0.514 per Consolidated Share based on the average closing price of approximately HK\$0.0257 per Existing Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (vi) a discount of approximately 6.6% to the theoretical ex-entitlement price of approximately HK\$0.456 per Consolidated Share based on the closing price of approximately HK\$0.025 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation;
- (vii) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 8.8%, represented by the theoretical diluted price of approximately HK\$0.456 per Consolidated Share to the benchmarked price of approximately HK\$0.50 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of (a) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day; and (b) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day and adjusted for the effect of the Share Consolidation);

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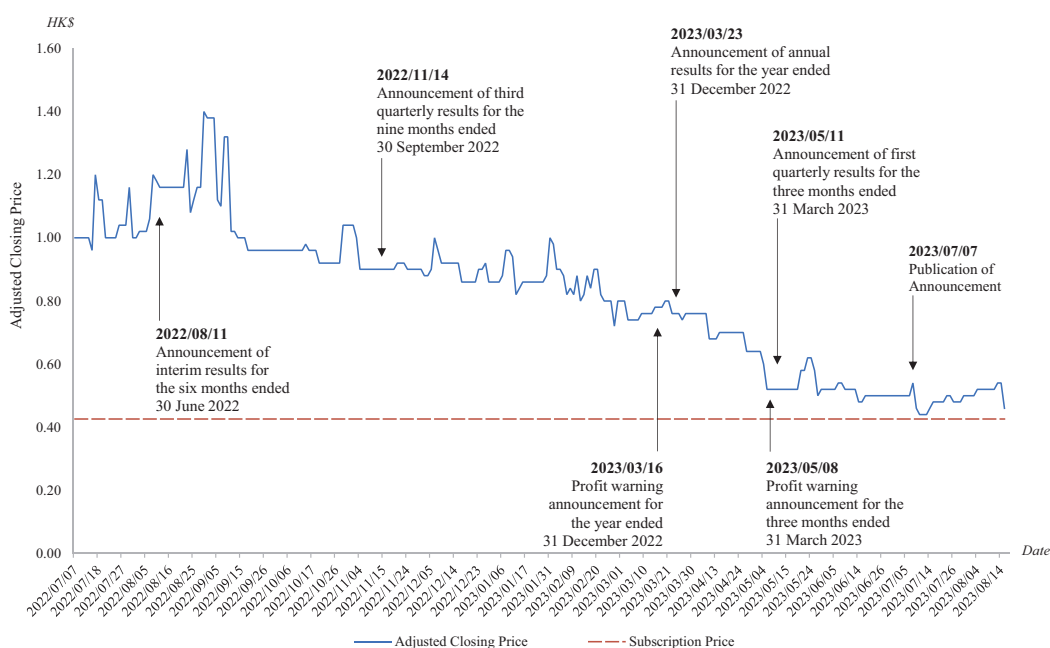
- (viii) a discount of approximately 53.3% to the adjusted audited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.913 per Consolidated Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$20,359,000 as at 31 December 2022 as set out in the annual report of the Company for the year ended 31 December 2022 by the number of Shares as at the Last Trading Day after adjusted for the effect of the Share Consolidation; and
- (ix) a discount of approximately 49.2% to the adjusted unaudited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 30 June 2023 of approximately HK\$0.839 per Consolidated Share, which is calculated by dividing the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$18,718,000 as at 30 June 2023 as set out in the unaudited consolidated financial statements of the Company for the six months ended 30 June 2023 by the number of Existing Shares as at the Latest Practicable Date after adjusted for the effect of the Share Consolidation.

The Subscription Price was determined with reference to and having considered (i) the closing price of HK\$0.025 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; (ii) the current financial position of the Group; and (iii) the reasons for the Rights Issue and the use of proceeds as set out in the section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Letter from the Board.

***(b) Analysis on historical Share price performance***

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements of the theoretical adjusted closing price per Consolidated Share, calculated by aggregating the relevant closing price of 20 Existing Shares (the “**Adjusted Closing Price**”), during the period from 7 July 2022, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Share Price Review Period**”), which is commonly adopted timeframe for share price analysis in the market that is adequately lengthy to illustrate the recent trend of the closing prices of the Shares, which in turn facilitates our analysis on the Subscription Price, the closing prices of the Shares and its trading volume for the purpose of assessing the fairness and reasonableness of the Subscription Price.

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Source: [www.hkex.com.hk](http://www.hkex.com.hk)

As illustrated in the above chart, the Adjusted Closing Price ranged from approximately HK\$0.44 and HK\$1.40 during the Share Price Review Period.

The Adjusted Closing Price was around the HK\$1.00 level at the commencement of the Share Price Review Period. The Adjusted Closing Price was HK\$1.16 on 12 August 2022, which is the trading day immediately after the date of the interim results announcement for the six months ended 30 June 2022, and was subsequently increased to a high of HK\$1.40 on 30 August 2022. Subsequent to which, the Adjusted Closing Price experienced a generally downward trend until the Last Trading Day. The aforesaid downward trend of the Adjusted Closing Price may be attributable to the market environment and the published financial position and performance of the Group at the material time. The Adjusted Closing Price was HK\$0.50 and HK\$0.46 as at the Last Trading Day and the Latest Practicable Date, respectively, compared to the Subscription Price of HK\$0.426.

### **(c) Analysis on historical trading volume and liquidity**

We have also reviewed the historical trading volume of the Shares during the Share Price Review Period. The number of days with trading of Shares, the average daily number of Shares traded and the percentages of average daily number of Shares traded as compared to the total number of issued Shares and the Shares held by public Shareholders during the Share Price Review Period are shown in the table below.

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Month/period	Number of days with trading of Shares	Average daily number of Shares traded	% of average daily number of Shares traded to the total number of Shares in issue <i>(Note 1)</i>	% of average daily number of Shares traded to the total number of Shares held by public Shareholders <i>(Note 2)</i>
<b>2022</b>				
July <i>(from 7 July 2022)</i>	9	305,000	0.07%	0.21%
August	10	152,174	0.03%	0.10%
September	7	65,952	0.01%	0.04%
October	10	44,250	<0.01%	0.03%
November	10	92,500	0.02%	0.06%
December	15	62,250	0.01%	0.04%
<b>2023</b>				
January	10	84,444	0.02%	0.06%
February	20	228,250	0.05%	0.15%
March	8	21,087	<0.01%	0.01%
April	4	74,706	0.02%	0.05%
May	6	26,429	<0.01%	0.02%
June	6	93,810	0.02%	0.06%
July	12	324,500	0.07%	0.22%
August <i>(up to the Latest Practicable Date)</i>	5	76,364	0.02%	0.05%
<b>Minimum</b>			< 0.01%	0.01%
<b>Maximum</b>			0.07%	0.22%
<b>Average</b>			0.03%	0.08%

Source: <https://www.hkex.com.hk>

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*Notes:*

- 1. Calculated based on the total number of the Shares in issue at the end of month/period, where applicable.*
- 2. Calculated based on the total number of the Shares held by public shareholders as set out in the Letter from the Board as at the Last Trading Day.*

As set out in the table above, during the Share Price Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of (i) less than 0.01% to approximately 0.07% with an average of approximately 0.03% as to the total number of issued Shares; and (ii) approximately 0.01% to approximately 0.22% with an average of approximately 0.08% as to the total number of Shares held by public Shareholders.

The above statistics illustrate that the trading liquidity of the Shares has been low in the open market. Due to the thin trading volume of the Shares, we consider that the Company is unlikely to be able to raise notable amount of funds via equity financing without any discount. On this basis and that the closing price of the Shares showed a decreasing trend during the Share Price Review Period, we concur with the Directors that the Subscription Price, which represents a discount to the Adjusted Closing Price as at the Last Trading Day would encourage Shareholders to participate in the Rights Issue and accordingly maintain their respective shareholdings in the Company.

***(d) Analysis on recent rights issue market comparables***

With a view to assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted market research on recent proposed rights issue transactions based on the following selection criteria: (i) the shares of the company are listed on the Stock Exchange; (ii) the proposed rights issue transaction is not terminated up to the Last Trading Day; (iii) the proposed rights issue transaction with gross proceeds of not more than HK\$40 million, after taking into consideration the gross proceeds of the Rights Issue of approximately HK\$14.25 million, the difference of which is approximately HK\$26 million, which is less than twice the size of the gross proceeds of the Rights Issue. Given the variation in the sizes of the rights issues conducted by other listed companies and that we need to allow sufficient variations in right issue fund raising sizes to ensure we can encapsulate a sufficiently large sample size which can be considered as representative to the market, the aforementioned difference in absolute amount is considered to be reasonable for the purpose of our analysis; and (iv) the proposed rights issues announced during the 6-month period (the “**Review Period**”), which it is a commonly adopted timeframe for similar analysis in the market and that it is considered to be sufficiently lengthy to illustrate the recent trend of rights issue exercises in the market, which in turn facilitates our analysis on the terms of the Rights Issue, commencing on 7 January 2023 up to and including the Last Trading Day (the “**Criteria**”).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given no rights issues carried out by listed companies during the Review Period are identical in all material aspects, with a view to identify rights issue market precedents of a sufficient sample size and to ensure these identified rights issue market precedents are market representative as a whole and can serve as a useful general market reference for recent market practice in relation to terms of rights issue exercises in the market for the purpose of our analysis and for the Independent Shareholders' consideration, we have selected rights issue market precedents based on the Criteria, which included (i) the shares of companies that are listed on the Stock Exchange (including Main Board and GEM); (ii) proposed rights issue transaction with gross proceeds of not more than HK\$40 million; and (iii) different basis of entitlement of rights issue exercises for the recent rights issue market comparables analysis.

Based on the Criteria, we have identified 14 rights issues (the “**Rights Issue Comparable(s)**”) for the purpose of our analysis. We consider that the Rights Issue Comparables are exhaustive under the Criteria.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	Gross proceeds (HK\$ million)	Premium/ (Discount) of subscription price over/to				Theoretical dilution effect (Note 2) (%)	Underwriting commission (Note 3) (%)	Placing commission (%)	Excess application (Yes/No)
				Closing price on the last trading day (%)	Theoretical price ex-rights (%)	Consolidated NAV per share (Note 1) (%)	Theoretical effect (%)				
5 June 2023	Solomon Worldwide Holdings Limited (8133)	1 for 2	10.20	(20.8)	(15.8)	66.7	(7.3)	1.5	N/A	Yes	
30 May 2023	Min Fu International Holding Limited (8511)	1 for 2	24.00	(8.3)	(5.7)	12.4	(3.3)	N/A	4.0	No	
29 May 2023	Hao Bai International (Cayman) Limited (8431)	1 for 2	19.50	(5.7)	(3.9)	84.2	(3.8)	N/A	1.6	No	
25 May 2023	Jimu Group Limited (8187)	2 for 1	14.40	15.6	4.7	484.9 (Note 4)	10.4	HK\$100,000	N/A	Yes	
17 May 2023	CROSSSTEC Group Holdings Limited (3893)	1 for 2	17.28	(9.1)	(6.3)	N/A	(3.0)	N/A	N/A	Yes	
28 April 2023	PT International Development Corporation Limited (372)	1 for 2	36.30	(69.2)	(60.0)	(83.5)	(23.1)	0.5	0.3	No	
13 April 2023	Finet Group Limited (8317) (Note 5)	1 for 2	33.90	(52.4)	(42.2)	63.9	(18.0)	–	HK\$20,000	No	
13 April 2023	Pinestone Capital Limited (804)	1 for 2	30.46	(40.8)	(31.5)	(63.0)	(13.6)	N/A	1.5	No	
6 April 2023	Kingland Group Holdings Limited (1751)	1 for 2	14.92	(70.4)	(61.3)	262.8 (Note 4)	(23.5)	N/A	3.5	No	
16 March 2023	Golden Power Group Holdings Limited (3919)	1 for 2	19.80	(19.7)	(14.1)	(87.1)	(9.0)	4.0	N/A	Yes	
6 March 2023	CBK Holdings Limited (8428)	5 for 1	20.61	(15.9)	(2.9)	(70.6)	(13.2)	N/A	3.5	No	
17 February 2023	State Innovation Holdings Limited (8275)	3 for 2	35.30	(26.5)	(12.5)	(64.7)	(16.0)	N/A	2.5	No	
10 January 2023	Kinetix Systems Holdings Limited (8606)	1 for 2	31.30	(29.4)	(21.7)	(47.0)	(9.8)	N/A	1.3	No	
6 January 2023	SDM Education Group Holdings Limited (8363)	1 for 2	23.84	–	–	N/A	–	4.0	N/A	Yes	
	<b>Maximum</b>		36.30	15.6	4.7	84.2 (Note 4)	10.4	4.0	4.0	No	
	<b>Minimum</b>		10.20	(70.4)	(61.3)	(87.1) (Note 4)	(23.5)	–	0.3	No	
	<b>Average</b>		23.70	(25.2)	(19.5)	(18.9) (Note 4)	(18.9)	2.0	2.3	No	
	<b>Median</b>		22.23	(20.3)	(13.3)	(55.0) (Note 4)	(55.0)	1.5	2.1	No	
	<b>The Company</b>		14.25	(15.0)	(6.6)	(53.3)	(8.8)	0.0	HK\$38,000	No	

