
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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This circular is for information only and does not constitute an invitation or offer to Shareholders or any other persons to acquire, purchase, or subscribe for securities of Space Group Holdings Limited.



Space Group Holdings Limited 恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2448)

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED SHARE CONSOLIDATION;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD AT THE CLOSE OF BUSINESS ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
AND
(4) NOTICE OF EGM**

**Financial adviser
to the Company**

ADVENT
宏智融資

Advent Corporate Finance Limited
宏智融資有限公司

Placing Agent

 恆宇證券
Space Securities Limited

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

 紅日資本有限公司
RED SUN CAPITAL LIMITED

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

A letter from the Board is set out on pages 13 to 38 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 39 to 40 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 41 to 68 of this circular.

It should be noted that the Consolidated Shares will be dealt in on an ex-rights basis from Wednesday, 8 May 2024. Dealings in the Rights Shares in nil paid form are expected to take place from Wednesday, 22 May 2024 to Wednesday, 29 May 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the Nil-paid Rights during the period from Wednesday, 22 May 2024 to Wednesday, 29 May 2024 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares, the Consolidated Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its own professional advisers.

A notice convening the EGM to be held at Multi-function Room, 1/F, Harbourview Hotel, Macau Fishermans Wharf, Avenida Dr. Sun Yat-Sen, Macau City, Macau, on Friday, 3 May 2024 at 11:00 a.m. is set out on EGM-1 to EGM-5 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or the adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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 conditions. Please refer to the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed to independent placees on a best effort basis under the Placing. Any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. The Cayman Islands legal adviser of the Company has confirmed that there is no minimum subscription amount required to be raised from the Rights Issue under the laws of Cayman Islands. Shareholders and potential investors are advised to exercise caution when dealing in the Shares, the Consolidated Shares and/or the Nil-paid Rights up to the date when all the conditions to which the Rights Issue is subject are fulfilled.

11 April 2024

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DEFINITIONS

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

“Announcement”	the announcement dated 1 March 2024 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue and the Placing
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday, a public holiday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are generally open for business
“CCASS”	the Central Clearing and Settlement System established and operated by the Hong Kong Securities Clearing Company Limited
“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
“Company”	Space Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose issued shares are listed on the Main Board of the Stock Exchange (stock code: 2448)
“Compensatory Arrangement”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements” in this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.20 each in the share capital of the Company immediately after the Share Consolidation becoming effective

DEFINITIONS

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing and the transactions contemplated thereunder
“ES Unsold Rights Share(s)”	the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form that have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Rights Shares are not offered
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the Share Consolidation
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong governmental department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in June 2019, in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Increase in Authorised Share Capital”	the proposed increase in the Company’s authorised share capital share capital from HK\$20,000,000.00 divided into 2,000,000,000 Existing Shares to HK\$100,000,000.00 divided into 10,000,000,000 Existing Shares (or 500,000,000 Consolidated Shares after the Share Consolidation becoming effective)
“Independent Financial Adviser”	Red Sun Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Independent Shareholders”	Shareholders other than (i) all executive Directors and their respective associates; (ii) those who are involved in or interested in the Rights Issue; and (iii) those who are required under the Listing Rules to abstain from voting at the EGM
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the Listing Rules) with the Company and connected person(s) of the Company
“Last Trading Day”	1 March 2024, being the last full trading day of the Existing Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	9 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Monday, 3 June 2024 or such other time as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Listing Committee”	has the same meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the Main Board of the Stock Exchange
“MGO Obligation”	the obligation to make a mandatory general offer under the Takeovers Code

DEFINITIONS

“MOP”	Macau dollar, the lawful currency of Macau
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Placing Shares placed by the Placing Agent under the Placing Agreement
“Nil-paid Rights”	rights to subscribe for Rights Shares before the Subscription Price is paid
“No Action Shareholders”	Qualifying Shareholder(s) or renounee(s) or transferee(s) of Nil-paid Rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any Nil-paid Rights at the time such Nil-paid Rights lapse
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as the Company may approve
“Placee(s)”	individuals, corporate, institutional investors or other investor, procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement
“Placing”	arrangements to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Space Securities Limited, a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity as defined under the SFO

