



Zijing International Financial Holdings Limited

紫荊國際金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8340)

Executive Directors:

Mr. Lee Chun Wai
Ms. Ji Yi

Independent non-Executive Directors:

Mr. Choi Tak Fai
Ms. Lau Mei Suet
Mr. Tsang Ho Yin

Registered office:

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PO Box 1350
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*Head office and principal place of
business in Hong Kong:*

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Tower 2, Admiralty Centre
No. 18 Harcourt Road
Hong Kong

28 June 2024

*To the Qualifying Shareholders and,
for information only, the Excluded Shareholders (if any)*

Dear Sir or Madam,

**RIGHTS ISSUE ON THE BASIS OF
FIVE (5) RIGHTS SHARES FOR
EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

INTRODUCTION

References are made to the Announcement and the Circular in relation to, among other matters, the Change in Board Lot Size, the Rights Issue and the Placing. The Company proposed to raise gross proceeds of up to approximately HK\$53.8 million (assuming full subscription under the Rights Issue) by way of issuing up to 448,000,000 Rights Shares at the Subscription Price of HK\$0.120 per Rights Share on the basis of five (5) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any).

At the EGM, the resolution approving the Rights Issue, the Placing Agreement and the transactions contemplated thereunder was duly passed by the Independent Shareholders by way of poll. Mr. Lee, being an executor Director and a substantial Shareholder, was required to abstain and had so abstained from voting in favour of the proposed resolution to approve the Rights Issue, the Placing and the transactions contemplated thereunder at the EGM in accordance with Rule 10.29(1) of the GEM Listing Rules. Save for Mr. Lee, no other Shareholder was required to abstain from voting for the proposed resolution at the EGM.

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

RIGHTS ISSUE

The Company proposed to raise gross proceeds of up to approximately HK\$53.8 million (assuming full subscription under the Rights Issue) by way of issuing up to 448,000,000 Rights Shares by way of Rights Issue at the Subscription Price of HK\$0.120 per Rights Share on the basis of five (5) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). Further details of the Rights Issue are set out below:

Basis of the Rights Issue	: five (5) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders at the close of business on the Record Date
Maximum number of Rights Shares to be issued	: 448,000,000 Rights Shares
Subscription Price	: HK\$0.120 per Rights Share
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	: Approximately HK\$0.118 per Rights Share
Maximum gross proceeds to be raised from the Rights Issue before expenses	: Approximately HK\$53.8 million
Maximum net proceeds to be raised from the Rights Issue after expenses	: Approximately HK\$52.8 million

Number of Shares in issue as at the Latest Practicable Date	:	89,600,000 Shares
Number of Shares in issue upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed)	:	537,600,000 Shares
Aggregate nominal value of the Rights Shares	:	HK\$44.8 million
Number of Rights Shares undertaken to be taken up	:	Mr. Lee has undertaken to take up an aggregate of 69,395,000 Rights Shares under his assured entitlement (representing approximately 15.49% of the total Rights Shares proposed to be provisionally allotted by the Company) pursuant to the Irrevocable Undertaking

The 448,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 500% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 83.33% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon completion of the Rights Issue (assuming the Rights Issue is fully subscribed).

As at the Latest Practicable Date, the Company has no outstanding derivatives, warrants, options or convertible securities or other similar rights which are convertible or exchangeable into Shares.

The Subscription Price

The Subscription Price is HK\$0.120 per Rights Share, which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

- (i) a discount of approximately 20.00% to the closing price of HK\$0.150 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 20.53% to the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 25.00% to the average closing price of approximately HK\$0.160 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 23.08% to the average closing price of approximately HK\$0.156 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 4.00% to the theoretical ex-rights price of approximately HK\$0.125 per Share based on the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 20.25% of the theoretical diluted price of approximately HK\$0.126 per Share to the benchmarked price of approximately HK\$0.158 per Share (as defined under Rule 10.44A of the GEM Listing Rules), taking into account the higher of the closing price of HK\$0.151 per Share on the Last Trading Day and the average closing price of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.158 per Share);
- (vii) a discount of approximately 52.0% to the net asset value of the Company of approximately HK\$0.25 per Share based on the latest published unaudited net asset value attributable to owners of the Company of approximately HK\$22.77 million as at 30 June 2023 as set out in the interim report of the Company for the six months ended 30 June 2023 and the total number of issued Shares of 89,600,000 Shares as at the Latest Practicable Date; and
- (viii) a discount of approximately 55.6% to the net asset value of the Company of approximately HK\$0.27 per Share based on the latest published audited net asset value attributable to owners of the Company of approximately HK\$24.58 million as at 31 December 2023 as set out in the annual report of the Company for the year ended 31 December 2023 and the total number of issued Shares of 89,600,000 Shares as at the Latest Practicable Date.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.118.

During the 12 month period immediately preceding the Latest Practicable Date, the Company has not undertaken any rights issue, open offer or specific mandate placing. The theoretical diluted price, the benchmarked price and theoretical dilution effect (as those terms are defined under Rule 10.44A of the GEM Listing Rules) for the Rights Issue are approximately HK\$0.126 per Share, HK\$0.158 per Share and 20.25%, respectively. The Rights Issue will not result in a theoretical dilution effect of 25% or more. As such the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

The Subscription Price was determined by the Board with reference to, among others, (i) the prevailing market price and recent trading performance of the Shares which includes the daily closing price and daily trading volume of the Shares during the six months prior to the Last Trading Day, where the closing price of the Shares demonstrated an overall downward trend from HK\$0.212 per Share on 26 September 2023 to HK\$0.151 per Share on the Last Trading Day with an average daily trading volume amounting to approximately 0.60% of the total issued share capital of the Company as at the Last Trading Day, which indicated a lack of liquidity and demand for the Shares; (ii) the latest business performance and financial position of the Group. For the year ended 31 December 2022 and 2023, the Company recorded total comprehensive loss attributable to the Shareholders of approximately HK\$7.4 million and HK\$3.9 million, respectively; (iii) the current bearish Hong Kong stock market condition, which is evidenced by the continuous downward trend of the Hang Seng Index from approximately 17,466.9 on 26 September 2023 to approximately 16,473.64 on the Last Trading Day; (iv) the Directors' view that it is reasonable to set the Subscription Price at a discount to the closing price per Share on the Last Trading Day and the consolidated net asset value per Share attributable to the Shareholders as described above in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate, given the challenging market conditions, unfavourable price trend and lack of liquidity of the Shares; (v) the relatively large fundraising size when compared with the market capitalisation of the Company as at the Last Trading Day; and (vi) the reasons for and benefits of the Rights Issue as discussed in the section headed "Reasons for and benefits of the Rights Issue and the use of proceeds" in this Prospectus.