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

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*Notes:*

1. *The net asset value (the “NAV”) per share is calculated based on the latest published audited/unaudited consolidated NAV attribute to owners of the respective company and total number of shares in issue as at the date of the respective announcements. “N/A” denotes that the NAV of the rights issue comparable company that has net liabilities according to their respective latest published audited/unaudited consolidated financial statements.*
2. *The theoretical dilution effect is calculated in accordance with Rule 10.44A of the GEM Listing Rules.*
3. *“N/A” denotes that the rights issue was conducted on a non-underwritten basis.*
4. *Given the premiums of subscription prices over the consolidated NAV per share for Jimu Group Limited and Kingland Group Holdings Limited of approximately 484.9% and 262.8%, are notably higher than other Rights Issue Comparables, with the next closest comparable being at approximately 84.2% premium, which is over 100 percentage points difference, thus they should be considered as outliers and excluded from the analysis on the subscription prices over the consolidated NAV per share.*
5. *Based on our research, the underwriter of Finet Group Limited was a connected party to the subject listed company, whereas the underwriters of the other Rights Issue Comparables were independent third parties to the subject listed company.*

As set out in the table above, we noted that:

- (i) the premium or discount of subscription price over or to the closing price on the Last Trading Day of the Rights Issue Comparables ranged from a discount of approximately 70.4% to a premium of approximately 15.6% (the “**Comparable LTD Range**”), with the average and median of discounts of approximately 25.2% and 20.3%, respectively. The Subscription Price represents a discount of approximately 15.0% to the Adjusted Closing Price on the Last Trading Day, which is within the Comparable LTD Range, with a lower discount than the average and median;
- (ii) the premium or discount of subscription price over or to the theoretical ex-rights price of the Rights Issue Comparables ranged from a discount of approximately 61.3% to a premium of approximately 4.7% (the “**Comparable TERP Range**”), with the average and median of discounts of approximately 19.5% and 13.3%, respectively. The Subscription Price represents a discount of approximately 6.6% to the theoretical ex-rights price per Consolidated Share on the Last Trading Day which is within the Comparable TERP Range and with a lower discount than the average and the median;



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- (iii) we are of the view that the premiums of subscription prices over the consolidated NAV per share of approximately 484.9% and 262.8% for Jimu Group Limited and Kingland Group Holdings Limited, respectively, are notably higher than other Rights Issue Comparables which should be considered as outliers and excluded from the analysis on the subscription prices over the consolidated NAV per share. The premium or discount of subscription prices over or to the consolidated NAV per share of the Rights Issue Comparables ranged from a discount of approximately 87.1% to a premium of approximately 84.2% (the “**Comparable NAV Range**”), with average and median of discounts of approximately 18.9% and 55.0%, respectively. The Subscription Price represents a discount of approximately 53.3% to the consolidated NAV per Consolidated Share on the Last Trading Day which is within the Comparable NAV Range with a higher discount than the average and with a lower discount than the median;
- (iv) the theoretical dilution effect of the Comparable Rights Issue ranged from approximately 23.5% to a premium of approximately 10.4% (the “**Comparable Dilution Range**”), with average and median dilution effects of approximately 9.5% and 9.4%, respectively. The theoretical dilution effect of the Rights Issue of approximately 8.8% is within the Comparable Dilution Range, lower than the average and median dilution effects of the Comparable Rights Issue. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 10.44A of the GEM Listing Rules;
- (v) it is noted from the Letter from the Board that the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Rights Issue Comparables, we noted that 9 out of 14 Rights Issue Comparables, did not offer excess application as part of the rights issue. On this basis, we considered the absence of excess application to be common market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement is acceptable as the Independent Shareholders are concerned;

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- (vi) the Rights Issue is on an underwritten basis, which is considered to be in line with market practice, given 6 out of 14 Rights Issue Comparables are also on conducted on an underwritten basis. The Rights Issue on an underwritten basis could safeguard the Company to raise the required fund even though not all Shareholders subscribe the Rights Shares and/or not all Unsubscribed Rights Shares can be placed to independent places;
- (vii) the underwriting commission of the Rights Issue Comparables range from nil% to 4.0%, where applicable, with the average and median of approximately 2.0% and 1.5%, respectively. Pursuant to the terms of the Underwriting Agreement, the Underwriter will not be entitled to any commission;
- (viii) the placing commission of the Rights Issue Comparables, where applicable, ranged from approximately 0.3% to 4.0%, with the average and median of approximately 2.3% and 2.1%, respectively. Pursuant to the terms of the Placing Agreement, the Placing Agent shall be entitled to a commitment fee equal of HK\$38,000, irrespective of (i) whether or not any Unsubscribed Shares are successfully placed; and (ii) the actual number of Unsubscribed Shares which are successfully placed, by the Placing Agent. Assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings) and all unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, represents approximately 0.35% of the total placing amount of the aforesaid unsubscribed Rights Shares, which lower than the average and median of placing commission of the Rights Issue Comparables. The fixed placing commission of HK\$38,000 would secure the fund of the Company as no additional cost would be due to the Company based on the aforesaid assumption. In addition, having considered (1) the Subscription Price represents a smaller discount to the closing prices of the Shares compared to the Rights Issue Comparables as (aa) the Subscription Price represents a discount of approximately 15.0% to the Adjusted Closing Price on the Last Trading Day which is with a lower discount than the average and median; and (bb) the theoretical ex-rights price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range and with a lower discount than the average and the median of the Rights Issue Comparables as discussed above; (2) the relatively low bank balances and cash of approximately HK\$1.7 million as at 31 December 2022 and the loss-making financial performance for the past financial years of the Group as discussed under the paragraph headed “1. Background and financial information of the Group” in this letter, the Management confirmed that the Company was not able identify another placing agent who would charge a more favourable placing commission. Furthermore, a fixed placing commission provides the Company with certainty in terms of placing commission to be paid and that assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those

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pursuant to the Irrevocable Undertakings) and all unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the placing commission of HK\$38,000 only represents approximately 0.35% of the total placing amount of such unsubscribed Rights Shares, which is lower than the average and median, and towards the low-end of the placing commission of the Rights Issue Comparables; and

- (ix) in the case that no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings) and all unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements.

In determining the current subscription ratio and the Subscription Price, we understand from the Management that the Company has considered various factors, including (i) other market precedents and that a reasonable discount to the closing price of the Shares is necessary to attract the Qualifying Shareholders to participate in the Rights Issue; (ii) the funding needs of the Group; and (iii) the Subscription Price has to be set at a discount to the closing price of the Shares that is acceptable to the market.

In view of (i) the Subscription Price represents a discount of approximately 15.0% to the Adjusted Closing Price on the Last Trading Day which is within the Comparable LTD Range; (ii) the theoretical ex-rights price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range and with a lower discount than the average and the median of the Rights Issue Comparables; (iii) the consolidated NAV per Consolidated Share as represented by the Subscription Price is within the Comparable NAV Range with a higher discount than the average of the Rights Issue Comparables; (iv) the theoretical dilution effect of the Rights Issue is within the Comparable Dilution Range and lower than the average and median of dilution effects of the Rights Issue Comparables; (v) our analysis on the absence of excess application arrangement; and (vi) the Subscription Price is available to all Qualifying Shareholders, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

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*(e) Analysis on market comparables*

With a view to further supplement our work performed and analysis, we have also conducted supplemental analysis on the trading multiples of the Company to support our view on the fairness and reasonableness of the Subscription Price. In this connection, we have first considered the implied price-to-earnings ratio (the “**P/E Ratio**”). However, as the Group recorded a loss attributable to its owners for the year ended 31 December 2022, P/E Ratio analysis is not applicable. On this basis, as an alternative to the P/E Ratio analysis and with a view to provide more tailored analysis for loss making companies, we have included the price-to-sales ratio (the “**P/S Ratio**”), which is a commonly adopted trading multiple for the analysis of loss-making companies without a profit, such as the Group, which recorded a loss attributable to the owners of the Company for each of the years ended 31 December 2021 and 2022 respectively, as part of our analysis. In addition, as supplemental analysis, we have also conducted analysis on the implied price-to-book ratio (the “**P/B Ratio**”) of the Company.

In this connection, having considered the principal businesses of the Group and the market capitalisation of the Company as at the Last Trading Day, we have set the following criteria to select comparable companies for the purpose of our analysis, namely (a) shares of the companies being listed and traded on the main board of the Stock Exchange or GEM as at the Last Trading Day with an aim to ensure the Market Comparables (as defined hereafter) to be market representative as a whole and can serve as a useful general market reference in relation to the Subscription Price for the purpose of our analysis for the Independent Shareholders’ consideration as a whole; (b) the listed company is principally engaged in operating restaurants, eateries and/or cafes with over 50% of its revenue derived from its dining/restaurant/food and beverages business for its latest completed and published financial year with an aim to include the companies operating similar businesses with the Group; (c) the listed company derived over 80% of its revenue from Hong Kong for its latest completed and published financial year; and (d) based on the closing share price on the Last Trading Day, their market capitalisation being not more than HK\$150 million (together the “**Comparable Companies Criteria**”).

As there are no listed companies which are completely identical in all material aspects, with a view to identify sufficient and representative sample size of Market Comparables, thereby enabling us to consider the Market Comparables as an useful and appropriate general market reference for the purpose of our P/S Ratio and P/B Ratio analysis and for the Independent Shareholders’ consideration, we have selected the Market Comparables based on the Criteria, which included (i) the Comparable Companies Criteria (b) in relation to revenue of the Market Comparables as we considered that listed companies operating in the same industry (i.e. restaurant / eatery industry) are relevant for comparison purposes; and (ii) the Comparable Companies Criteria (d) in relation to market capitalisation of the Market Comparables as we have considered the required market capitalisation threshold for a GEM initial public offering being HK\$150 million, being the

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minimum market capitalisation size as required at the time of a GEM listing pursuant to the GEM Listing Rules, as well as the Company's current and past market capitalisation, which ranged not less than HK\$10.5 million to in excess of HK\$53.5 million since 2020 up to and including the Last Trading Day. We considered that Comparable Companies Criteria (d) would enable us to identify a market representative comparable sample size which can serve as a useful general market reference in relation to the Subscription Price for the purpose of our analysis. In this connection, we considered the Comparable Companies Criteria to be appropriate.