DEFINITIONS

“Placing Agreement”	the placing agreement dated 1 March 2024 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing End Date”	4:00 p.m. on Wednesday, 19 June 2024 or such other date as the Company may announce
“Placing Period”	the period commencing from the Wednesday, 12 June 2024 up to 4:00 p.m. on Wednesday, 19 June 2024
“Placing Shares”	Unsubscribed Rights Share(s) and the ES Unsold Rights Share(s)
“PRC”	the People’s Republic of China, which for the purpose of this circular, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and the Taiwan region
“Prospectus”	the prospectus to be made available to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Monday, 20 May 2024 or such other date as the Company may determine in writing being the date of the Prospectus Documents to be made available and/or sent (as the case maybe) to the Qualifying Shareholders (in case of Excluded Shareholder(s), the Prospectus only)
“Public Float Requirement”	the public float requirement under Rule 8.08 of the Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), other than Excluded Shareholders, whose name(s) appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Friday, 17 May 2024, or such other date as the Company may determine, for determining the Shareholders’ entitlements to the Rights Issue
“Registrar”	Boardroom Share Registrars (HK) Limited, being the share registrar and transfer office of the Company at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong

DEFINITIONS

“Rights Issue”	the proposed issue by way of rights on the basis of four (4) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective) payable in full on application or otherwise in accordance with the terms and conditions of the Placing Agreement
“Rights Share(s)”	up to 232,128,000 new Consolidated Share(s) to be allotted and issued under the Rights Issue
“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) or the Consolidated Share(s) (whichever shall be appropriate)
“Share Consolidation”	the proposed consolidation of every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	holders of Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share with nominal value of HK\$0.20 each after the Share Consolidation becoming effective)
“Substantial Shareholder”	has the same meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

DEFINITIONS

“Unsubscribed Rights Shares”

those Rights Shares that are not subscribed by the Qualifying Shareholders as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements”

“%”

per cent

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue and the associated trading arrangement is set out below. The expected timetable is subject to the results of the EGM and satisfaction of the conditions and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

Event	Date (Hong Kong time)
Latest date and time for lodging transfers of Existing Shares in order to qualify for attendance and voting at the EGM.	4:30 p.m. on Thursday, 25 April 2024
Closure of register of members of the Company for the entitlement to attend and vote at the EGM (both days inclusive).....	Friday, 26 April 2024 to Friday, 3 May 2024
Latest date and time for lodging forms of proxy for the EGM (not less than 48 hours prior to the time of the EGM)	11:00 a.m. on Wednesday, 1 May 2024
Record date for attendance and voting at the EGM.....	Friday, 3 May 2024
Date and time of the EGM	11:00 a.m. on Friday, 3 May 2024
Publication of the announcement of the voting results of the EGM.....	Friday, 3 May 2024

The following events are conditional on the fulfillment of the conditions for the implementation of the Share Consolidation and Rights Issue.

Event	Date (Hong Kong time)
Effective date of the Increased in Authorised Shares Capital	Friday, 3 May 2024
Register of members of the Company re-opens.....	Monday, 6 May 2024
Effective date of the Share Consolidation.....	Tuesday, 7 May 2024

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares	Tuesday, 7 May 2024
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Tuesday, 7 May 2024
Original counter for trading in the Existing Shares in board lots of 2,500 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Tuesday, 7 May 2024
Temporary counter for trading in the Consolidated Shares in board lots of 125 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Tuesday, 7 May 2024
Last day of dealings in the Consolidated Shares on a cum-rights basis relating to the Rights Issue	Tuesday, 7 May 2024
First day of dealings in the Consolidated Shares on an ex-rights basis of the Rights Issue	Wednesday, 8 May 2024
Latest time and date for the Shareholders to lodge transfer of the Consolidated Shares to qualify for the Rights Issue	4:30 p.m. on Thursday, 9 May 2024
Closure of register of members of the Company for determining entitlements to the Rights Issue (both days inclusive)	Friday, 10 May 2024 to Friday, 17 May 2024
Record Date for determining entitlements to the Rights Issue	Friday, 17 May 2024
Register of members of the Company re-opens	Monday, 20 May 2024
Expected date of despatch of the Prospectus Documents (in case of the Excluded Shareholders, the Prospectus only).	Monday, 20 May 2024
Original counter for trading in the Consolidated Shares in board lots of 2,500 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Wednesday, 22 May 2024