The Board noticed that there has been recent fluctuation in the price of the Shares. In particular, the closing price per Share increased from HK\$0.151 per Share as at the Last Trading Day to HK\$0.207 per Share as at 20 May 2024. The Board confirms that it is not aware of any reasons for the recent fluctuation in the price of the Shares. The Subscription Price represents a discount of approximately 42.03% to the closing price per Share as at 20 May 2024. Nonetheless, the Board considers that it may not be representative to compare the Subscription Price to the closing price of the Shares as at a particular date. Instead, the Board considers that it is more reasonable and justifiable to compare the Subscription Price with the average closing price of the Shares for a longer time frame in order to eliminate any abrupt fluctuations in the Share price. For illustrative purpose, the Subscription Price represents a discount of approximately 12.4% to the average closing price of HK\$0.137 per Share as quoted on the Stock Exchange during the one (1) year period prior to and including the Latest Practicable Date. The Board considers that the Subscription Price is fair and reasonable taking into consideration (a) the factors as aforementioned in determining the Subscription Price; and (b) the discount of approximately 12.4% of the Subscription Price to the average closing price per Share during the one (1) year period prior to and including the Latest Practicable Date falls within the range of discount, from 1.69% to 53.10% with an average of 22.83%, in the subscription price for rights issues exercises conducted by companies listed on the Stock Exchange within the six months prior to the Last Trading Day.

Besides, the Subscription Price was determined based on, amongst other factors, the then Share price performance and trading volume, the then latest business performance and financial position of the Group as well as the then prevailing market conditions and investment sentiment at the time of entering into the Placing Agreement. The Directors could not have reasonably foreseen and/or taken into account the recent fluctuation in the price of the Shares when determining the Subscription Price. It is also not justifiable for the Directors to adjust the Subscription Price based on the latest Share price performance on a continual basis because the Company would have to re-negotiate with the Placing Agent on the Subscription Price, the placing price and the entire placing structure which would inevitably result in substantial delay to the Rights Issue.

The Board considers, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, 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, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Non-underwritten Basis

Subject to the fulfilment of conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully-subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares (which do not include any Rights Shares to be provisionally allotted to Mr. Lee for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed "The Irrevocable Undertaking" in this Prospectus) will be placed to independent Placees on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue and there is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who apply to take up all or part of his/her/its entitlements under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code or may result in the non-compliance by the Company of the Public Float Requirement under Rule 11.23(7) of the GEM Listing Rules. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled

down to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules; and (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

Conditions of the Rights Issue

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

- (i) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (ii) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (iii) compliance with and performance of all undertakings and obligations of Mr. Lee under the Irrevocable Undertaking in all material respects;
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders by the Prospectus Posting Date and the posting of the Prospectus and a letter in the agreed form to the Excluded 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; and
- (vi) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

None of the above conditions can be waived. If any of the conditions referred to above is not fulfilled by the Latest Time for Termination, the Rights Issue will not proceed. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions precedent by the Latest Time for Termination or such other date as the Company and the Placing Agent may agree. As at the Latest Practicable Date, condition (i) has been fulfilled. Conditions (iv) and (v) are expected to have been fulfilled on the Prospectus Posting Date and all the other conditions remain unfulfilled.

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

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of the conditions of the Rights Issue set forth above. In the event that the Rights Issue is not fully subscribed and provided the Placing Agreement has not been terminated in accordance with the provisions thereof, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid Rights Shares together with the ES Unsold Rights Shares (which do not include any Rights Shares to be provisionally allotted to Mr. Lee for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed "The Irrevocable Undertaking" in this Prospectus) will be placed to independent places on a best effort basis under the Compensatory Arrangements. In the event of any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements, the Rights Issue will continue to proceed but such Unsubscribed Rights Shares or ES Unsold Rights Shares will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Meanwhile, in the event that the Rights Issue is not fully subscribed and the Placing Agreement is terminated for whatever reasons, the Rights Issue will not proceed.

For the avoidance of doubt, given the Placing will be proceeded on a best effort basis, there is no guarantee that all the Unsubscribed Rights Shares or ES Unsold Rights Shares could eventually be successfully placed by the Placing Agent.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of five (5) Rights Shares for every one existing Share held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Placing Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made with the Registrar on or before the Latest Time for Acceptance by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for. There will be no excess application arrangements in relation to the Rights Issue.

Status of the Rights Issue

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders (if any). To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded 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. The proceeds of such sale, less expenses, will be paid pro rata (but rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any unsold entitlement of Excluded Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, on a best effort basis, be placed by the Placing Agent under the Compensatory Arrangements to independent Placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue, at the price at least equal to the Subscription Price.

Rights of the Overseas Shareholder(s) (if any)

The Prospectus Documents will not be registered or filed under the securities law of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, based on the record in the register of members of the Company, the Company has no Overseas Shareholder with registered address outside Hong Kong.

As the register of members of the Company had already been closed as at the Latest Practicable Date and would remain closed up to the Record Date, there would be no additional Overseas Shareholder and hence no Excluded Shareholder on the Record Date.

It is the responsibility of each Overseas Shareholder who wishes to take part in the Rights Issue to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territories and jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements.