Based on the Comparable Companies Criteria, we have identified an exhaustive list of 10 comparable companies (the “**Market Comparables**”) from the Stock Exchange's website, and set out in the following table the details of the Market Comparables:

Company name (stock code)	Principal business	Market Capitalisation <i>(Note 1)</i> (HK\$'million)	P/S Ratio <i>(Note 2)</i> (times)	P/B Ratio <i>(Note 2)</i> (times)
China Demeter Financial Investments Limited (8120)	Provision of food and beverage services and other businesses, including provision of financial services	108.4	0.68	0.90
1957 & Co. (Hospitality) Limited (8495)	Operating restaurants based in Hong Kong, which offers a variety of specialty cuisines	97.9	0.30	1.97
Jia Group Holdings Limited (“ <b>Jia Group</b> ”) (8519)	Operation of restaurants	76.5	0.24	7.43 <i>(Note 4)</i>
Prosperous Future Holdings Limited (1259)	Provision of food and beverage services and other businesses, including provision of financial business	81.9	0.15	0.12
Top Standard Corporation (“ <b>Top Standard</b> ”) (8510)	Provision of food catering services through restaurants and online sales of wines	74.6	5.98 <i>(Note 5)</i>	N/A <i>(Note 3)</i>
MS Concept Limited (8447)	Provision of catering services through a chain of restaurants in Hong Kong	71.0	0.22	1.20

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Company name (stock code)	Principal business	Market Capitalisation <i>(Note 1)</i> (HK\$'million)	P/S Ratio <i>(Note 2)</i> (times)	P/B Ratio <i>(Note 2)</i> (times)
CBK Holdings Limited ("CBK") (8428)	Principally engaged in the provision of catering services, and sales and processing of food in Hong Kong	37.8	0.96	8.04 <i>(Note 4)</i>
Royal Catering Group Holdings Company Limited ("Royal Catering") (8300)	Provision of casual dining food catering services and trading of luxury watches business in Hong Kong	40.0	4.00	5.65 <i>(Note 4)</i>
Tasty Concepts Holding Limited (8096)	Operating ramen restaurants in Hong Kong	10.7	0.28	N/A <i>(Note 3)</i>
Dragon King Group Holdings Limited (8493)	Operation and management of restaurants	9.7	0.19	N/A <i>(Note 3)</i>
	<b>Maximum</b>		4.00	1.97
	<b>Minimum</b>		0.15	0.12
	<b>Average</b>		0.75	1.05
	<b>Median</b>		0.28	1.05
	<b>The Company</b>	9.5 <i>(Note 6)</i>	0.25 <i>(Note 7)</i>	0.51 <i>(Note 8)</i>

*Notes:*

- (1) *Market capitalisation of the Market Comparables is calculated based on their respective closing share price as at the Last Trading Day and the total number of issued shares based on the latest monthly return of the subject listed company published on the website of the Stock Exchange.*
- (2) *The P/S Ratio and P/B Ratio of the Market Comparables are calculated based on the closing share price of the respective Market Comparables as at the Latest Practicable Date.*
- (3) *Based on the latest published financial information of the subject Market Comparable, such comparable was in a net liability position and has a negative P/B Ratio. With a view to minimise the distortion to the P/B Ratio analysis, such comparable company is considered to be an outlier and has been excluded from the analysis of the P/B Ratio.*
- (4) *Given the respective P/B Ratio of Jia Group, CBK and Royal Catering is notably higher than the other Market Comparables, the subject P/B Ratios are considered to be an outlier and therefore have been excluded from the P/B Ratio analysis in connection with the Market Comparables to avoid undue distortions to the results of the analysis.*

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- (5) *Given the P/S Ratio of Top Standard is notably higher than the other Market Comparables, the subject P/S Ratio is considered to be an outlier and therefore have been excluded from the P/S Ratio analysis in connection with the Market Comparables to avoid undue distortions to the results of the analysis.*
- (6) *The implied market capitalisation of the Company of approximately HK\$9.5 million under the Subscription (the “**Implied Market Capitalisation**”), is calculated based on the Subscription Price of HK\$0.426 per Subscription Share and the number of Consolidated Shares in issue upon the Share Consolidation becoming Effective.*
- (7) *The implied P/S Ratio of the Company is calculated based on the Implied Market Capitalisation and the revenue of the Group for the year ended 31 December 2022.*
- (8) *The implied P/B Ratio of the Company is calculated based on the Implied Market Capitalisation and the equity attributable to the owners of the Company as at 30 June 2023.*

As shown in the table above, excluding the outlier, the P/S Ratio of the Market Comparables ranged from approximately 0.15 times to approximately 4.00 times with an average of approximately 0.75 times and a median of approximately 0.28 times. The implied P/S Ratio of the Company under the Subscription, calculated based on the Implied Market Capitalisation and the revenue of the Group for the year ended 31 December 2022, was approximately 0.25 times, which is within range of the P/S Ratio of the Market Comparables, and lower than the average and the median of the P/S Ratio of the Market Comparables.

As supplemental analysis, we have also considered the P/B Ratio of the Market Comparables (excluding the outliers), which ranged from approximately 0.12 times to approximately 1.97 times with an average of approximately 1.05 times and a median of approximately 1.05 times, while the implied P/B Ratio of the Company under the Subscription, calculated based on the Implied Market Capitalisation and the equity attributable to the owners of the Company as at 30 June 2023, being approximately 0.51 times, which is within range of the P/B Ratio of the Market Comparables and lower than the average and the median of the P/B Ratio of the Market Comparables, such indicates that when compared to the valuation of the Market Comparables in terms of trading P/B Ratio, the Subscription Price represents a lower and therefore more attractive implied P/B Ratio than that of the Market Comparables.

Based on our work performed and analysis as set out above, the Market Comparables analysis supports our view that the Subscription Price is fair and reasonable.

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**(f) Summary**

In view of (i) the Subscription Price represents a discount of approximately 15.0% to the Adjusted Closing Price on the Last Trading Day which is within the Comparable LTD Range; (ii) the theoretical ex-rights price per Consolidated Share on the Last Trading Day as represented by the Subscription Price is within the Comparable TERP Range; (iii) the theoretical dilution effect of the Rights Issue is within the Comparable Dilution Range, lower than the average and median of dilution effects of the Comparable Rights Issue; (iv) the implied P/S Ratio of the Company under the Subscription is within range of the P/S Ratio of the Market Comparables, lower than the average and the median of the P/S Ratio of the Market Comparables, and the implied P/B Ratio of the Company under the Subscription is within range of the P/B Ratio of the Market Comparables and lower than the average and the median of the P/B Ratio of the Market Comparables; (v) the absence of excess application arrangement; and (vi) the Subscription Price is available to all Qualifying Shareholders, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

**6. The Underwriting Agreement and the Placing Agreement**

**(a) Principal terms of the Underwriting Agreement**

On 6 July 2023 (after trading hours), the Company, the Underwriters, Mr. Wong and Mr. Pong entered into the Underwriting Agreement (as supplemented by the Supplemental Underwriting Agreement) in relation to the underwriting and respective arrangements in respect of the Rights Issue. Further details of the Underwriting Agreement are set out below:

Date:	6 July 2023 (after trading hours)
Issuer:	The Company
Underwriters:	(1) Wiltshire Global; and (2) Peyton Global.



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Number of Rights Shares underwritten by the Underwriters:	Up to an aggregate of 25,249,500 Rights Shares of which up to 9,546,500 Rights Shares and 15,703,000 Rights Shares will be underwritten by Wiltshire Global and Peyton Global respectively, (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), representing all the Rights Shares under the Rights Issue other than the 8,200,500 Rights Shares that have been undertaken to be subscribed by Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings.
Underwriting Commission:	The Underwriters will not receive any underwriting commission.

For further details of the terms and conditions of the Underwriting Agreement, please refer to the section headed “The Underwriting Agreement” in the Letter from the Board.

Save for the Underwriting Agreement, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriters or any of its connected persons and their respective associates.

Subject to the fulfilment of all the conditions (or any waiver, as the case may be, by the Underwriters) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, Wiltshire Global and Peyton Global shall, on fully underwritten basis, subscribe for the Untaken Rights Shares in proportion to their respective shareholding in the Company as at the date of the Underwriting Agreement.

As disclosed in the Letter from the Board, the terms of the Underwriting Agreement were determined after arm’s length negotiation between the Company and the Underwriters by taking into account prevailing market practices and terms for recent rights issue exercises undertaken by other Hong Kong listed issuers, and, in view of the recent trend of the Shares’ trading price, the size of the Rights Issue and the market condition, it is possible that the Rights Shares will not be fully taken by the Qualifying Shareholders or placed by the Placing Agent, thus the arrangement under the Underwriting Agreement could secure the net proceeds from the Rights Issue as proposed by the Group to enhance its working capital and strengthen its financial position, as further set out under the sub-section headed “REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND USE OF PROCEEDS” in the Letter from the Board. The Directors consider that the terms of the Underwriting Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As at the Latest Practicable Date, Wiltshire Global is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, Wiltshire Global, which is wholly-owned by Mr. Wong, the chairman of the Board and an executive Director, owns 41,340,000 Existing Shares, representing approximately 9.27% of the total issued share capital of the Company. Mr. Wong is the sole director of Wiltshire Global. Besides, Peyton Global is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holding. As at the Latest Practicable Date, Peyton Global, which is wholly-owned by Mr. Pong, an executive Director, owns 68,000,000 Existing Shares, representing approximately 15.25% of the total issued share capital of the Company, and is a substantial shareholder of the Company. Mr. Pong is the sole director of Peyton Global. In relation to the biography of Mr. Wong and Mr. Pong, please refer to the section headed “The Underwriting Agreement” in the Letter from the Board.

Based on the table set out in the paragraph headed “5. Analysis of the Subscription Price – (d) Analysis on recent rights issue market comparables” in this letter, we note that the commission rates received by underwriters of the Rights Issue Comparables amount to between nil% and 4.0% (the “**Underwriting Commission Range**”), where applicable, and one of that was underwritten by a connected person.

With reference to the Letter from the Board, subject to the fulfilment of all the conditions (or any waiver, as the case may be, by the Underwriters) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, Wiltshire Global and Peyton Global shall, on fully underwritten basis, subscribe for the Untaken Rights Shares in proportion to their respective shareholding in the Company as at the date of the Underwriting Agreement.

Having considered that the low liquidity of the Shares as mentioned under the paragraph headed “5. The Subscription Price – (c) Analysis on historical trading volume and liquidity” and the financial position of the Group as mentioned under the paragraph headed “1. Background and financial information of the Group” in this letter, we are of the view that the Company is unlikely to obtain positive feedback from independent financial institutions in acting as an underwriter of the Company on fully underwritten basis for the Rights Shares. Based on our discussion with the Management, we noted that the Management had made enquiries to the Financial Institutions and based on their respective feedback, the Financial Institutions are not willing to act as underwriter of the Company on fully underwritten basis for the Rights Shares at a fee level acceptable to the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Although the Underwriters may obtain the control of the Company through the taking up the Unsubscribed Rights Shares, we have considered (i) the Company is unlikely to obtain positive feedback from independent financial institutions in acting as an underwriter of the Company on fully-underwritten basis for the Rights Shares; (ii) there is no underwriting commission under the Underwriting Agreement; and (iii) the imminent need of funds of the Company for fulfilling the repayment obligations of the Shareholders' Loans and maintaining a minimum cash level to meet the Group's operating requirements, the Underwriting Agreement is fair and reasonable.

Having considered that (i) the Company is in need of fund as discussed in the paragraph headed "2. Reasons for the Rights Issue and the use of proceeds" in this letter; (ii) the Rights Shares will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement regardless of the participation level from Qualifying Shareholders; and (iii) no underwriting commission under the Underwriting Agreement, we concur with the Directors' view that the terms of the Underwriting Agreement are fair and reasonable, and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

***(b) Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements***

Pursuant to Rule 10.31(2) of the GEM Listing Rules, as one of the Underwriters, Peyton Global, is a substantial shareholder of the Company, the Company must make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares, by offering the Unsubscribed Rights Shares to Placees by way of a placing for the benefit of the relevant No Action Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Company has therefor appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to Placees on a best effort basis, and any Net Gain will be paid to the No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 12 October 2023, Placee(s), to subscribe for the Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Net Gain (if any but rounded to the nearest cent) will be paid to the No Action Shareholders, including (i) the relevant Qualifying Shareholders whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and (ii) the relevant Non-Qualifying Shareholders with reference to their shareholding in the Company on the Record Date, as set out below on pro-rata basis

- (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; and
- (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.

If and to the extent in respect of any Net Gain, any No Action Shareholders become entitled on the basis described above to an amount of HK\$100 or more, such amount will be paid to the relevant No Action Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of less than HK\$100 for its own benefit.

In order to comply with the GEM Listing Rules, the Company has entered into the Placing Agreement with the Placing Agent to place the Unsubscribed Rights Shares at the placing price. Any unplaced Unsubscribed Rights Shares will then be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(c) *Principal terms of the Placing Agreement*

Details of the Placing Agreement are summarised as follows:

Date: 6 July 2023 (after trading hours)

Placing Agent: Aristo Securities Limited

As at the date of the Announcement, (i) the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties; and (ii) the Placing Agent and its ultimate beneficial owner(s) are independent from and not acting in concert with any of the Underwriters

Placing commission: The Company shall pay the Placing Agent a fixed commission fee of HK\$38,000, irrespective of (i) whether or not any Unsubscribed Shares are successfully placed; and (ii) the actual number of Unsubscribed Shares which are successfully placed, by the Placing Agent.