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences.	9:00 a.m. on Wednesday, 22 May 2024
Designated broker starts to stand in the market to provide matching services for sale and purchase of odd lots of the Consolidated Shares.	9:00 a.m. on Wednesday, 22 May 2024
First day of dealings in Nil-paid Rights (in board lots of 2,500 Rights Shares)	Wednesday, 22 May 2024
Latest time for splitting of the PALs.	4:30 p.m. on Friday, 24 May 2024
Last day of dealing in Nil-paid Rights (in board lots of 2,500 Rights Shares)	Wednesday, 29 May 2024
Latest time and date for lodging transfer documents of Nil-paid Rights in order to qualify for the payment of Net Gain	4:00 p.m. on Monday, 3 June 2024
Latest Time for Acceptance of and payment for the Rights Shares and application.	4:00 p.m. on Monday, 3 June 2024
Announcement of the number of the Placing Shares subject to the Compensatory Arrangements	Tuesday, 11 June 2024
Commencement of placing of the Placing Shares by the Placing Agent	Wednesday, 12 June 2024
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Wednesday, 12 June 2024
Temporary counter for trading in the Consolidated Shares in board lots of 125 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 12 June 2024

EXPECTED TIMETABLE

Event	Date (Hong Kong time)
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) ends	4:10 p.m. on Wednesday, 12 June 2024
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares.	Friday, 14 June 2024
Latest time of placing of the Placing Shares by the Placing Agent.	4:00 p.m. on Wednesday, 19 June 2024
Latest time for the Rights Issue and placing of the Placing Shares to become unconditional	4:00 p.m. on Thursday, 20 June 2024
Announcement of results of the Rights Issue (including results of the Placing and the amount of the Net Gain per Placing Share under the Compensatory Arrangements)	Wednesday, 26 June 2024
Despatch of certificates for fully-paid Rights Shares and/or refund cheques (if the Rights Issue does not proceed)	Thursday, 27 June 2024
Commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Friday, 28 June 2024
Payment of Net Gain to relevant No Action Shareholders or Excluded Shareholders (if any)	Monday, 8 July 2024

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Share Consolidation and Rights Issue set out above and all dates and deadlines specified in this circular are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES AND APPLICATION FOR AND PAYMENT FOR EXCESS RIGHTS SHARES

The Latest Time for Acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning or Extreme Conditions:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Monday, 3 June 2024. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same business day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Monday, 3 June 2024. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

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

LETTER FROM THE BOARD



Space Group Holdings Limited
恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2448)

Executive Directors:

Mr. Che Chan U (*Chairman*)
Ms. Lei Soi Kun
Mr. Lok Wai Tak
Mr. Ho Kwong Yu

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Choi King Leung
Mr. Eulógio dos Remédios, José António
Mr. Lam Chi Wing
Mr. Li Guohui

*Headquarters and Principal Place of
Business in Macau:*

Edifício Centro
Comercial Chong Fok 8C
Avenida de Marciano
Baptista 18
Macau

Principal Place of Business in Hong Kong:

Suite 1905–07, Tower 6
The Gateway, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

11 April 2024

To the Qualifying Shareholders, and for information only, to the Excluded Shareholders

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED SHARE CONSOLIDATION;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS
SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD AT
THE CLOSE OF BUSINESS ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS;
AND
(4) NOTICE OF EGM**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, (i) details of the proposed Increase in Authorised Share Capital; (ii) details of the proposed Share Consolidation; (iii) further information regarding the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (iv) a letter of

LETTER FROM THE BOARD

recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (vi) other information required under the Listing Rules and the Takeovers Code; and (vii) the notice of the EGM.