Application for the Rights Shares

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

Procedures for acceptance and payment or transfer

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:00 p.m. on Monday, 15 July 2024. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to "TRICOR TRUST (HONG KONG) LIMITED — A/C NO.14" and crossed "ACCOUNT PAYEE ONLY".

It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Monday, 15 July 2024, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Friday, 5 July 2024 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” above are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Thursday, 8 August 2024.

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

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Thursday, 8 August 2024 by ordinary post, at the respective Shareholders’ own risk, to their registered addresses. If terminated, refund cheques will be posted on or before Thursday, 8 August 2024 by ordinary post, at the respective Shareholders’ own risk, to their registered addresses.

Fractional Entitlements to the Rights Shares

On the basis of provisional allotment of five (5) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Application for listing of the Rights Shares

The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of, and the 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. 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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 20,000 Rights Shares.

Stamp duty and other applicable fees

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be subject to payments of stamp duty, Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

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 Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf. It is emphasised that none of the Company, its Directors or any other parties involved in the Rights Issue accepts responsibility for any tax effects or liabilities of any person resulting from the purchase, holding or disposal of, or dealing in, the Rights Shares in both their nil-paid and fully-paid forms.

Rights Shares will be eligible for admission into CCASS

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 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.

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

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (which do not include any Rights Shares to be provisionally allotted to Mr. Lee for which subscription of Rights Shares will be subject to the Irrevocable Undertaking as set out in the section headed "The Irrevocable Undertaking" in this Prospectus) by offering these Shares to independent Placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. 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.

Accordingly, on 25 March 2024 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares to independent Placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares and ES Unsold Rights Shares during the Placing Period to independent Placees on a best effort basis, and any premium over the Subscription Price for those Rights Shares that is realized will be paid to those No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Wednesday, 31 July 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and ES Unsold Rights Shares. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- A. for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) 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
- B. for Excluded Shareholders, the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Excluded 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) and Excluded Shareholder(s) in Hong Kong Dollars only and the Company will retain individual amounts of HK\$100 or less for its own benefit.

Shareholders are reminded that Net Gain may or may not be realised and, accordingly, the No Action Shareholders and Excluded Shareholders may or may not receive any Net Gain.

THE IRREVOCABLE UNDERTAKING

As at the Latest Practicable Date, Mr. Lee, being a substantial Shareholder, an executive Director and the chairman of the Board, directly holds 13,879,000 Shares (representing approximately 15.49% of the total issued share capital of the Company). On 25 March 2024, the Company received from Mr. Lee the Irrevocable Undertaking, pursuant to which Mr. Lee has irrevocably undertaken to the Company, among other things, that he:

- (i) shall not sell, transfer or otherwise dispose of the Shares held by him during the period from the date of the Irrevocable Undertaking up to and including the date on which the Rights Issue has become unconditional or the date on which the Company announces that the Rights Issue will not proceed, whichever is earlier (both dates inclusive);

- (ii) shall accept and subscribe, and procure his nominee(s) (if applicable) to accept and subscribe, in full for all the Rights Shares in which he is beneficially entitled under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of Rights Shares to be subscribed by him under the Rights Issue will be scaled down to the extent that Mr. Lee and his associate(s) will not trigger a general offer obligation under the Takeovers Code in accordance with the note to Rule 10.26(2) of the GEM Listing Rules; and
- (iii) shall procure his nominee(s) (if applicable) to lodge the PAL(s) despatched to him together with remittance for the full amount payable on acceptance in accordance with the instructions printed on the Prospectus and the PAL and, in any event, not later than the time specified therefor in the PAL.

Save for the Irrevocable Undertaking given by Mr. Lee, the Company has not received, as at the Latest Practicable Date, any information or irrevocable undertaking from any other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

THE PLACING AGREEMENT

Principal terms of the Placing Agreement are summarised as below.

On 25 March 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to, on a best effort basis, procure Placee(s), who and whose ultimate beneficial owner(s) are Independent Third Party(ies), to subscribe for the Unsubscribed Rights Shares and ES Unsold Rights Shares. Details of the Placing Agreement are as follows:

Date : 25 March 2024 (after trading hours)

Issuer : the Company

Placing Agent : China Sky Securities Limited

The Placing Agent confirmed that it and its ultimate beneficial owner(s) are not Shareholders and are Independent Third Parties.

Placing Price : The placing price of the Unsubscribed Rights Shares and ES Unsold Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares and ES Unsold Rights Shares during the placement process.

- Placing Period : The period from Tuesday, 23 July 2024 up to 4:00 p.m. on Wednesday, 31 July 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.
- Placing Commission : The Company shall pay the Placing Agent a placing commission equivalent to 0.7% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and ES Unsold Rights Shares which are successfully placed by the Placing Agent.
- Placees : The Unsubscribed Rights Shares and ES Unsold Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies).
- For the avoidance of doubt, no Placee shall become a substantial shareholder of the Company.
- Ranking of the placed Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Unsubscribed Rights Shares and ES Unsold Rights Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Placing.
- Conditions Precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:
- (i) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares;
 - (ii) the approval of the Rights Issue and the transactions contemplated thereunder (including the Placing Agreement) by more than 50% of the Independent Shareholders at the EGM by way of poll;
 - (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof; and
 - (iv) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any part of the conditions by notice in writing to the Company, except paragraphs (i) and (ii) above which are not capable of being waived.

Based on enquiries with the Placing Agent, it has no present intention to terminate and do not foresee any circumstances which would result in the termination of the Placing Agreement. Further, as at the Latest Practicable Date, the Placing Agent is not aware of any representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect.

The Company shall use its best endeavours to procure the fulfilment of such conditions precedent to the Placing Agreement by Tuesday, 31 December 2024 (or such other date as may be agreed by the Placing Agent and the Company in writing). If any of the conditions precedent to the Placing Agreement have not been fulfilled by Tuesday, 31 December 2024 or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waiver or extend the time for fulfilment of such conditions), then the Placing will lapse and all rights, obligations, liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

As at the Latest Practicable Date, condition (ii) has been satisfied and all the other conditions remained unfulfilled.