Placing price of the Unsubscribed Rights Shares: the placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price.

The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.

Placees: the Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are not Shareholders and are Independent Third Party(ies) and not acting in concert with the Underwriters and their respective concert parties and/or any of the Company's connected persons. The Placing Agent shall ensure that (i) the Placing is conducted in accordance with the GEM Listing Rules and none of the Placees shall be or become a substantial shareholder of the Company immediately upon completion of the Placing; and (ii) no Placees will be under an obligation to make a mandatory general offer under the Takeovers Code as a result of the Placing and the Placing will not have any implications under the Takeovers Code.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- Ranking of Unsubscribed Rights Shares: The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares then in issue.
- Placing condition: The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; and (ii) all necessary consents and approvals to be obtained by the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.
- Placing period: The period from Tuesday, 10 October 2023 up to 4:00 p.m. on Thursday, 12 October 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

For further details of the terms and conditions of the Placing Agreement, please refer to the section headed “THE PLACING AGREEMENT” in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We understand that the Compensatory Arrangements is at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue. The placing of the Unsubscribed Rights Shares may be placed to independent places under the Compensatory Arrangements which will expand the shareholders' base. As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules, the Company has put in place the Compensatory Arrangements as required by Rule 10.31(1)(b) of the GEM Listing Rules. Given that the Compensatory Arrangements would (i) provide a distribution channel of the Unsubscribed Rights Shares for the Company; (ii) broaden the diversity and base of the Shareholders; (iii) potentially offer monetary benefits to the No Action Shareholders under the Net Gain arrangement; (iv) facilitate the implementation of the Rights Issue; and (v) the expenses of the Placing Agent to be incurred during the placing of the Shares are borne by the Company, we are of the view that the Compensatory Arrangements are fair and reasonable to the Independent Shareholders. The Placing Agent is an Independent Third Party under the GEM Listing Rules and the Placing will be carried out by the Responsible Officers of the Placing Agent. Having considered that (i) under the Placing Agreement, the Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies), there is no potential interest will be obtained by the Underwriters through the placing the Unsubscribed Rights Shares to any parties acting in concert with the Underwriters (as this is prohibited under the Placing Agreement); and (ii) the Placing Agent is an organisation licensed to carry out Type 1 (dealing in securities) regulated activities under the SFO, we are of the view that there is no material risk of conflict of interest in relation to the Placing Agreement and the term is considered as fair and reasonable.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue, the Underwriting Agreement and the Placing Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## 7. Potential dilution effect of the Rights Issue

The table below illustrates the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue.

	Immediately after completion of the Rights Issue									
	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Assuming all Rights Shares are subscribed by the Qualifying Shareholders		Assuming no Qualifying Shareholder (other than Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings) takes up any of the Rights Shares and all the Unsubscribed Rights Shares are placed by the Placing Agent to independent places		Assuming no Qualifying Shareholder (other than Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings) takes up any of the Rights Shares and the Underwriters take up all Underwritten Shares	
	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %	No. of Shares	Approx. %
Wiltshire Global and its concert parties <sup>(Note 1)</sup>	41,340,000	9.27	2,067,000	9.27	5,167,500	9.27	5,167,500	9.27	14,714,000	26.39
Peyton Global and its concert parties <sup>(Note 2)</sup>	68,000,000	15.25	3,400,000	15.25	8,500,000	15.25	8,500,000	15.25	24,203,000	43.41
Subtotal of the Underwriters and parties acting in concert with any of them	109,340,000	24.52	5,467,000	24.52	13,667,500	24.52	13,667,500	24.52	38,917,000	69.8
VMS Investment Group Limited ("VMS") <sup>(Note 3)</sup>	68,000,000	15.25	3,400,000	15.25	8,500,000	15.25	3,400,000	6.10	3,400,000	6.10
Millennium Pacific Information Technology Limited ("Millennium") <sup>(Note 4)</sup>	53,320,000	11.96	2,666,000	11.96	6,665,000	11.96	2,666,000	4.78	2,666,000	4.78
Independent places under the Placing <sup>(Note 5)</sup>	-	-	-	-	-	-	25,249,500	45.29	-	-
Other public Shareholders	215,340,000	48.28	10,767,000	48.28	26,917,500	48.28	10,767,000	19.31	10,767,000	19.31
<b>Total</b>	<b>446,000,000</b>	<b>100.00</b>	<b>22,300,000</b>	<b>100.00</b>	<b>55,750,000</b>	<b>100.00</b>	<b>55,750,000</b>	<b>100.00</b>	<b>55,750,000</b>	<b>100.00</b>



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Notes:

- (1) *Wiltshire Global is wholly owned by Mr. Wong, the chairman of the Board and an executive Director, and is acting in concert with Peyton Global.*
- (2) *Peyton Global is wholly owned by Mr. Pong, an executive Director, and is acting in concert with Wiltshire Global.*
- (3) *VMS is wholly-owned by Ms. Mak Siu Hang, Viola.*
- (4) *Millennium is indirectly wholly-owned by Mr. Yeung Shing Wai.*

*Pursuant to the terms and conditions of the Placing Agreement, the Placing Agent shall ensure that no Placees will be under an obligation to make a mandatory general offer under the Takeovers Code as a result of the placing and the Placing will not have any implications under the Takeovers Code.*

- (5) *The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.*

Pursuant to the Underwriting Agreement, in the event of the Underwriters being called upon to subscribe for the Underwritten Shares, the Underwriters shall confirm with the Company the actual number of Underwritten Shares after completion of the Placing under the Compensatory Agreements, and shall subscribe therefor.

All Qualifying Shareholders are entitled to subscribe for the Rights Shares, and for those who take up their full provisional allotments under the Rights Issue, their shareholding interest in the Company remain the same after the Rights Issue. As illustrated in the table as above, if (i) no Qualifying Shareholders takes up the Rights Issue; (ii) no Unsubscribed Rights Shares can be placed to independent places; and (iii) all the underwritten Rights Shares are taken up by the Underwriters, save for Underwriters and parties acting in concert with it, all other Shareholders would be reduced (assuming no change in the issued share capital of the Company on or before the Record Date) from approximately 75.48% to 30.20%, and the shareholding of the Underwriters and parties acting in concert with it would be increased from approximately 24.52% as at the Latest Practicable Date to approximately 69.80% upon the completion of the Rights Issue.

Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and 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 Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (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; (v) the Rights Issue would enable the Group to improve its financial position; and (vi) the Compensatory Arrangements will provide a compensatory mechanism at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue to address the concern that the Underwriters has the potential to increase its

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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equity interests in the Company at a lower cost because the Subscription Price is at discounts to the recent prevailing market price, we are of the view that the potential dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

We are of the view that the implementation of the Rights Issue is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Rights Issue, having regard to the potential mitigating measure such as the Compensatory Arrangements.

### **8. Financial effects of the Rights Issue**

#### *Net Assets*

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the audited consolidated net tangible assets, before any adjustments, of the Group attributable to the owners of the Company was approximately HK\$18.7 million as at 30 June 2023. Assuming 33,450,000 Rights Shares are issued on the basis of three Rights Shares for every two Shares in issue as at 30 June 2023 at the Subscription Price of HK\$0.426 per Rights Share, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would improve to approximately HK\$31.5 million as at 30 June 2023.

Based on the issuance of the maximum 33,450,000 Rights Shares under the Rights Issue and assuming that there is no other changes in the number of issued Shares, as set out in “Appendix II – Unaudited pro forma financial information of the Group” to the Circular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 (i) after Share Consolidation and before the completion of the Rights Issue; and (ii) immediately after the Share Consolidation and the completion of the Rights Issue, would be approximately HK\$0.84 and HK\$0.56, respectively.

#### *Liquidity*

According to the 2023 Interim Report, as at 30 June 2023, the Group had bank balances and cash of approximately HK\$2.2 million, and current liabilities of approximately HK\$19.2 million. Assuming 33,450,000 Rights Shares are issued on the basis of three Rights Shares for every two Shares on the Record Date at the Subscription Price of HK\$0.426 per Rights Share, upon completion of the Rights Issue, the Shareholders’ Loans under current liabilities of the Group will decrease by, according to the intended use of proceeds as stated in the Letter from the Board, approximately HK\$5.1 million, being the amount that will be applied for repayment of the outstanding Shareholders’ Loans upon the completion of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on (i) the issuance of the maximum 33,450,000 Rights Shares under the Rights Issue and the corresponding net proceeds from the Rights Issue (after deducting the estimated relevant expenses) of approximately HK\$12.75 million; and (ii) assuming that there are no other changes to the financial position of the Group as at 30 June 2023, the bank balances and cash of the Group would increase from approximately HK\$2.2 million to HK\$15.0 million immediately upon the completion of the Rights Issue and prior to the utilisation of net proceeds. The above financial effects are for illustration purposes only and may or may not purport the actual financial position of the Group at the material time.

Having considered that the Rights Issue will improve the overall liquidity position of the Group, we are of the view that the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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

### **9. Whitewash Waiver**

As at the Latest Practicable Date, the Underwriters and parties acting in concert with it are interested in approximately 24.52% of the issued share capital of the Company. Wiltshire Global (which is wholly-owned by Mr. Wong) and Peyton Global (which is wholly-owned by Mr. Pong) are interested in 41,340,000 Existing Shares and 68,000,000 Existing Shares, which represent approximately 9.27% and 15.25% of the issued Existing Shares respectively. Pursuant to the Irrevocable Undertakings, (i) Wiltshire Global has undertaken to the Company that it will subscribe for the 3,100,500 Rights Shares representing its full entitlement under the Rights Issue; (ii) Peyton Global has undertaken to the Company that it will subscribe for the 5,100,000 Rights Shares representing its full entitlement under the Rights Issue; and (iii) Wiltshire Global and Peyton Global have undertaken to the Company that they will not dispose of any of the 41,340,000 Existing Shares (or 2,067,000 Consolidated Shares upon the Share Consolidation becoming effective) and 68,000,000 Existing Shares (or 3,400,000 Consolidated Shares upon the Share Consolidation becoming effective) representing their respective shareholding in the Company, and such Shares remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In such circumstances and upon completion of the Rights Issue, assuming (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of close of the Rights Issue save for the Share Consolidation; (ii) no Rights Shares are taken up by the Qualifying Shareholders (other than those pursuant to the Irrevocable Undertakings); and (iii) no Unsubscribed Rights Shares are successfully placed under the Compensatory Arrangements, the aggregate shareholding of the Underwriters and parties acting in concert with any of them in the Company upon the close of the Rights Issue will increase from the current level of approximately 24.52% to approximately 69.8% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by the Underwriters (which are acting in concert) pursuant to the Irrevocable Undertakings and the Underwriting Agreements will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted by the Executive.

An application has been made by the Underwriters to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Executive may or may not grant the Whitewash Waiver, and if granted, the Whitewash Waiver will be subject to (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder. Therefore, the Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive and passing of resolutions by the Independent Shareholders at the EGM by way of poll approving the Rights Issue, the Underwriting Agreement, the Placing Agreement, the Whitewash Waiver and the transactions contemplated thereunder. If the Whitewash Waiver is not granted and/or approvals by the Independent Shareholders are not obtained, or if any other conditions precedent under the Underwriting Agreement is not fulfilled, the Rights Issue will not proceed. The Executive has indicated that it would, subject to the approval by the Independent Shareholders at the EGM by way of poll, grant the Whitewash Waiver.

Based on our analysis of the benefits and terms of the Rights Issue, we consider that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the Rights Issue will not proceed and the Company will lose all the benefits that are expected to be brought by the Rights Issue. Accordingly, we consider that the Whitewash Waiver, which is to facilitate the implementation of the Rights Issue, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable as far as the Independent Shareholders are concerned for the purpose of proceeding with the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Shareholders and potential investors should be aware that there is a possibility that, upon the completion of the Rights Issue, the underwriters (which are parties in concert) and parties acting in concert with any of them may hold more than 50% of the issued share capital of the Company. Hence, the underwriters (which are parties in concert) and parties acting in concert with any of them may increase their shareholdings of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer after completion of the Rights Issue.