(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 shares of par value HK\$0.01 each. As at the Latest Practicable Date, 1,160,640,000 Shares are in issue and 839,360,000 Shares are authorised but unissued.

In order to accommodate the growth of the Group and to provide the Company with greater flexibility to raise funds in the future, the Board proposes to increase the authorised share capital of the Company to HK\$100,000,000 divided into 10,000,000,000 Shares by creating an additional 8,000,000,000 Shares. Such new Shares, upon issue, shall rank *pari passu* in all respects with the existing Shares. The Board believes the Increase in Authorised Share Capital is in the interests of the Company and the Shareholders as a whole.

The Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM. An ordinary resolution will be proposed at the EGM for the Shareholders to consider, and if appropriate, approve the Increase in Authorised Share Capital.

(II) PROPOSED SHARE CONSOLIDATION

The Board proposes to put forward a proposal to the Shareholders to effect the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.20 each.

Fractional Consolidated Shares will be disregarded and not issued to the Shareholders, but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:

- (i) the passing of an ordinary resolution (i) by the Shareholders to approve the Increase in Authorised Share Capital at the EGM to be convened by the Company and the Increase in Authorised Share Capital becoming effective;
- (ii) the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM to be convened by the Company;

LETTER FROM THE BOARD

- (iii) the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the Listing Rules to effect the Share Consolidation; and
- (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares in issue or to be issued from the Share Consolidation.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on Tuesday, 7 May 2024, i.e. being the second Business Day immediately following the date of passing the relevant ordinary resolution approving 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\$20,000,000.00 divided into 2,000,000,000 Existing Shares of HK\$0.01 each, of which 1,160,640,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Increase in Authorised Share Capital and Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$100,000,000.00 divided into 500,000,000 Consolidated Shares of HK\$0.20 each, of which, 58,032,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

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

Other than the expenses 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 that any fractional Consolidated Shares will not be allocated to Shareholders who may otherwise be entitled and the necessary professional expenses for the implementation of the Share Consolidation.

Application for listing of the Consolidated Shares

An application will be made by the Company to the Listing Committee of 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

LETTER FROM THE BOARD

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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made 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. Upon 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.

Board lot size

The existing board lot size of 2,500 Existing Shares will remain unchanged upon the Share Consolidation becoming effective. The value of the current board lot, based on the closing price of HK\$0.036 per Existing Share as at the Latest Practicable Date, was HK\$90. Upon the Share Consolidation becoming effective, the expected value of each board lot of 2,500 Consolidated Shares, based solely on the closing price of HK\$0.036 per Existing Share (equivalent to the theoretical closing price of HK\$0.72 per Consolidated Share) as at the Latest Practicable Date, is expected to be HK\$1,800.

Arrangement on odd lots trading and matching services

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed Space Securities Limited 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. Cho Pak Keung of Space Securities Limited at (852) 2510 0603 during the period from 9:00 a.m. on Wednesday, 22 May 2024 to 4:00 p.m. on Wednesday, 12 June 2024 (both days inclusive).

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder, who is in any doubt about the odd lots trading arrangement, is recommended to consult his/her/its own professional advisers.

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Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) odd lots arrangements do not guarantee successful matching of all odd lots at the relevant market price; and (iii) odd lots might be sold below the market price in the market.

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may during the specified period submit share certificates for Existing Shares to the Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for exchange for share certificates in red colour for the Consolidated Shares at the expense of the Company.

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

Subject to the Share Consolidation becoming effective, after 4:10 p.m. on Tuesday, 7 May 2024, trading will only be in Consolidated Shares which share certificates will be issued in red colour. Existing share certificates in blue colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

Reasons for and benefits of the Share Consolidation

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, according to the “Guide on trading arrangements for selected types of corporate actions” issued by the Stock Exchange on 28 November 2008 and last updated on 1 October 2020 (the “Guide”), it has stated that the market price of the shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules. It has also stated in the Guide that taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