Termination : The Placing Period shall end at 4:00 p.m. on Wednesday, 31 July 2024 or any other date by mutual agreement between the Placing Agent and the Company.

The Placing Agent may terminate the Placing Agreement by notice in writing given to the Company at any time prior to 4:00 p.m. on Thursday, 1 August 2024 (or any other date by mutual agreement between the Placing Agent and the Company) upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, to be material in the context of the Placing or has or may have a material adverse effect on the business or financial conditions or prospects of the Group or the success of the Placing or the full placement of all of the Unsubscribed Rights Shares and ES Unsold Rights Shares or has or may otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing;
- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole;
- (c) any material breach of any of the representations and warranties by the Company 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 completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement;

- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange 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 Prospectus Documents or other announcements and circulars of the Company in connection with the Rights Issue; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

If notice of termination is given by the Placing Agent, the Placing Agreement shall be terminated and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

The terms of the Placing Agreement (including the commission payable) 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 market conditions. The Board considers the terms of the Placing for the Unsubscribed Rights Shares and ES Unsold Rights Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

As explained above, the Unsubscribed Rights Shares and ES Unsold Rights Shares will be placed by the Placing Agent to independent Placees on a best effort basis for the benefits of the No Action Shareholders and Excluded Shareholders. If all or any of the Unsubscribed Rights Shares and ES Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Excluded Shareholders.

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

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

The Group is principally engaged in the provision of corporate finance advisory services in Hong Kong, including but not limited to general corporate finance advisory, placing and underwriting as well as initial public offerings related projects. The Group successfully obtained the licenses to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in March 2022 and started generating revenue therefrom since the second quarter of 2023. To a lesser extent, the Group has recently diversified and expanded its principal business by developing car rental and online-game businesses.

Corporate Finance and Asset Management Businesses

The Group is principally engaged in the provision of financial services, which included corporate finance advisory, securities advisory and asset management services. The Group is licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO.

During the past few years, both Hong Kong and the PRC had experienced continuous lockdowns and cross-border restrictions due to the outbreak of COVID-19 pandemic which severely affected the Group's business operations and the financial position of its clients in the PRC. Notwithstanding the PRC economy has shown signs of recovery since December 2022, the pace of recovery has been uneven and the business operations and financial position of some of the Group's clients have yet to return to their pre-pandemic levels. As a result, some of the Group's pipeline projects and marketing activities were delayed or temporarily postponed.

Corporate finance advisory business

The initial public offering ("IPO") market in Hong Kong remained sluggish in 2023. According to publicly available information from the Stock Exchange, the number of companies newly listed on the Main Board of the Stock Exchange decreased from 89 in 2022 to 70 in 2023; whereas no company was listed on GEM of the Stock Exchange in each of 2022 and 2023. Also, the total fundraising in Hong Kong recorded a year-on-year decrease of approximately 56% in 2023. The potential issuers generally remained hesitant to proceed with IPO plans as they typically aspired an improvement in the overall market economy as well as their valuations. The decrease in number of potential IPOs has accelerated the keen competition in pricing among corporate finance advisory services providers.

As a market participant of the Hong Kong financial market, the Group's growth and development are inevitably hindered by the aforesaid macro-economic factors. Nonetheless, despite the challenging environment, the Group remains cautiously optimistic about the prospects of Hong Kong financial industry. Leveraging (i) the gradual recovery in the Hong Kong and PRC economy; (ii) the Group's established network in the financial industry; and (iii) the new listing regime for specialist technology companies and GEM listing reform introduced by the Stock Exchange, which came into effect on 31 March 2023 and 1 January

2024, respectively, the management of the Company believes that there would be more business opportunities for the Group to capitalize on, and thereby enabling the Group to improve the financial performance of its corporate finance business in 2024.

Amid the slowdown of the corporate finance market in Hong Kong, the Group has successfully sourced four financial advisory transactions in Singapore in 2023 and identified one potential project in relation to proposed initial public offering in the PRC and secured a number of other financial advisory engagements in 2024. As at the Latest Practicable Date, the Group had 14 ongoing corporate finance projects, which mainly involve the provision of corporate financial advisory services (i) for companies listed on the Stock Exchange; and in relation to (ii) the acquisition of shareholding interest in company listed on the Stock Exchange; (iii) notifiable transaction; (iv) fundraising exercise for private limited company; and (v) proposed initial public offering in the international market.

For the year ended 31 December 2023, the Group recognised revenue of approximately HK\$16.2 million from its corporate finance business, out of which approximately HK\$5.1 million was generated from the Group's 14 on-going pipeline projects as at the Latest Practicable Date, whilst the remaining HK\$11.1 million represents revenue generated from other corporate finance projects completed in 2023. To the best estimation of the Directors, the Group's 14 on-going corporate finance projects as at the Latest Practicable Date are expected to further generate revenue in the amount of approximately HK\$13.8 million for the year ending 31 December 2024.

Leveraging its pre-existing business network and showcasing its track record of successful transactions and client testimonials, the Group aims to position itself as a trusted advisor for companies and businesses looking for comprehensive financial guidance, particularly financial advisory services and IPO-sponsor services. The Group will proactively reach out to international companies and businesses, offering tailored corporate financial advisory services to meet their specific needs. This includes providing assistance and guidance throughout the IPO process, acting as an IPO-sponsor, and facilitating access to capital markets. By positioning itself as a reliable partner and offering value-added services, the Group aims to attract a steady stream of clients seeking to go public or expand their financial capabilities.

Asset management business

The Group successfully obtained the licenses to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in March 2022 and started generating revenue therefrom since the second quarter of 2023.

As at the Latest Practicable Date, the Group has set up two open-ended fund companies under the SFO, details of which are set forth as follows:

First open-ended fund company ("First OFC")

The Group established the First OFC with the SFC in May 2022 and two sub-funds have been established under the First OFC.