### RECOMMENDATION

Shareholders and prospective investors should be aware that given the liquidity of the Shares is low and the Company's financial performance was not satisfactory which may imply the lack of interest from potential investors in the Shares and as such, the Company was difficult to conduct other equity financing alternatives and the Shareholders may suffer financial loss under the circumstances that the price of Shares may further go down by participating in the Rights Issue. In addition to the latest published financial performance as well as the financial position of the Group, Shareholders should also consider the factors set out as below in determination of the fairness and reasonableness of the Rights Issue, the Underwriting Agreement, the Placing Agreement, and the transactions contemplated thereunder, and the Whitewash Waiver:

- (i) the deteriorating financial position and the imminent need of capital of the Group as discussed in paragraph headed "1. Background and financial information of the Group – Our analysis" and "2. Reasons for the Rights Issue and the use of proceeds – (a) Reasons for the Rights Issue" in this letter;
- (ii) the Rights Issue, which the net proceeds of approximately HK\$5.10 million would be used for repayment of the outstanding Shareholders' Loans and approximately HK\$7.65 million would contribute towards general working capital of the Group, is expected to have a positive financial effect on the net assets, and liquidity of the Group through the increase in its equity capital and decrease in its liabilities;
- (iii) taking into account the benefits and costs of each of the alternatives, the Rights Issue represents an appropriate means for fund raising to improve the Group's financial position as discussed under the paragraph headed "2. Reasons for the Rights Issue and the use of proceeds – (b) Fund raising alternatives" in this letter;
- (iv) the Subscription Price, which was determined at discounts to the prevailing market prices of the Share before and as at the Last Trading Day, ensures that the Company would raise funding from the Rights Issue to improve its overall liquidity position and fulfil its current working capital requirements;
- (v) the Subscription Price and the dilution effects of the Rights Issue are reasonable as discussed in the section headed "5. Analysis of the Subscription Price" in this letter;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vi) the terms of the Underwriting Agreement are fair and reasonable as discussed in the section headed “6. The Underwriting Agreement and the Placing Agreement” in this letter;
- (vii) the Rights Issue is conducted on the basis that all the Qualifying Shareholders have been offered the equal 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; and
- (viii) the analysis on the fairness and reasonableness of the Whitewash Waiver as discussed in the paragraph headed “9. Whitewash Waiver” in this letter.

Having considered the factors above, in particular the imminent need to replenish capital of the Group, we are of the opinion that (i) the terms of the Rights Issue, the Underwriting Agreement, the Placing Agreement, and the transactions contemplated thereunder, and the Whitewash Waiver are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver, although not in the Company’s ordinary and usual course of business, are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Rights Issue, the Underwriting Agreement, the Placing Agreement, and the Whitewash Waiver to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 16 years of experience in the corporate finance industry.*

## 1. SUMMARY OF THE FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of (i) the audited consolidated financial results of the Group for the year ended 31 December 2020, 2021 and 2022, respectively as extracted from the annual reports of the Company for the years ended 31 December 2020, 2021 and 2022, respectively; and (ii) the unaudited consolidated interim results of the Group for the six months ended 30 June 2022 and 2023, respectively, as extracted from the interim reports of the Company for the six months ended 30 June 2022 and 2023, respectively.

**Consolidated Statement of Profit and Loss and Other Comprehensive Income**

	For the six months		For the year ended		
	ended 30 June		31 December		
	2023	2022	2022	2021	2020
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Continuing operation</b>					
Revenue	18,104	20,607	37,465	59,898	57,481
Other income	1,150	4,375	6,095	1,596	7,507
Other gains and losses	(1)	473	764	(819)	712
Raw materials and consumables used	(4,404)	(6,470)	(10,247)	(15,063)	(13,417)
Staff costs	(9,423)	(11,585)	(21,616)	(30,580)	(29,899)
Loss before taxation	(1,641)	(3,025)	(20,392)	(17,006)	(4,360)
Income tax expense	–	–	–	(1,600)	(396)
Loss for the year/period from continuing operation	(1,641)	(3,025)	(20,392)	(18,606)	(4,756)
<b>Discontinued operation</b>					
Profit for the year from discontinued operation	–	–	–	2,053	(11,637)
<b>Loss for the year/period</b>	<b>(1,641)</b>	<b>(3,025)</b>	<b>(20,392)</b>	<b>(16,553)</b>	<b>(16,393)</b>
<b>Loss and total comprehensive expense for the year/period attributable to owners of the Company</b>					
	<b>(1,641)</b>	<b>(3,025)</b>	<b>(20,392)</b>	<b>(16,553)</b>	<b>(16,393)</b>
<b>(Loss)/earnings per share from:</b>					
Continuing operation – Basic (HK cents)	(0.37)	(0.68)	(4.57)	(4.17)	(1.07)
Discontinued operation – Basic (HK cents)	–	–	–	0.46	(2.61)
	<u>(0.37)</u>	<u>(0.68)</u>	<u>(4.57)</u>	<u>(3.71)</u>	<u>(3.68)</u>

The management discussion and analysis of the Company for the year ended 31 December 2020, 2021 and 2022, respectively, and for the six months ended 30 June 2022 and 2023, respectively, are disclosed in the annual reports of the Company for the year ended 31 December 2020, 2021 and 2022, and the interim reports of the Company for the six months ended 30 June 2022 and 2023 respectively. For each of the year ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 respectively, no dividend or dividend per share has been declared by the Group. Save as disclosed above, there were no material items of income or expense for the year ended 31 December 2020, 2021 and 2022, respectively and for the six months ended 30 June 2022 and 2023. Unqualified audit opinion was issued by BDO Limited for the consolidated financial statements of the Group for the year ended 31 December 2020, 2021 and 2022, respectively.

According to the annual report of the Company for the year ended 31 December 2022, for the year ended 31 December 2022, the Group incurred a loss of approximately HK\$20,392,000. As of that date, the Group was in a cash position, comprising bank balances and cash, of approximately HK\$1,736,000 only in light of total current liabilities of approximately HK\$16,153,000. Although the Hong Kong Government has recently lifted up most restrictions relating to the containment of the COVID-19 pandemic, including those relevant to the catering industry, the aftermath of it has still posed uncertainties to the future prospect of the Hong Kong economy in general as well as the catering industry. These conditions may cast significant doubt on the Group's ability to continue as a going concern. A paragraph of material uncertainty related to going concern was included in the independent auditor's report for the year ended 31 December 2022. Audit opinion was not modified in respect of this matter.

According to the annual report of the Company for the year ended 31 December 2021, for the year ended 31 December 2021, the Group has incurred a net loss of HK\$16,553,000 and net cash outflow of HK\$8,335,000. The COVID-19 pandemic and the related measures imposed by government in Hong Kong to contain the spreading of COVID-19 pandemic had resulted in operating hours restriction and temporary closure of the restaurants during the year. These had negatively impacted the results of the Group during the reporting period and its liquidity position. There has been relaxation of certain of those measures but the situation in which the Group operates is still precarious. The above events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. A paragraph of material uncertainty related to going concern was included in the independent auditor's report for the year ended 31 December 2021. Audit opinion was not modified in respect of this matter.



The Company is required to set out or refer to in this circular the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Annual Report**”) (pages 49 to 111); (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Annual Report**”) (pages 49 to 117); (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 (the “**2022 Annual Report**”) (pages 49 to 115); (iv) the unaudited consolidated financial statement of the Group for the six months ended 30 June 2022 (the “**2022 Interim Report**”) (pages 4 to 21); and (v) the unaudited consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**2023 Interim Report**”) (pages 5 to 20), together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

The aforementioned financial information of the Group has been published on both the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.classifiedgroup.com.hk](http://www.classifiedgroup.com.hk)). Please refer to the hyperlinks as stated below:

- 2020 Annual Report:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0329/2021032900936.pdf>
- 2021 Annual Report:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0513/2022051301179.pdf>
- 2022 Annual Report:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0331/2023033103295.pdf>
- 2022 Interim Report:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0811/2022081101422.pdf>
- 2023 Interim Report:  
<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0814/2023081400044.pdf>

## **2. STATEMENT OF INDEBTEDNESS**

As at the close of business on 30 June 2023, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding indebtedness of approximately HK\$13.8 million as follows,

**Amounts due to Mr. Wong and Mr. Pong**

As at 30 June 2023, the Group had amounts due to Mr. Wong and Mr. Pong of approximately HK\$4.9 million and HK\$5.9 million respectively. The balance is unsecured, unguaranteed and interest-free.

**Lease liabilities**

As at 30 June 2023, the Group had unsecured and unguaranteed lease liabilities of approximately HK\$3.0 million.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills), acceptance credits or hire purchase commitments (guaranteed, unguaranteed, secured or otherwise), mortgages, charges, other material contingent liabilities or guarantees, as at 30 June 2023.

**3. WORKING CAPITAL**

Mr. Wong and Mr. Pong have agreed to update their respective undertakings as disclosed in the annual report of the Company for the year ended 31 December 2022, pursuant to which Mr. Wong and Mr. Pong have agreed to provide adequate financial resources by way of equity and/or debt financings to the Group over the period up to 30 September 2024 (the “**Updated Undertakings**”).

The Directors, after due and careful enquiries and after taking into account (i) the present financial resources available to the Group including internally generated funds and the Updated Undertakings, to the extent that is necessary based on the cash flow forecast; and (ii) the estimated net proceeds from the Rights Issue, are of the opinion that, the Group has sufficient working capital for its present requirements for at least the 12 months from the date of this circular in the absence of any unforeseen circumstances.

Barring any unforeseen circumstances, assuming the Rights Issue will be duly completed, the Group expects that no additional debt financings from Mr. Wong and Mr. Pong are necessary for the twelve months from the date of this circular.

#### 4. MATERIAL CHANGE

Save as disclosed in the interim report of the Company for the six months ended 30 June 2023 that:

- (i) the Group recorded the revenue of approximately HK\$18.1 million for the six months ended 30 June 2023, representing a decrease of approximately 12.1% as compared with the revenue as generated of approximately HK\$20.6 million for the six months ended 30 June 2022, which was primarily due to the closure of the two “Classified” restaurants;
- (ii) the Group recorded other income of approximately HK\$1.2 million for the six months ended 30 June 2023, representing a decrease of approximately 73.7% as compared with the other income generated of approximately HK\$4.4 million for the six months ended 30 June 2022, which was mainly due to the reduction in government subsidies;
- (iii) the Group recorded other losses of HK\$1,000 for the six months ended 30 June 2023, representing a decrease of approximately 100.2% as compared with the other gains as recorded of approximately HK\$ 0.47 million for the six months ended 30 June 2022, which was primarily attributable to the reduction in rent concession related to COVID-19; and
- (iv) the Group recorded the loss attributable to owners of the Company of approximately HK\$1.6 million for the six months ended 30 June 2023 as compared to the loss attributable to owners of the Company of approximately HK\$3.0 million for the six months ended 30 June 2022, which was mainly attributable to the net effect of (i) the closure of two loss-making restaurants upon expiry of their respective tenancy agreements in 2022; (ii) better costs and expenses control; and (iii) more revenue generated from existing restaurants although there were significant reduction in government subsidies and rent concessions related to COVID-19,

the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 December 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

The Company is principally engaged in investment holding and the Group is principally engaged in restaurant operations in Hong Kong. For the year ended 31 December 2022, the Group's total revenue from continuing and discontinued operations was approximately HK\$37.5 million, being 50.7% less than last year (2021: HK\$76.1 million). Loss for the year attributable to owners of the Company was HK\$20.4 million (2021: HK\$16.6 million). The increase in loss was mainly due to the (i) decrease in revenue from existing restaurants as affected by repeated sporadic outbreak of COVID-19 which had a greater adverse impact than the previous year; (ii) impairment loss of certain property, plant and right-of-use assets associated to the restaurants; (iii) write-down of the inventories to net realisable values; and (iv) decrease in profit from discontinued operation. Write-down of inventories relate to a write-down of approximately HK\$9.5 million in inventories after marking down their selling prices in light of recent market and economic conditions.