For the past six months, the share price of the Company has been trading at or below HK\$0.10, and the closing price of the Existing Shares on the Latest Practicable Date was HK\$0.036. The existing board lot value has been less than HK\$2,000. The Directors consider that the proposed Share Consolidation will increase the share price of the Company, over HK\$0.1, and the board lot value, over HK\$2,000, of the Existing Shares and would bring about a corresponding upward adjustment in the expected value per board lot. As such, it would enable the Company to comply with the trading requirements under

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the Listing Rules. Further, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the shares of the Company 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. It is believed that the adjusted share price as a result of the Share Consolidation would maintain the trading amount for each board lot at a reasonable level and will enhance the corporate image of the Company so as to make investing in the Shares more attractive to a broader range of institutional and professional investors and thus help to further broaden the shareholder base of the Company. The Directors also believe that the Share Consolidation will provide greater opportunity for and more flexibility in the Company's possible equity fund-raising in the future.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation, and the Company does not have any concrete plan to conduct any fund-raising activities, save for the Rights Issue as set out in this circular, in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund-raising exercises when suitable fund-raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

The Board believes that the Share Consolidation will not have any material adverse effect on the financial position of the Group nor result in a change in the relative rights of the Shareholders, save for any fractional Consolidated shares to which Shareholders may otherwise be entitled.

In view of the above reasons, the Board considers that the Share Consolidation is in the interests of the Company and the Shareholders as a whole.

Warning

Shareholders and potential investors of the Company should be aware of and take note that the Share Consolidation is conditional upon satisfaction of the conditions set out in the paragraph headed "Conditions and expected effective date of the Share Consolidation" in this circular. Accordingly, the Share Consolidation may or may not proceed.

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(III) PROPOSED RIGHTS ISSUE

The Board proposes to raise gross proceeds of up to approximately HK\$157,847,040 (before expenses) by issuing up to 232,128,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective) on the basis of four (4) Rights Share for every one (1) Consolidated Shares held on the Record Date. Details of the Rights Issue are set out below:

Rights Issue statistics

Basis of the Rights Issue	:	Four (4) Rights Share for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective
Number of Existing Shares in issue as at the Latest Practicable Date	:	1,160,640,000 Existing Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation becoming effective	:	58,032,000 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 232,128,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
Number of Consolidated Shares in issue upon completion of the Rights Issue	:	Up to 290,160,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the Rights Shares)
Gross proceeds to be raised before expenses	:	Up to approximately HK\$157,847,040 (before expenses)

The Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

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Assuming that there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date, the 232,128,000 Consolidated Shares to be issued pursuant to the terms of the proposed Rights Issue represents approximately 400% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 80% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

As at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

Non-underwritten basis

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Compensatory Arrangements. The Placing Shares which remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

The Subscription Price

The Subscription Price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective) is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the Nil-paid Rights applies for the Rights Shares.

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The Subscription Price represents:

- (i) a discount of approximately 19.05% to the closing price of HK\$0.84 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.27% to the adjusted average closing price of approximately HK\$0.832 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0416 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 18.85% to the adjusted average closing price of approximately HK\$0.838 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0419 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 4.49% to the theoretical ex-rights price of approximately HK\$0.0712 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 15.24%, represented by the theoretical diluted price of approximately HK\$0.712 per Consolidated Share (after taking into account the effect of the Share Consolidation) to the theoretical benchmarked price of HK\$0.84 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.042 per Existing Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.0416 per Existing Share and adjusted for the effect of the Share Consolidation);
- (vi) a discount of approximately 93.34% to the net asset value per Share of approximately HK\$0.511 (based on the latest audited consolidated net asset value of the Group of approximately MOP575.353 million (equivalent to approximately HK\$592.613 million) as at 31 December 2023 as disclosed in the annual report of the Company for the financial year ended 31 December 2023 and 1,160,640,000 Shares); and
- (vii) a discount of approximately 5.56% to the closing price of HK\$0.036 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