First Sub-fund

The First Sub-fund, primarily engaging in debt market trading with a focus on bond issued by listed companies in Hong Kong, was successfully established on 3 May 2023. The investment costs per fund unit is HK\$5,000,000 with a lock-up period of seven years. Based on the investment management agreement, the Group charges management fee at the rate of 1% per annum based on the assets under management of the First Sub-fund. The First Sub-fund has been opened for subscription since 3 November 2023. As at the Latest Practicable Date, three investors have each subscribed for one fund unit at the price of HK\$5,000,000, with assets under management of the First Sub-fund amounted to HK\$15,000,000. Up to 31 May 2024, the Group has generated revenue in the amount of approximately HK\$46,000 based on the management fee charged under the First Sub-fund.

Second Sub-fund

The Second Sub-fund, primarily engaging in equity secondary market trading, was successfully established on 10 August 2023. The investment costs per fund unit shall be HK\$1,000,000 with no lock-up period. The Group expects to charge (i) management fee at the rate of 1.0% per annum based on the assets under management of the Second Sub-fund; and (ii) profit sharing commission at the rate of 10.0%, subject to further negotiations with investor clients. It is expected that subject to market conditions, fund raising activities of the Second Sub-fund will commence during the second half of 2024.

Second open-ended fund company ("Second OFC")

The Second OFC was successfully established on 3 May 2023 with the aim to specifically invest in listed securities of mining companies, and thereby create fixed and stable return to investor clients. The investment costs per fund unit shall be US\$50,000 with lock-up period of five years. The Group expects to charge (i) management fee at the rate of 0.25% per annum based on the assets under management of the sub-fund; and (ii) subscription fee at the rate of 0.25% based on the initial investment amount. As at the Latest Practicable Date, the Group is identifying potential investors for the Second OFC. It is expected that subject to market conditions, the Second OFC will commence its fund-raising activities by the second half of 2024.

With the granting of the SFC licence to carry out type 4 (advising on securities) regulated activities and as part of the Group's initiatives to diversify its income stream, the Group continues its effort in expanding its business operations to the provision of security research reports. For the year ended 31 December 2023, the Group generated revenue of approximately HK\$480,000 for the provision of security research reports for five clients.

In addition, the Group has been or will be engaged as the investment manager of three limited partnership funds which have been established as eligible collective investment schemes under the New Capital Investment Entrant Scheme introduced by the Hong Kong government which became effective on 1 March 2024.

First Limited Partnership Fund (the “First LPF”)

The First LPF was set up to attract investment from successful applicants of the New Capital Investment Entrant Scheme, of which the Group has been engaged as the investment manager. Based on the rules of the New Capital Investment Entrant Scheme, successful applicant shall invest no less than HK\$30.0 million in permissible investment assets. Investments in ownership interests in private limited partnership fund is considered as one of the permissible investment assets (subject to an aggregate cap of HK\$10.0 million).

The purpose of the First LPF is to carry on the business of investment to generate attractive risk-adjusted returns through investing, directly or indirectly in securities listed in Hong Kong and the United States. The Group expects to charge (i) subscription fee at the rate up to 2% based on the initial investment amount; and (ii) investment manager’s fee at the rate of 1% per annum based on the initial investment amount. The term of the First LPF shall continue until the date falling on the third anniversary of the closing date, provided however that the life of the First LPF may be extended after the expiry of such three years at the sole discretion of the general partner.

As at the Latest Practicable Date, the Group has approached at least 10 potential investors on the potential opportunity to subscribe in the ownership interest of the First LPF. As the New Capital Investment Entrant Scheme started accepting applications from 1 March 2024, it is expected that application submitted by the potential clients under the New Capital Investment Entrant Scheme would be approved by the second half of 2024.

Second Limited Partnership Fund (the “Second LPF”)

It is expected that the Group will be engaged as investment manager of the Second LPF after its establishment. An application for the registration of the Second LPF as a limited partnership fund was filed with the Companies Registry in Hong Kong on 2 May 2024 by its general partners. To the best knowledge of the Company, the investment objective of the Second LPF shall be to achieve mid-term capital appreciation and maximise total returns by carefully selecting and constructing an investment portfolio comprised primarily of private equity and direct investment of assets. It is expected that the fund raised by the Second LPF will be invested in the 3D billboard industry with the aim to generate a rate of return of 11% per annum.

The Second LPF shall have a minimum target size of HK\$10,000,000 and a maximum target size of HK\$800,000,000 of commitments. The Group expects to charge (i) subscription fee at the rate up to 5% based on the initial investment amount; and (ii) investment manager’s fee at the rate of 1% per annum based on the portfolio of the Second LPF, subject to further negotiations with investor clients. It is intended that the Second LPF will exit its investment on the seventh anniversary of making the relevant investment.

The Second LPF was established on 19 June 2024 and will begin its fundraising activities from thereon. Based on the latest timetable and the best knowledge of the Company, the initial closing date of the Second LPF for the subscription of its interest will be in the second half of 2024.

The Third Limited Partnership Fund (the “Third LPF”)

It is expected that the Group will be engaged as investment manager of the Third LPF after its establishment. An application for the registration of the Third LPF as a limited partnership fund was filed with the Companies Registry in Hong Kong on 2 May 2024 by its general partners. To the best knowledge of the Company, the investment objective of the Third LPF shall be to achieve mid-term capital appreciation and maximise total returns by carefully selecting and constructing an investment portfolio comprised primarily of private equity and direct investment of assets. It is expected that the fund raised by the Third LPF will be invested in renewable energy products with the aim to generate a rate of return of 11% per annum.

The Third LPF shall have a minimum target size of HK\$10,000,000 and a maximum target size of HK\$800,000,000 of commitments. The Group expects to charge (i) subscription fee at the rate up to 5% based on the initial investment amount; and (ii) investment manager’s fee at the rate of 1% per annum based on the portfolio of the Third LPF, subject to further negotiations with investor clients. It is intended that the Third LPF will exit its investment on the seventh anniversary of making the relevant investment.