At present, the Group is operating six restaurants under the brands of Classified, Rise by Classified in Hong Kong and two franchised restaurants in Indonesia. There are four restaurants under "Classified" and two restaurants under "Rise by Classified" in Hong Kong. During the year ended 31 December 2022, the Group has closed two "Classified" restaurants in Hong Kong due to the expiry of tenancy agreement. The Directors believed the Group's restaurant revenue and profit margin had been adversely affected by the continuing of the Novel Coronavirus (COVID-19) pandemic, keen competition and rising operation costs. People are more budget conscious and price sensitive to the amounts they spend on dining out. The management believes the difficult situation will continue and will adversely influence the food and beverage industry as a whole and the Group's performance.

Looking ahead, the food and beverage industry will continue to face acute challenges due to intense competition. Success is heavily dependent on dining concepts amongst the Group's eating and prospective customers and economic conditions of Hong Kong in light of the border re-opening and removal of government imposed anti-infection measures. The Group will proactively seek potential business opportunities that will broaden its sources of income and enhance value to the shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS OF THE GROUP

Capitalised terms used herein shall have the same meanings as those defined in this Circular unless the context otherwise requires. The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 as if the Rights Issue had taken place on 30 June 2023.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2023, as extracted from the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 set out in the published interim report of the Company, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Rights Issue been completed as at 30 June 2023 or at any future date.

Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023	Estimated net proceeds from the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 immediately after the completion of the Rights Issue	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 before Share Consolidation and before the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 after Share Consolidation and before the completion of the Rights Issue	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 immediately after the Share Consolidation and the completion of the Rights Issue
HK\$'000 (Note 1)	HK\$'000 (Note 2)	HK\$'000	HK\$ (Note 3)	HK\$ (Note 4)	HK\$ (Note 5)
18,718	12,750	31,468	0.04	0.84	0.56

Based on 33,450,000 Rights Shares to be issued at the  
Subscription Price of HK\$0.426 per Rights Share

*Notes:*

1. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2023 set out in the published interim report of the Company, which is based on the unaudited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2023.
2. The estimated net proceeds from the Rights Issue are based on 33,450,000 Rights Shares to be issued at the Subscription Price of HK\$0.426 per Rights Share, after deducting all necessary estimated expenses of approximately HK\$1,500,000 which are directly attributable to the Rights Issue.

Pursuant to the Irrevocable Undertakings, (i) Wiltshire Global has undertaken to the Company that it will subscribe for the 3,100,500 Rights Shares representing its full entitlement under the Rights Issue; (ii) Peyton Global has undertaken to the Company that it will subscribe for the 5,100,000 Rights Shares representing its full entitlement under the Rights Issue; and (iii) Wiltshire Global and Peyton Global have undertaken to the Company that they will not dispose of any of the 41,340,000 Existing Shares (or 2,067,000 Consolidated Shares upon the Share Consolidation becoming effective) and 68,000,000 Existing Shares (or 3,400,000 Consolidated Shares upon the Share Consolidation becoming effective) representing their respective shareholding in the Company, and such Shares remain beneficially owned by them up to and including the date on which completion of the Rights Issue takes place or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier.

Pursuant to the Underwriting Agreement, up to an aggregate of 25,249,500 Rights Shares (of which up to 9,546,500 Rights Shares and 15,703,000 Rights Shares will be underwritten by Wiltshire Global and Peyton Global respectively, assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), representing all the Rights Shares under the Rights Issue other than the 8,200,500 Rights Shares that have been undertaken to be subscribed by Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings. When no Qualifying Shareholders (save for Wiltshire Global and Peyton Global) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares are successfully placed out by the Placing Agent under the Compensatory Arrangements, Wiltshire Global and Peyton Global shall subscribe or procure subscription for up to an aggregate of 25,249,500 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date). The Company intends to apply HK\$1.9282 million and HK\$3.1718 million from the net proceeds from the Rights Issue to repay part of the outstanding Shareholders' Loan owed to Mr. Wong and Mr. Pong, respectively, in the following manner, the total amount of subscription monies payable by Wiltshire Global and Peyton Global for the Rights Share to which it is entitled to and/or is required to subscribe for under the Rights Issue and the Underwriting Agreement would be (i) firstly offset on a dollar-to-dollar basis up to HK\$1.9282 million and HK\$3.1718 million against the equivalent amount of the outstanding Shareholders' Loans owed by the Group to Mr. Wong and Mr. Pong respectively on the completion date of the Rights Issue; and (ii) settled by cash, if there remains any outstanding subscription monies payable after the aforementioned set-off. The exact amount of the Shareholders' Loans to be offset depends on the number of Rights Shares to be taken up by the Qualifying Shareholders and the total number of Unsubscribed Rights Shares to be successfully placed by the Placing Agent to the Placees pursuant to the Compensatory Arrangements. The Company shall continue to assume its repayment obligations in respect of the balance of the Shareholders' Loans after the aforementioned set-offs. In the case where the amount of Wiltshire Global Subscription Monies is less than HK\$1.9282 million, the Company shall utilise part of the net proceeds from the Rights Issue in the amount of HK\$1.9282 million less the amount of Wiltshire Global Subscription Monies to repay the outstanding Shareholders' Loans to Mr. Wong. In the case where the amount of Peyton Global Subscription Monies is less than HK\$3.1718 million, the Company shall utilise part of the net proceeds from the Rights Issue in the amount of HK\$3.1718 million less the amount of Peyton Global Subscription Monies to repay the outstanding Shareholders' Loans to Mr. Pong.

3. The unaudited consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 before the Share Consolidation and the completion of the Rights Issue is calculated based on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 of approximately HK\$18,718,000 and 446,000,000 Existing Shares.
4. The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares of HK\$0.01 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of HK\$0.2 each. As at 30 June 2023, there were 446,000,000 Existing Shares in issue. The number of Consolidated Shares in issue upon the Share Consolidation becoming effective will be 22,300,000 Consolidated Shares.

The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 after the Share Consolidation and before the completion of the Rights Issue is calculated based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 of approximately HK\$18,718,000 and 22,300,000 Consolidated Shares in issue upon the Share Consolidation.

5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2023 immediately after the Share Consolidation and the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 of approximately HK\$31,468,000 and 55,750,000 shares in issue assuming the Share Consolidation and the Rights Issue had been completed on 30 June 2023, which comprises (i) 22,300,000 Consolidated Shares in issue upon the Share Consolidation before the Rights Issue; and (ii) 33,450,000 Rights Shares to be issued under the Rights Issue assuming the Rights Issue had been completed on 30 June 2023.
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading or other transactions of the Group entered into subsequent to 30 June 2023.

*The following is the text of the independent reporting accountants' assurance report received from BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*



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

### To the directors of Classified Group (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Classified Group (Holdings) Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2023 and related notes as set out on pages II-1 to II-3 of Appendix II of the Company’s circular dated 18 August 2023 (the “**Circular**”) in connection with the proposed rights issue of the Company on the basis of three rights shares for every two consolidated shares held on the record date (the “**Proposed Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on page II-1 to II-3 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Right Issue on the Group’s financial position as at 30 June 2023 as if the Proposed Right Issue had taken place at 30 June 2023. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2023, on which an interim report has been published.



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

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Our Independence and Quality Management**

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 Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31(7) of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Proposed Rights Issue at 30 June 2023 would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

**Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**BDO Limited**

*Certified Public Accountants*

Hong Kong

18 August 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular (other than the information relating to the Underwriters and parties acting in concert with them) 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 (other than the information relating to the Underwriters and parties acting in concert with them) or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than the information relating to the Underwriters and parties acting in concert with them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the sole director of any of the Underwriters) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The sole director of each of the Underwriters, namely Mr. Wong and Mr. Pong, jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the Group) and confirms, having made all reasonable enquiries, to the best of their knowledge, opinions expressed in this circular (other than those expressed by the other Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

## 2. SHARE CAPITAL

The authorised and issued share capital of the Company, assuming there is no further change in the number of issued Shares from the Latest Practicable Date up to and including the date of completion of the Rights Issue (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation and the Increase in Authorised Share Capital becoming effective but before the completion of the Rights Issue; and (iii) immediately following the allotment and issue of the Rights Shares will be as follows:

### (i) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
800,000,000 Existing Shares of HK\$0.01 each	8,000,000
<i>Issued and paid-up share capital:</i>	
446,000,000 Existing Shares of HK\$0.01 each	4,460,000

- (ii) **Immediately following the Share Consolidation and the Increase in Authorised Share Capital becoming effective (assuming no further change in the number of issued Shares from the Latest Practicable Date up to the Share Consolidation and the Increase in Authorised Share Capital having become effective):**

*Authorised:* *HK\$*

200,000,000 Consolidated Shares of HK\$0.2 each 40,000,000

*Issued and paid-up share capital:*

22,300,000 Consolidated Shares of HK\$0.2 each 4,460,000

- (iii) **Immediately after the Share Consolidation and the Increase in Authorised Share Capital becoming effective and the completion of the Rights Issue (assuming no further change in the number of issued Shares from the Latest Practicable Date up to completion of the Rights Issue):**

*Authorised:* *HK\$*

200,000,000 Consolidated Shares of HK\$0.2 each 40,000,000

*Issued and paid-up share capital:*

22,300,000 Consolidated Shares of HK\$0.2 each 4,460,000

	Rights Shares to be allotted and issued upon	
<u>33,450,000</u>	completion of the Rights Issue	<u>6,690,000</u>

	Consolidated Shares of HK\$0.2 each in issue	
<u>55,750,000</u>	immediately after completion of the Rights Issue	<u>11,150,000</u>

The Rights Shares when allotted, issued and fully paid, will rank *pari passu* in all respect including, in particular, as to dividends, voting rights and return on capital with all the Consolidated Shares in issue as at the date of allotment and issue of the Rights Shares.

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

As at the Latest Practicable Date, the Company had no other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

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

### 3. MARKET PRICES

The table below shows the closing price(s) of the Shares as quoted on the Stock Exchange (i) on the Last Trading Day, (ii) at the end of each calendar months during the Relevant Period and (iii) on the Latest Practicable Date:

Date	Closing price Per Share HK\$
31 January 2023	0.050
28 February 2023	0.040
31 March 2023	0.038
28 April 2023	0.032
31 May 2023	0.026
30 June 2023	0.025
6 July 2023 (the Last Trading Day)	0.025
31 July 2023	0.025
15 August 2023 (the Latest Practicable Date)	0.023

The highest and lowest closing prices per Share recorded on the Stock Exchange during the period commencing on 6 January 2023 (being the date falling six months immediately prior to the date of the Announcement) and ending on the Latest Practicable Date were HK\$0.050 on 31 January 2023, HK\$0.022 on 11 July 2023, 12 July 2023 and 13 July 2023.

### 4. DISCLOSURE OF INTERESTS

#### **Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations**

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) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to

therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the GEM Listing Rules; or (iv) which were required to be disclosed under the Takeovers Code, were as follows:

***Interests or short positions in Shares, underlying Shares of the Company***

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Existing Shares held</b>	<b>Approximate percentage of the Company’s issued share capital</b>
Mr. Wong	Interest of controlled corporation ( <i>Note 1</i> )	41,340,000	9.27%
Mr. Pong	Interest of controlled corporation ( <i>Note 2</i> )	68,000,000	15.25%

*Note 1:* Mr. Wong beneficially owns 100% equity interest in Wiltshire Global. Therefore, Mr. Wong is deemed to be interested in 41,340,000 Existing Shares held by Wiltshire Global.

*Note 2:* Mr. Pong beneficially owns 100% equity interest in Peyton Global. Therefore, Mr. Pong is deemed to be interested in 68,000,000 Existing Shares held by Peyton Global.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code or as required to be disclosed under the Takeovers Code.

**Interests and short positions of substantial shareholders**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, the following person(s) (other than the Directors and the chief executive of the Company) has, or is deemed to have, interests or short positions in the Shares or underlying Shares, (a) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, (b) who was, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the Group or had any options in respect of such securities, details of which are set out as follows:

***Long positions in the Shares and underlying Shares of the Company***

<b>Name of director</b>	<b>Capacity</b>	<b>Number of Existing Shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Wiltshire Global	Beneficial owner	41,340,000	9.27%
Ms. Lee Yuen Ching Charmaine	Interest of spouse (Note 1)	41,340,000	9.27%
Peyton Global	Beneficial owner	68,000,000	15.25%
Ms. Cheng Chi Man	Interest of spouse (Note 2)	68,000,000	15.25%
VMS Investment Group Limited	Beneficial owner (Note 3)	68,000,000	15.25%
Millennium Pacific Information Technology Limited	Beneficial owner (Note 4)	53,320,000	11.96%

*Note 1:* Mr. Wong beneficially owns 100% equity interest in Wiltshire Global. Ms. Lee Yuen Ching Charmaine, the spouse of Mr. Wong, is deemed to be interested in all the shares Mr. Wong is interested in pursuant to the SFO.