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The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The Subscription Price was determined with reference to, among others, (i) the market price of the Existing Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this circular. The Board is of the view that (i) the Subscription Price representing a discount to the consolidated net asset value per Share as at 31 December 2023 is fair and reasonable in light of the current weak market sentiment and the anticipated market response to the Rights Issue by the Directors in order to attract Shareholders and investors to participate in the Rights Issue; (ii) the closing prices of the Shares shown an overall downward trend for the past 11 months; (iii) it makes commercial sense to set the Subscription Price at a discount to the prevailing market price in order to attract Shareholders and investors to participate in the Rights Issue, especially under the current market downturn; and (iv) the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Whilst the Subscription Price represents a discount of approximately 93.34 % to the net asset value per Share of approximately HK\$0.511 (based on the latest audited consolidated net asset value of the Group of approximately MOP575.353 million (equivalent to approximately HK\$592.613 million) as at 31 December 2023 as disclosed in the annual report of the Company for the financial year ended 31 December 2023 and 1,160,640,000 Shares), the Board is of the view that the net asset value per Shares is not the sole relevant factor to determine the Subscription Price due to the fact that the Shares traded below the net asset value per Shares continuously over the past 8 months. Apart from the low Share price, the low trading volume of the Shares during the 8-month period prior to the Rights Issue with average daily trading volume amounted to approximately 2.32% of the total issued Shares. Under the current market condition and with reference to the recent market performance of the Shares, it would not be practical nor commercially feasible to set a Subscription Price which is significantly higher than the prevailing market price, which would likely to discourage investors to participate in the Rights Issue.

The estimated net price per Rights Share (assuming no further issue or repurchase of Shares on or before the Record Date) after deducting the related expenses of the Rights Issue will be approximately up to HK\$0.0334.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the independent financial adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair, reasonable and in the interests of the Company and the Shareholders as a whole.

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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 among themselves and with the Consolidated Shares then in issue, including the rights to receive all future dividends and other distributions which may be declared, made or paid with a record date which falls on or after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be an Excluded Shareholder. In order to be registered as members of the Company on the Record Date so as to qualify for the Rights Issue, any transfers of the Shares (together with the relevant share certificate(s) and/or the instrument(s) of transfer) must be lodged with the Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 9 May 2024.

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. Shareholders and investors should consult their professional advisers if they are in doubt as to their status and action to be taken.

It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Tuesday, 7 May 2024, and the Consolidated Shares will be dealt with on an ex-rights basis from Wednesday, 8 May 2024.

Subject to the fulfilment of the conditions of the Rights Issue, the Company will make available the Prospectus Documents containing, among other things, details of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, to the Qualifying Shareholders, including any Overseas Shareholders who the Rights Issue is extended to, on the Prospectus Posting Date. The Company will send this circular and the Prospectus (without the PAL) to the Excluded Shareholders (if any) subject to compliance with the relevant local laws, regulations and requirements for their information only but will not send any PAL to them.

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

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Closure of register of members

The register of members of the Company will be closed from Friday, 10 May 2024 to Friday, 17 May 2024 (both dates inclusive) for determining the Shareholders' entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents to be issued in connection with the Rights Issue will not be registered or filed under the securities law 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 13.36 of the 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 bodies or stock exchanges. 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 of the relevant overseas regulatory body or stock exchange, 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 Excluded Shareholders. The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

As at the Latest Practicable Date, there are 9 Overseas Shareholders with registered addresses situated in the PRC and Macau. The Company has sought legal opinion regarding the feasibility of extending the Rights Issue to these aforementioned Overseas Shareholders and has been advised that there are no restrictions under the relevant laws or the requirements of the relevant regulatory bodies or stock exchange which would prevent the Company from including the Overseas Shareholder(s) with registered address(es) located in the PRC and Macau in the Rights Issue. Based upon such advice, the Overseas Shareholders having registered address in the PRC and Macau will not be excluded from the Rights Issue and shall therefore be the Qualifying Shareholders. Accordingly, the Rights Issue will be extended to such Overseas Shareholders having registered address in the PRC and Macau as at the Record Date.

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 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 dollar) 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.