The Third LPF was established on 19 June 2024 and will begin its fundraising activities from thereon. Based on the latest timetable and the best knowledge of the Company, the initial closing date of the Third LPF for the subscription of its interest will be in the second half of 2024.

Taking into consideration (i) the expected increase in demand for the Group’s corporate finance advisory services attributable to the gradual recovery of the Hong Kong and PRC economy and financial markets; (ii) the recent reforms to the Hong Kong listing regime launched by the Stock Exchange; and (iii) the kick-start of the Group’s asset management business, especially the collective investment schemes newly established by the Group under the New Capital Investment Entrant Scheme, the Group plans to continue focusing on developing its corporate finance and asset management businesses by strengthening its marketing and client pitching activities and expanding its workforce in the near future. As at the Latest Practicable Date, the Group has 10 and three staff specialised in its corporate finance and asset management businesses, respectively. The Group has no intention to terminate/scale down/dispose its corporate finance and asset management businesses.

Car Rental Business

The Group commenced its car rental business (the “**Car Rental Business**”) in the Guangdong-Hong Kong-Macao Greater Bay Area (the “**GBA**”) at the end of 2023. The Group generated approximately HK\$53,000 and HK\$1.2 million from its Car Rental Business for the year ended 31 December 2023 and the period from 1 January 2024 up to 30 April 2024. As at the Latest Practicable Date, the Group has a fleet of five motor vehicles, comprising luxury and up-scale cars under renowned brands such as Bentley and Rolls Royce. Most of the motor vehicles acquired by the Group have been successfully leased out as at the Latest Practicable Date. The Group’s car rental business primarily focuses on

offering car rentals catering to the needs and preferences of different customers. As at the Latest Practicable Date, the Group offers car rental on a daily, weekly or monthly basis up to a maximum period of six (6) months.

Currently, the Group mainly secures car rental business by referral from its network of car dealers and agencies. The Group generally determines the pricing of its car rental services based on various factors, including the type of vehicle, rental duration, prevailing market demand and seasonality. Besides, the Group may charge its customers for mileage rates and late return fees.

The Group places emphasis on compliance with relevant regulations and licensing requirements for carrying out its car rental business and strives to provide customers with a seamless and convenient rental experience. The Group's fleet of motor vehicles is covered by comprehensive car insurance and undergoes regular maintenance and annual inspection to ensure optimal performance and customer satisfaction.

In light of the GBA development plan of the PRC government, especially the launch of the "Northbound Travel for Macau Vehicles" policy (澳車北上) and the "Northbound Travel for Hong Kong Vehicles" policy (港車北上), it is expected that there will be an increase in demand for cross-border transportation and car rental services in the GBA. In order to seize more business opportunities and expand its market share in the car rental industry, the Group will focus on enhancing its existing fleet of motor vehicles by actively searching for and acquiring suitable motor vehicles. The Group aims to strengthen its competitiveness and attract a wider customer base by offering a diverse range of motor vehicles which cater to different customers' requirements and preferences in the GBA.

Additionally, the Group will continuously monitor market trends and customer feedback to identify emerging demands and adapt its offerings accordingly. By staying attuned to evolving customer preferences, the Group will be able to proactively adjust its car rental services, ensuring they remain competitive and in line with the expectations of customers in the GBA. Through these strategic initiatives, the Group aims to solidify its presence in the car rental market of the GBA, capitalising on the favourable conditions provided by the PRC government's development plan.

Online-Game Business

The Group commenced its online game business in October 2023. Leveraging its distribution network relationships and game marketing and promotional capabilities, the Group has obtained the exclusive, transferrable and sub-licensable rights to publish, operate, promote, reproduce and distribute in overseas market certain online games licensed from third-party PRC online-game developers. As at the Latest Practicable Date, the Group has entered into licensing agreements with various PRC online-game developers for four online games. The Group's online game business commenced generating revenue from January 2024 and has generated total revenue of approximately HK\$7.7 million up to 30 April 2024.

The table below sets forth details of the development status, authorised territory(ies), mobile platform(s) and actual/expected release date of the respective online games licensed by the Group:

	Online Game 1	Online Game 2	Online Game 3	Online Game 4
Development status	Development and testing stage, which is subject to final adjustments and optimisation	Completed the development stage, entered the public testing stage and released on mobile platforms	Completed the development stage, entered the public testing stage and released on mobile platforms	Development stage
Authorised territory(ies)	Europe, America, East Asia	Japan	Hong Kong, the Macau Special Administrative Region and Taiwan	Worldwide in exclusion of the PRC, Japan, Hong Kong, the Macau Special Administrative Region, Taiwan and the Republic of Korea
Mobile platform(s)	Apple App Store and Google Play Store	Apple App Store and Google Play Store	Apple App Store and Google Play Store	Apple App Store and Google Play Store
Actual/expected release date	Fourth quarter of 2024	4 April 2024	26 March 2024	Fourth quarter of 2024

Going forward, the Group plans to further expand its online-game business by (i) securing additional online-game licenses; (ii) building an in-house team specialised in the operation of the licensed games by recruiting personnel with the relevant skills, knowledge and experience in the relevant industry; and (iii) strengthening the promotion and marketing activities in respect of the licensed online games.