*Note 2:* Mr. Pong beneficially owns 100% equity interest in Peyton Global. Ms. Cheng Chi Man, the spouse of Mr. Pong, is deemed to be interested in all the shares Mr. Pong is interested in pursuant to the SFO.

*Note 3:* Ms. Mak Siu Hang, Viola beneficially owns 100% equity interest in VMS Investment Group Limited.

*Note 4:* Mr. Yeung Shing Wai beneficially owns 100% equity interest in Millennium Pacific Information Technology Limited.



Save as disclosed above, as at the Latest Practicable Date, as far as the Directors are aware, the Company has not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept pursuant to section 336 of the SFO.

#### **5. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, (i) none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which (a) (including continuous and fixed term contracts) had been entered into or amended during the Relevant Period; (b) were continuous contracts with a notice period of 12 months or more; or (c) were fixed term contracts with more than 12 months to run irrespective of the notice period; and (ii) none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

#### **6. DIRECTORS' INTEREST IN ASSETS**

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, save for (i) the wine inventories disposed of by the Group to Altaya Wines, which Mr. Pong is beneficially interested in, in January 2023 in the amount of approximately HK\$78,000; and (ii) the wine purchased by the Group from Altaya Wines from January to May 2023 in the amount of approximately HK\$67,000, none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

#### **7. DIRECTORS' INTEREST IN CONTRACTS AND ARRANGEMENT**

As at the Latest Practicable Date, save for (i) the Underwriting Agreement, the Supplemental Underwriting Agreement and the Irrevocable Undertakings; (ii) an agreement entered into in January 2022 between the Company and Altaya Wines, which is owned by Mr. Pong, with a term of three years for the supply of wines by Altaya Wines to the Group, under which the Group may make purchase requests to Altaya Wines from time to time subject to the Group's inventory level and customer demand, and the price of the wines supplied to the Group is based on the price list and quotations provided by Altaya Wines; and (iii) the Master Services Agreement (as defined in the announcement of the Company dated 16 September 2021), pursuant to which Press Room Group Management Limited, a wholly owned subsidiary of the Company, has been appointed by Canton Oriental Limited ("CANTON"), a company owned as to 50% by Mr. Wong and 50% by Mr. Pong, as the manager of a restaurant owned by CANTON for the

provision of catering operations and management services to the restaurant, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

#### **8. DIRECTORS' INTERESTS IN COMPETING BUSINESSES**

As at the Latest Practicable Date, none of the Directors, the controlling shareholders of the Company or their respective associates had any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

#### **9. ADDITIONAL DISCLOSURE OF DEALINGS AND INTEREST IN THE SECURITIES OF THE COMPANY**

As at the Latest Practicable Date, the Underwriters and any parties acting in concert with any of them (including Mr. Wong and Mr. Pong):

- (i) do not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Existing Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, save for the Existing Shares as set out in the section headed "Effects on the Shareholding Structure of the Company" in this circular;
- (ii) have not received any irrevocable commitment to vote for or against the Rights Issue, the Placing Agreement, the Underwriting Agreement, and/or the Whitewash Waiver;
- (iii) have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (iv) have not paid and will not pay any other consideration, compensation or benefit in whatever form to the Company in connection with the Rights Issue and the Underwriting Agreement, save for the Rights Shares to be subscribed and underwritten by the Underwriters;
- (v) do not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue and/or the Underwriting Agreement, and/or the Whitewash Waiver, with any other persons, save for the Underwriting Agreement and the Irrevocable Undertakings;

- (vi) do not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement, and/or the Whitewash Waiver, except that the Rights Issue and the Underwriting Agreement are conditional upon, among other things, obtaining of the Whitewash Waiver by the Underwriters as set out in the sub-section headed “Conditions precedent of the Rights Issue” under the section headed “The Underwriting Agreement” of this circular;
- (vii) have not dealt in any securities of the Company during the Relevant Period; and
- (viii) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (i) apart from the Underwriting Agreement and the Irrevocable Undertakings, there is no other understanding, arrangement or special deal between the Group on the one hand, and the Underwriters and parties acting in concert with any of them (including Mr. Wong and Mr. Pong) on the other hand;
- (ii) apart from the Underwriting Agreement and the Irrevocable Undertakings, there is no understanding, arrangement or agreement or special deal between any Shareholder and (a) the Underwriters and parties acting in concert with any of them (including Mr. Wong and Mr. Pong); or (b) the Company, its subsidiaries or associated companies;
- (iii) there was no agreement, arrangement or understanding (including any compensation arrangement) between the Underwriters and any parties acting in concert with them and other persons in relation to the transfer, charge or pledge of the Shares that may be allotted and issued to Underwriters, their ultimate beneficial owners and parties acting in concert with them under the Rights Issue or as a result of the obligations under the Underwriting Agreement;
- (iv) there was no arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, which might be material to the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver, with any other persons;
- (v) save as disclosed in the paragraph headed “4. Disclosure of Interests” in this appendix, none of the Directors was interested in any Shares, convertible securities, warrants, options or derivatives of the Company or similar rights which are convertible or exchangeable into any Shares. In addition, none of the Directors had dealt for value in any Shares, convertible preference shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period;

- (vi) there was no benefit to be given to any Directors as compensation for loss of office in any member of the Group or otherwise in connection with the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver;
- (vii) there was no agreement, arrangement or understanding (including any compensation arrangement) between (i) the Underwriters and parties acting in concert with them and (ii) any of the Directors, recent Directors, Shareholders or recent Shareholders, having any connection with or dependence upon the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver;
- (viii) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the Rights Issue, the Placing Agreement, the Underwriting Agreement and/or the Whitewash Waiver or otherwise connected therewith;
- (ix) save for the Underwriting Agreement and the Irrevocable Undertakings, there was no material contract entered into by the Underwriters and parties acting in concert with any of them (including Mr. Wong and Mr. Pong) in which any Director had a material personal interest;
- (x) save for the Placing Agreement, the Underwriting Agreement and the Irrevocable Undertakings, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code, and none of them had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company during the Relevant Period;
- (xi) no Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Shares or securities of the Company were managed on a discretionary basis by fund managers connected with the Company and no such person had dealt for value in any Shares or any securities, convertible securities, warrants, options or derivatives in respect of any Existing Shares or securities of the Company during the Relevant Period; and
- (xii) none of the Company or the Directors had borrowed or lent any Existing Shares, convertible securities, warrants, options or derivatives in respect of any Shares.

## 10. LITIGATION

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

## 11. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinions, letters or advices included in this circular:

<b>Name</b>	<b>Qualifications</b>
<b>Red Sun Capital Limited</b>	a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
<b>BDO Limited</b>	Certified Public Accountants

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.

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 December 2022, being the date to which the latest published audited accounts of the Company were made up.

## 12. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group after the date falling two years immediately preceding the date of the Announcement up to and including the Latest Practicable Date:

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

- (c) the Placing Agreement; and
- (d) the Supplemental Placing Agreement.

### 13. EXPENSES

The expenses in connection with the proposed Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver, including placing commission, financial advisory fees, printing, registration, translation, legal and accountancy charges are estimated to amount approximately HK\$1.5 million, which are payable by the Company.

### 14. CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office, headquarters and principal place of business in Hong Kong</b>	2/F Cheung Tak Industrial Building 30 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
<b>Authorised representatives</b>	Mr. WONG Arnold Chi Chiu Ms. LEUNG Yin Fai
<b>Company secretary</b>	Ms. LEUNG Yin Fai (HKICPA)
<b>Legal adviser to the Company</b>	<b>Bird &amp; Bird</b> 6/F, The Annex Central Plaza 18 Harbour Road Hong Kong
<b>Financial adviser</b>	<b>Messis Capital Limited</b> Room 1001, 10/F. OfficePlus @Wan Chai No. 303 Hennessy Road, Wan Chai Hong Kong

<b>Independent Financial Adviser to the Independent Board Committee in relation to the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver</b>	<b>Red Sun Capital Limited</b> Room 310, 3/F. China Insurance Group Building 141 Des Voeux Road Central Hong Kong
<b>Reporting accountant</b>	<b>BDO Limited</b> 25th floor, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Placing agent</b>	<b>Aristo Securities Limited</b> 101, On Hong Commercial Building 145 Hennessy Rd, Wan Chai Hong Kong
<b>Underwriters</b>	<b>Wiltshire Global Limited</b> 2/F Cheung Tak Industrial Building 30 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
	<b>Peyton Global Limited</b> 2/F Cheung Tak Industrial Building 30 Wong Chuk Hang Road Wong Chuk Hang Hong Kong
<b>Principal share registrar</b>	<b>Conyers Trust Company (Cayman) Limited</b> Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar</b>	<b>Union Registrars Limited</b> Suites 3301-04, 33/F Two Chinachem Exchange Square 338 King's Road North Point Hong Kong
<b>Principal bankers</b>	Hangseng Bank Limited

**15. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY****Executive Directors**

Mr. WONG Arnold Chi Chiu, aged 49, is the Company's Chairman, an Executive Director and the compliance officer of the Company. Mr. Wong joined the Group in June 2005 and is also one of the founders of the Group. He is primarily responsible for overseeing the overall financial matters of the Group. Mr. Wong graduated from St. Hugh's College, Oxford University, the United Kingdom with a Bachelor's degree in Jurisprudence in June 1996. Mr. Wong had three years and six years of experience in auditing and corporate finance, respectively.

Mr. PONG Kin Yee, JP, aged 46, is an executive Director and is primarily responsible for the Group's business development. Mr. Pong joined the Group in June 2005 and is one of the founders of the Group. Mr. Pong graduated from the Massachusetts Institute of Technology, Cambridge, the United States of America with a Bachelor's degree in Materials Science and Engineering in June 2000. In March 1999, Mr. Pong and his father co-founded Altaya Wines Limited ("**Altaya Wines**"), a company that imports and distributes fine wines in Hong Kong. The Group was a catering service provider of Altaya Wines and a bread and cheese supplier of Etc Wine Shops Limited while Altaya Wines and Cubatabaco Limited were the suppliers of wine and cigars of the Group. Mr. Pong also actively participates in various public advisory boards. In the arts, cultural and tourism sphere, Mr. Pong is the Chairman to the Board of Ocean Park Corporation; a Board Member of West Kowloon Cultural District Authority; a Board of Director of M+ Museum Ltd; the Governing Board Chairman of JCCAC; and a Trustee of the Museum of Art. Mr. Pong is also a Member of HKTDC Hong Kong-Europe Business Council; a Council Member & Executive Director of The Hong Kong Chinese Importers and Exporters Association; and a Board Member, Executive Committee Member and Campaign Committee Chairman of The Community Chest. He has been Justice of the Peace since July 2018.

Mr. LI Kai Leung ("**Mr. Li**"), aged 50, was appointed as an executive Director on 16 September 2021. Mr. Li joined the Group in September 2012 as finance manager and was promoted to deputy financial controller in January 2014, further promoted to financial controller in February 2016 and Chief Operating Officer in July 2022. He is primarily responsible for overseeing the Group's overall operations, financial accounting and reporting as well as corporate finance matters. He is a member of the internal control committee. Mr. Li received a Bachelor's degree in Business Studies from The City University of Hong Kong in July 1997. He has been an associate member of the Hong Kong Society of Accountants since April 2002 and a qualified member of the Association of Chartered Certified Accountants since May 2008. Mr. Li has over 20 years of experience in accounting.