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All ES Unsold Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form, will be placed by the Placing Agent at the price at least equal to the Subscription Price under the Placing. For the Nil-paid Rights that are sold as described above but the buyers of such Nil-paid Rights do not take up the entitlement, such Unsubscribed Rights Shares will be subject to the Compensatory Arrangements. Any ES Unsold Rights Shares and Unsubscribed Rights Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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 13.36(2)(a) of the 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, the Overseas Shareholders should exercise caution when dealing in the Shares.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of four (4) Rights Share for every one (1) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date at the Subscription Price payable in full on application and otherwise on the terms and subject to the conditions set out in the Prospectus Documents. There will be no excess application arrangement in relation to the Rights Issue.

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

Fractional entitlement to the Rights Shares

In any event, fractions of the Rights Shares will not be provisionally allotted to any of the Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be obtained, sold in the market by the Company.

Certificates of the Rights Shares or 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 Thursday, 27 June 2024, to those entitled thereto by ordinary post, at their own risk, to their registered addresses.

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If the Rights Issue is terminated, refund cheques will be posted on Thursday, 27 June 2024 by ordinary post to the respective Shareholders, at their own risk, to their registered addresses.

Application for listing of the Rights Shares

The Company will apply to the 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.

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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 2,500 Rights Shares. Dealings in the Rights Shares in both nil-paid and fully-paid forms, which are registered in the register of members of the Company in Hong Kong, 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.

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rules to dispose of the Placing Shares by offering the Placing Shares to independent Placees 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 arrangement in relation to the Rights Issue.

Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Placing Shares during the Placing Period to independent Placees on a best effort basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m., on Wednesday, 19 June 2024, acquirers for all (or as many as possible) of those Placing

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Shares. Any premium over the Subscription Price and the expenses of procuring such acquirers (including commission and other related expenses/fees) that is realised will be paid to those No Action Shareholders and Excluded Shareholders on a pro-rata basis. All Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- (i) 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
- (ii) the relevant Excluded Shareholders with reference to their shareholdings in the Company on the Record Date.

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

Conditions of the Rights Issue

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

- (i) the Increase in Authorised Share Capital and Share Consolidation becoming effective;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the approval for the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms);
- (iii) the passing of an ordinary resolution by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the EGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully-paid forms;

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- (iv) the filing and registration of all the Prospectus Documents (together with any other documents required by applicable law or regulation to be annexed thereto) with the Registrar of Companies in Hong Kong by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders no later than the Prospectus Posting Date; and
- (vi) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transaction contemplated thereunder having been obtained and fulfilled.

None of the above conditions precedent can be waived. If any of the above conditions are not satisfied at or before 4:00 p.m. on Thursday, 20 June 2024 (or such later date as the Company may determine), the Rights Issue will not proceed.

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

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THE PLACING AGREEMENT

On 1 March 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Details of the Placing Agreement are summarized as follows:

Date	:	1 March 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	Space Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the SFO, was appointed as the Placing Agent to procure, on the best effort basis, placees to subscribe for the Unsubscribed Right Shares and ES Unsold Rights Shares during the Placing Period.

The Placing Agent was appointed to place, or procure the placing of, a maximum of 232,128,000 (assuming no change in the issue share capital of the Company on or before the Record Date), Unsubscribed Consolidated Shares, on a best effort basis, to the Placee(s).

Placing commission payable to the Placing Agent	:	0.5% of the gross proceeds, from the successful placement of Unsubscribed Rights Shares
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 any of the Company's connected persons.

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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 Existing Shares then in issue.
- Placing conditions precedent : The Placing is conditional upon the fulfillment of the following conditions on or before 4:00 p.m. on Thursday, 20 June 2024 (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and (iii) the obligations of the Placing Agent under the Placing Agreement not being terminated in accordance with the terms of the Placing Agreement.
- Placing Period : The period from Wednesday, 12 June 2024 up to 4:00 p.m. on Wednesday, 19 June 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.
- Termination : The Placing Agreement can only be terminated by mutual written confirmations by the Company and the Placing Agent.