Funding Needs of the Group

The Board considers that the Group has an imminent funding needs for its business expansion taking into consideration the followings:

- as illustrated above, it is the Group's business strategies to (i) further strengthen its corporate finance and asset management businesses leveraging the gradual recovery of the Hong Kong and PRC economy, the recent reforms to the Hong Kong listing regimes launched by the Stock Exchange and the kick-start of the Group's asset management business; (ii) further develop its car rental business by acquiring additional luxury and up-scale motor vehicles; and (iii) further expand its online-game business by securing additional online-game licenses, building an

in-house team for the online-game business and strengthening the promotion and marketing activities in respect of the licensed online games. The management of the Group anticipated that the Group's business strategies will significantly increase its working capital requirement. Having considered the Group's current scale of operations, recurrent working capital requirement and cash and bank balances in the amount of approximately HK\$13.0 million as at 31 May 2024, the management of the Company considers that the Group has genuine needs to raise funds for financing its expansion plans. Further, given the Group is a licensed corporation under the SFO, it is required to comply with the minimum paid-up share capital and liquid capital requirements on an on-going basis pursuant to the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong). Based on its existing business and operation scale, the Group is required to maintain minimum paid-up share capital and liquid capital of approximately HK\$10,000,000 and HK\$3,720,000, respectively;

- as at the Latest Practicable Date, the Group had outstanding borrowing notes, which are unsecured and unguaranteed, payable to Independent Third Parties in an aggregate principal amount of approximately HK\$40.0 million. These outstanding borrowing notes carry a simple interest rate ranging between 5% and 8% per annum and would fall due by the third quarter of 2024. The Group currently plans to apply approximately HK\$30.0 million, representing approximately 56.8% of the net proceeds from the Rights Issue for the repayment of part of these outstanding borrowing notes, thereby lowering the Group's gearing ratio and strengthening the liquidity and cashflow position of the Group; and

The table below sets forth the nature, principal amount, outstanding amount, interest rate and maturity date of the outstanding borrowing notes of the Group as at the Latest Practicable Date:

No.	Nature	Principal amount <i>HK\$' million</i>	Outstanding amount as at the Latest Practicable Date <i>HK\$' million</i>	Interest rate per annum	Maturity date	Amount of net proceeds from the Rights Issue to be applied for repayment of the outstanding borrowing note <i>HK\$' million</i>
1.	Borrowing note	10.0	5.0	5.0%	2 September 2024	5.0
2.	Borrowing note	6.0	6.0	5.0%	5 October 2024	6.0
3.	Borrowing note	3.0	3.0	8.0%	11 July 2024	3.0
4.	Borrowing note	6.0	6.0	8.0%	11 July 2024	6.0
5.	Borrowing note	9.0	9.0	5.0%	22 August 2024	9.0
6.	Borrowing note	11.0	11.0	5.0%	22 August 2024	1.0
	Total:	<u>45.0</u>	<u>40.0</u>			<u>30.0</u>

Subject to the extension of the existing borrowing notes, it is estimated that the Group would save interest payment in the amount of approximately HK\$1.8 million per annum for applying the net proceeds from the Rights Issue for the repayment of the borrowing notes in the manner as set forth above.

- the Group has enquired licensed banks in Hong Kong for obtaining banking facilities from those banks for funding its business expansion. Based on the preliminary discussion with the licensed banks, the banking facilities would be required to be secured by the Group's assets. Taking into consideration the existing carrying amount of the property, plant and equipment of the Group, the Directors consider that the Group may not have sufficient assets for fulfilling the security requirements for taking out banking facilities. Besides, according to publicly available information, the one-month Hong Kong inter-bank offered rate ("HIBOR") increased significantly from approximately 3.0% as at 28 February 2023 to approximately 4.5% as at 29 February 2024. There is no assurance that the lending rate in Hong Kong would drop in the near future. Uncertain interest rate movement in the future may expose the Group to increasing borrowing costs which may adversely affect its financial performance and liquidity. Therefore, the management of the Company considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue instead of debt financing.

Assuming full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the estimated expenses of approximately HK\$1.0 million) is expected to be approximately HK\$52.8 million. The Company intends to apply the net proceeds from the Rights Issue in the following manner:

- (a) approximately HK\$30.0 million (being approximately 56.8% of the net proceeds) is intended to be used for repayment of the outstanding borrowing notes of the Group, which amounted to HK\$40.0 million as at the Latest Practicable Date. These outstanding borrowing notes are unsecured and unguaranteed payable to Independent Third Parties and carry a simple interest rate ranging between 5% and 8% per annum;
- (b) approximately HK\$13.0 million (being approximately 24.6% of the net proceeds) is intended to be used for the acquisition of at least three luxury motor vehicle(s) to support its Car Rental Business. As at the Latest Practicable Date, the Group has neither identified any specific potential targets nor entered into any agreement in relation to the acquisition of new luxury motor vehicle(s);
- (c) approximately HK\$7.0 million (being approximately 13.3% of the net proceeds) is intended to be used for the expansion of the Group's online-game business by securing additional online-game licenses, building an in-house team for the online-game business and strengthening the promotion and marketing activities in respect of the licensed online games. As at the Latest Practicable Date, the Group has neither identified nor entered into any agreement in relation to the licensing of additional online game(s); and

- (d) approximately HK\$2.8 million (being approximately 5.3% of the net proceeds) is intended to be used for general working capital of the Group, including but not limited to salary expenses and other office and corporate expenses for the Group's ongoing corporate finance and asset management businesses.

In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses. To the best estimation of the Directors, the net proceeds from the Rights Issue will be fully utilised by the end of 2024.

Other fund-raising alternatives

Apart from the Rights Issue, the Directors have considered other debt/equity fund raising alternatives such as bank borrowings, placing, or an open offer.

In respect of debt financing, the Directors noted that bank borrowings will carry interest costs and may require the provision of security and creditors will rank before the Shareholders. Debt financing will also result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner.

As for equity fund raising, such as placing of new Shares, it is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the 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.

As opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Company.

Having considered the abovementioned alternatives, the Directors consider raising funds by way of the Rights Issue is more attractive in the current market condition and the Rights Issue will enable the Company to strengthen its working capital base and enhance its financial position, while at the same time, allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Based on the above, the Board considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board also considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Excluded Shareholder(s), if any, should note that their shareholdings will be diluted.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Completion date	Fund raising	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
27 October 2023	20 November 2023	Placing of 12,800,000 new shares at the placing price of HK\$0.15 per placing share under general mandate granted to the Directors at the 2023 AGM	HK\$1.83 million	For general working capital of the Group	The net proceeds have been fully utilised as intended.