**Independent Non-Executive Directors**

Dr. CHAN Kin Keung Eugene (“**Dr. Chan**”) SBS, BBS, JP, aged 59, was appointed as an independent non-executive Director on 14 June 2016. Dr. Chan received a Bachelor’s degree in Dentistry from the University of Adelaide in Australia in May 1988 and a Fellowship Ad Eundem from the Royal College of Surgeons of England in February 2006. Dr. Chan is a registered dentist with The Dental Council of Hong Kong. Since 2007, Dr. Chan has been an honorary clinical associate professor of the Faculty of Medicine of The Chinese University of Hong Kong. Since 2011, Dr. Chan has also been a visiting professor of the Jinan University (暨南大學) in the PRC. Since 2010, Dr. Chan has been the member of the Board of Advisors of Radio Television Hong Kong and its Chairman from September 2016 to August 2020. Since 2011, Dr. Chan has been the Chairman of the Association of Hong Kong Professionals and its President since 2016. In 2013, he was appointed as a member of the Advisory Committee of School of Chinese Medicine of Hong Kong Baptist University. From January 2013 to December 2018, he was a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption and a member of Independent Police Complaints Council. Since December 2013, he has been a member of the Appeal Board on Public Meetings and Procession. Dr. Chan has also been a member of the Quality Education Fund Steering Committee from January 2015 to January 2021. In January 2019, Dr. Chan was appointed as a member of the Council of City University of Hong Kong, HKSAR Environmental Campaign Committee and HKSAR Witness Protection Review Board Panel. In 2020, Dr. Chan was appointed as a Member of the Hong Kong Housing Authority Subsidised Housing Committee. In 2021, Dr. Chan was appointed as a Member of Action Committee Against Narcotics and the Hong Kong Customs & Excise Department as the Executive Director of Executive Committee of Customs YES, youth engagement programme. Furthermore, the Hong Kong Police Force has appointed Dr. Chan as a member of Junior Police Call Central Advisory Board and a member of Animal Watchers Programme Central Advisory Board. In 2022, he was appointed as a member of the Management Board of the Institute of Human Communicative Research of The Chinese University of Hong Kong, a member Fight Crime Committee and a member of the Hospital Governing Committee of Tuen Mun Hospital. He was selected as an awardee of the Ten Outstanding Young Persons in 2004, appointed by the Government of the Hong Kong Special Administrative Region as a Justice of Peace in 2011 and was awarded Silver Bauhinia Star and Bronze Bauhinia Star in 2016 and 2021 respectively for his meritorious public and community service, particularly his contributions in youth development and the promotion of the Basic Law. Dr. Chan was an independent non-executive director of PuraPharm Corporation Limited (stock code: 1498) from January 2015 to May 2021.

Mr. NG Chun Fai Frank (“**Mr. Ng**”), aged 52, was appointed as an independent non-executive Director on 14 June 2016. Mr. Ng holds a Bachelor of Science degree in Economics from University College London, United Kingdom, a Bachelor of Laws degree from City University London, United Kingdom and a Postgraduate Diploma in Legal Practice from the College of Law, United Kingdom, and was admitted as a solicitor of the High Court of Hong Kong in November 1997 and the Supreme Court of England and Wales in July 1998. Mr. Ng has over 20 years of experience in the legal and finance industries. Mr. Ng was the General Counsel and Head of Compliance of the Heung Kong Financial Group, a group that provides financial services ranging from securities brokerage, research, corporate finance, asset management and fintech, where he oversaw all of the group’s legal, compliance and company secretarial matters; and has held senior management positions in several other financial institutions including Crosby, JPMorgan and Merrill Lynch. He is a Fellow of the Hong Kong Institute of Directors, a member of the Guidance Committee of the Law Society of Hong Kong and of the International Compliance Association.

Mr. YUE Man Yiu Matthew (“**Mr. Yue**”), aged 61, was appointed as an independent non-executive Director on 19 October 2018. Mr. Yue obtained a Bachelor’s degree in business administration from the Chinese University of Hong Kong in December 1984. He has been a fellow of the Association of Chartered Certified Accountants since September 1992, a fellow of the Hong Kong Institute of Certified Public Accountants since February 2005 and a member of the Hong Kong Securities Institute since April 1999. Mr. Yue has been the chief financial officer of Ko Shi Wai Holdings Limited since September 2009. He has been an independent non-executive director of Royale Home Holdings Limited (stock code: 1198) since November 2011 and he was an independent non-executive director of Asia Cassava Resources Holdings Limited (stock code: 841) from January 2009 to September 2019 and China Suntien Green Energy Corporation Limited (stock code:956) from June 2010 to June 2019. Mr. Yue has over 33 years of experience in accounting, financial control, project analysis and management functions.

#### **Company Secretary**

Ms. LEUNG Yin Fai (“**Ms. Leung**”), aged 58, was appointed as the Company’s company secretary on 14 November 2018. Ms Leung is a director of K E Corporate Services Limited (a company secretarial services provider), a fellow member of the Association of Chartered Certified Accountants, a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants. Ms. Leung also holds a Master’s degree in Commerce from the University of New South Wales, Australia.

The business address of the Directors and senior management is the same as the Company’s head office and principal place of business in Hong Kong located at 2/F Cheung Tak Industrial Building, 30 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong.

**16. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprises all of the independent non-executive Directors, namely, Dr. Chan Kin Keung Eugene, Mr. Ng Chun Fai Frank and Mr. Yue Man Yiu Matthew. The Audit Committee is chaired by Mr. Yue Man Yiu Matthew. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of our Company.

**17. MISCELLANEOUS**

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.

**18. DOCUMENTS ON DISPLAY**

Pursuant to paragraph 42 of Appendix 1B to the GEM Listing Rules, the issuer shall set out in the listing document the details of a reasonable period of time (being not less than 14 days) during which the documents as required under the paragraph are published on the Stock Exchange’s website and the issuer’s own website.

Accordingly, copies of the following documents will be published on the websites of the Company ([www.classifiedgroup.com.hk](http://www.classifiedgroup.com.hk)), the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the SFC ([www.sfc.hk](http://www.sfc.hk)) between the period from the date of this circular up to and including the date of the EGM:

- (i) the memorandum and articles of association of the Company;
- (ii) the memorandum and articles of association of the Underwriters;
- (iii) the letter from the Board, the text of which is set out on pages 16 to 57 of this circular;
- (iv) the letter from the Independent Board Committee, the text of which is set out on pages 58 to 59 of this circular;
- (v) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-48 of this circular;
- (vi) the annual reports of the Company for each of the years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023;

- (vii) the accountants' report on the unaudited pro forma financial information of the Group issued by BDO Limited, the text of which is set out in Appendix II to this circular;
- (viii) the written consents of the experts referred to in the section headed "11. Experts and consents" in this appendix;
- (ix) the material contracts referred to in the paragraph headed "12. Material Contracts" in this appendix;
- (x) the Irrevocable Undertakings; and
- (xi) this circular.

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## NOTICE OF EGM

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# Classified Group (Holdings) Limited

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

**(Stock Code: 8232)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Classified Group (Holdings) Limited (the “**Company**”) will be held at 2/F., Cheung Tak Industrial Building, 30 Wong Chuk Hang Road, Wong Chuk Hang, Hong Kong on Tuesday, 5 September 2023 at 9:30 a.m. to consider and, if thought fit, pass with or without amendments, the following resolutions of the Company (unless otherwise indicated, capitalised terms used in this notice have the same meanings as those defined in the circular of the Company dated 18 August 2023 (the “**Circular**”)):

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon, among other things, the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
  - (i) every twenty (20) issued and unissued Existing shares in the share capital of the Company be consolidated into one (1) share (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
  - (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”, and each a “**Director**”) of the Company may think fit; and
  - (iii) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement this resolution.”

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## NOTICE OF EGM

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2. “**THAT:**
- (i) immediately following the Share Consolidation having become effective, the authorised share capital of the Company be increased from HK\$8,000,000 divided into 40,000,000 Consolidated Shares to HK\$40,000,000 divided into 200,000,000 Consolidated Shares by the creation of an additional 160,000,000 Consolidated Shares (the “**Increase in Authorised Share Capital**”); and
  - (ii) any one or more Directors be and is/are hereby authorised to do all such acts, deeds and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with the Increase in Authorised Share Capital.”
3. “**THAT** subject to and conditional upon the passing of the resolutions numbered 1 and 2, and the fulfilment of all the conditions as set out in the section headed “Letter from the Board – The Underwriting Agreement – Conditions precedent of the Rights Issue and the Underwriting Agreement” in the Circular, the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:
- (i) for the purpose of these resolutions, “Rights Issue” means the proposed issue by way of rights issue of up to 33,450,000 shares (the “**Rights Share(s)**”) of HK\$0.2 each in the capital of the Company at the subscription price of HK\$0.426 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear in the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the Directors, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of three (3) Rights Shares for every two (2) Consolidated Shares of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Circular;
  - (ii) the placing agreement dated 6 July 2023 (as supplemented by a supplemental agreement dated 25 July 2023) (the “**Placing Agreement**”) (copy of which, signed by the chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked “A”) entered into between the Company and Aristo Securities Limited in relation to the placing of the Rights Shares on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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- (iii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
- (iv) the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

4. **“THAT**

the entering into of the underwriting agreement dated 6 July 2023 (as supplemented by a supplemental agreement dated 25 July 2023) (the **“Underwriting Agreement”**) (copy of which, signed by the chairman of the Meeting for the purposes of identification, has been produced to the Meeting marked **“B”**) entered into between the Company and the Underwriters in relation to the Rights Issue and the transactions contemplated thereunder (including but not limited to the arrangements for taking up of the Underwritten Shares, if any, by the Underwriters) be and are hereby approved, confirmed and ratified and the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Underwriting Agreement.”

### SPECIAL RESOLUTION

5. **“THAT** the terms of the application for a waiver (the **“Whitewash Waiver”**) granted or to be granted by the Executive to the Underwriters pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code from an obligation to make a mandatory general offer for all the issued Shares not already owned by the Underwriters and the parties acting in concert with any of them (including Mr. Wong and Mr. Pong) as a result of the underwriting of the Rights Shares by the Underwriters pursuant to the Underwriting Agreement be and are hereby approved and the Directors be and are hereby authorised to do all such things and acts and

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execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Whitewash Waiver.”

By order of the Board  
**Classified Group (Holdings) Limited**  
**WONG Arnold Chi Chiu**  
*Chairman and Executive Director*

Hong Kong, 18 August 2023

*Registered office:*  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Headquarters and principal place  
of business in Hong Kong:*  
2/F., Cheung Tak Industrial Building,  
30 Wong Chuk Hang Road,  
Wong Chuk Hang,  
Hong Kong

*Notes:*

1. Shareholders are recommended to read the Circular which contains important information concerning the resolutions proposed at the Meeting being convened by this notice. Unless the context requires otherwise, capitalised terms used in this notice shall have the same meaning given to them in the Circular, of which this notice forms part.
2. In order to be valid, the proxy form, accompanied by the power of attorney (if applicable) or other authority (if any) under which it is signed or a certified copy of that power or authority, must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as practicable but in any event no later than 48 hours before the time appointed for holding of the Meeting or any adjournment thereof. Completion and return of the proxy form will not preclude a Shareholder from attending and voting in person at the Meeting or at any adjournment thereof (as the case may be) if he/she so wishes.
3. The register of members of the Company will be closed from Wednesday, 30 August 2023 to Tuesday, 5 September 2023 (both days inclusive) during which period no transfer of Shares will be registered. In order to ascertain the entitlements to attend and vote at the Meeting, all relevant transfer document(s) and share certificate(s) must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 29 August 2023.
4. In the case of joint registered holders, 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 registered holder(s). For this purpose, seniority shall be determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the relevant holding.
5. The voting on the proposed resolutions as set out in this notice will be taken by poll at the Meeting.



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6. If at any time after 7:00 a.m. on the date of the Meeting, Typhoon Signal Number 8 or above or a Black Rainstorm Warning or Extreme Conditions is hoisted or remains hoisted in Hong Kong, the Meeting will be postponed or adjourned. The Company will post an announcement on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.classifiedgroup.com.hk](http://www.classifiedgroup.com.hk)) to notify Shareholders of the date, time and place of the rescheduled meeting.
7. In the case of any discrepancy, the English version of this notice shall prevail over the Chinese version.
8. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board of Directors comprises six Directors:

***Executive Directors:***

Mr. WONG Arnold Chi Chiu (*Chairman*)

Mr. PONG Kin Yee

Mr. LI Kai Leung

***Independent Non-executive Directors:***

Dr. CHAN Kin Keung Eugene

Mr. NG Chun Fai Frank

Mr. YUE Man Yiu Matthew