Save as disclosed above, the Company did not conduct any equity fund raising activities in the past twelve months immediately prior to the Latest Practicable Date.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming no further change in the number of issued Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by existing Shareholders; (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all the remaining Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent; and (iv) immediately upon completion of

the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and none of the Unsubscribed Rights Shares and ES Unsold Rights Shares are placed by the Placing Agent:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by existing Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all the remaining Unsubscribed Rights Shares and ES Unsold Rights Shares having been placed by the Placing Agent		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders other than Mr. Lee who will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and none of the Unsubscribed Rights Shares and ES Unsold Rights Shares are placed by the Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Lee	13,879,000	15.49	83,274,000	15.49	83,274,000	15.49	32,297,545	29.90 ^(Note 2)
Public Shareholders								
— Independent Placees ^(Note 1)	—	—	—	—	378,605,000	67.61	—	—
— Other public Shareholders	75,721,000	84.51	454,326,000	84.51	75,721,000	16.90	75,721,000	70.10
	<u>89,600,000</u>	<u>100.0</u>	<u>537,600,000</u>	<u>100.0</u>	<u>537,600,000</u>	<u>100.0</u>	<u>108,018,545</u>	<u>100.0</u>

Notes:

- As it is not expected that any of the individual Placees will become a substantial Shareholder immediately after completion of the Placing, the Unsubscribed Rights Shares and ES Unsold Rights Shares will form part of the public float of the Company.
- The total number of Rights Shares to be subscribed by Mr. Lee will be scaled down to the extent that he and his associates will not trigger a general offer obligation under the Takeovers Code as a result of the Rights Issue.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is principally engaged in the provision of corporate finance advisory services in Hong Kong, including but not limited to general corporate finance advisory, placing and underwriting as well as initial public offerings related projects. The Group successfully obtained the licenses to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in March 2022 and started generating revenue therefrom since the second quarter of 2023. To a lesser extent, the Group has recently diversified and expanded its principal business by developing car rental and online-game businesses. The Directors believe that there are certain risks and uncertainties involved in the operations of the Group, some of which are beyond the Group's control.

The Directors believe that the principal risks and uncertainties relating to the business of and facing by the Group include (i) reliance on key authorised persons and possible suspension of the business of the Group in case the responsible officers left the Group; (ii) local and international economic and socio-political environments may cause volatility of the Hong Kong securities market; (iii) keen competition from different consulting and professional firms who providing similar corporate finance advisory services; (iv) exchange risk that will affect the Group's income and value of its holdings of assets; and (v) businesses operated by the Group are regulated by legislation and various regulatory authorities. In the event, when there is any change of the relevant laws, rules and regulations, it may adversely affect the Group's operations and business.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the existing Shares were traded on the Stock Exchange in the board lot size of 10,000 Shares. The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Friday, 28 June 2024.

Based on the theoretical ex-rights price of HK\$0.125 per Share (calculated based on the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the Last Trading Day), the market value of each existing board lot of 10,000 Shares is HK\$1,250 and the estimated market value of each proposed new board lot of 20,000 Shares would be HK\$2,500.

The Change in Board Lot Size will not result in change in the relative right of the Shareholders. Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size.

Arrangement on odd lot trading and matching services

In order to alleviate the difficulties of the trading of odd lots (if any) of the Shares arising from the Change in Board Lot Size, the Company will appoint China Sky Securities Limited as a designated broker to provide matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Shares to make up a full board lot, or to dispose of their holding of odd lots of the Shares during the period from 9:00 a.m. on

Friday, 28 June 2024 to 4:00 p.m. on Friday, 19 July 2024. Shareholders who wish to take advantage of this facility should contact Mr. Simon Yuen of China Sky Securities Limited at Units 2302-03, 23/F, Shun Tak Centre West Tower, 200 Connaught Road Central, Hong Kong (telephone number: (852) 2680 7899 and facsimile number: (852) 2680 7866) during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Holders of the Shares in odd lots should note that successful matching of the sale and purchase of odd lots of the Shares is not guaranteed. The Shareholders are recommended to consult their professional advisers if they are in doubt about the above arrangement.

All existing share certificates in board lot of 10,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the Change in Board Lot Size, and therefore no arrangement for free exchange of the existing share certificates in board lot of 10,000 Shares to new share certificate in board lot of 20,000 Shares is necessary.

REASONS FOR THE CHANGE IN BOARD LOT SIZE

Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by The Hong Kong Exchange and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. In view of the fact that the closing price of the Shares as quoted on the Stock Exchange as at the Latest Practicable Date was HK\$0.150 per Share, the value of each existing board lot of 10,000 Shares was HK\$1,500, which was less than HK\$2,000.

Based on the above and with the view to complying with the trading requirements under the GEM Listing Rules, the Board resolved to propose the Change in Board Lot Size, resulting in (i) HK\$3,000 per board lot of 20,000 Shares based on the closing price of HK\$0.150 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and (ii) HK\$2,500 per board lot of 20,000 Shares based on the theoretical ex-rights price of HK\$0.125 per Share (calculated based on the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the Last Trading Day).

Further, the Change in Board Lot Size 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.

In addition, the Board considers that the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level which will increase the attractiveness of investing the 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 Shares in the long run.

Accordingly, the Board considers that the Change in Board Lot Size would maintain the trading amount for each board lot at a reasonable level in order to attract potential investors and to extend the shareholder base of the Company. The Board believes that the Change in Board Lot Size is in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

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

The Shares have been dealt in on an ex-rights basis from Wednesday, 19 June 2024. Dealings in the Rights Shares in nil-paid form in the new board lot size of 20,000 Rights Shares are expected to take place from Wednesday, 3 July 2024 to Wednesday, 10 July 2024 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed “Conditions of the Rights Issue” in this Prospectus above.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Zijing International Financial Holdings Limited



Lee Chun Wai
Chairman and Executive Director