The engagement of the Placing Agent may also be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

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The terms of the Placing Agreement (including the Placing commission of 0.5% of the gross proceeds, from the successful placement of Unsubscribed Rights Shares) 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 commission and are on normal commercial terms. The Directors (other than the members of the Independent Board Committee whose opinion will be set forth in this circular after considering the advice from the Independent Financial Adviser) 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 Company consider that the Compensatory Arrangements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

Reasons for and benefits of the Rights Issue and use of proceeds

The principal activities of the Group are the provision of fitting-out works in Macau. The Group operates two business segments. The Fitting-out Works segment is involved in execution of fitting-out works, procurement of materials, site supervision, management of subcontractors, overall project management, interior decorative and modification works for existing buildings. The Building Construction Works segment is involved in structural building works, procurement of materials, site supervision, management of subcontractors and overall project management.

Assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$157.847 million and the relevant expenses would be approximately HK\$2.587 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue.

As disclosed in the interim report of the Company for the six months ended 30 June 2023, bank balance and cash of the Company as at 30 June 2023 amounted to approximately MOP27.526 million only whereas bank loans and overdrafts of the Company amounted to approximately MOP402.783 million as at 30 June 2023. The Company had to rely on bank loans and overdrafts for its working capital needs. In addition to the above, the Company had trade payables and other payables of approximately MOP99.7 million as current liabilities as at 30 June 2023. As at 31 December 2023, the total overdue bank loans and overdrafts amounted to approximately MOP300.61 million. Therefore, the Group has an immediate need for financial resources to settle the overdue liabilities and replenish its working capital.

LETTER FROM THE BOARD

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

- (i) approximately 90% (being approximately MOP143.925 million) for repayment of bank loans, overdrafts and other payables of the Group within around three months upon completion of the Rights Issue; and
- (ii) approximately 10% (being approximately MOP15.991 million) as general working capital of the Group, including but not limited to its daily operational expenses and its staff cost of the Group for the forthcoming 6 months upon completion of the Rights Issue.

In the event that there is an under subscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

Having taken into account the low level of bank balance and cash for daily operations as well as the finance costs associated with bank loans and overdrafts, the Directors consider that the Rights Issue represents an opportunity for the Company to settle the majority of outstanding liabilities, strengthen the Group's financial position and raise additional funding for the business operations of the Group without any interest burden.

The Directors had considered other fund-raising alternatives available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares. The Directors are of the view that debt financing will result in additional interest burden and the interest rate is expected to be further increased in prevailing borrowing market. Besides, the debt financing will further increase the gearing ratio of the Group which is not beneficial to the Group.

The Directors consider that financing the funding needs of the Group in the form of equity is a better alternative. Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate the subscription of new Shares. Instead of the placing or subscription of new Shares, the Rights Issue enables the Group to improve its financial position without increasing its debt or finance costs.

Since the Rights Issue will allow the Qualifying Shareholders to maintain their proportional shareholdings in the Company and allow the Group fulfill its aforementioned need for financial resources to settle the overdue liabilities and replenish its working capital, the Directors consider that raising capital through the Rights Issue is in the best interest of the Company and the Shareholders as a whole. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders (if any) should note that their shareholdings in the Company will be diluted.

LETTER FROM THE BOARD

In view of the above, the Board considers that it is in the interests of the Company and the Shareholders as a whole to proceed with the Rights Issue to provide existing Shareholders the opportunity to participate in the enlarged capital base of the Company.

EFFECTS ON SHAREHOLDING STRUCTURE

To the best knowledge of the Directors, the following table sets out the possible changes in the shareholding structure of the Company arising from the Share Consolidation and the Rights Issue which are for illustrative purpose only.

As at the Latest Practicable Date, the Company has 1,160,640,000 Existing Shares in issue. Set out below is the shareholding structure of the Company assuming there is no change in the issued share capital of the Company before completion of the Rights Issue other than the allotment and issue of the Consolidated Shares and the Rights Shares pursuant to the Share Consolidation and the Rights Issue respectively (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective but before completion of the Rights Issue; (iii) immediately after the Share Consolidation becoming effective and immediately upon completion of the Rights Issue (assuming full subscription under the Rights Issue); and (iv) immediately after the Share Consolidation becoming effective and immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders and all the Placing Shares have been placed by the Placing Agent).

Shareholders	(i) As at the Latest Practicable Date		(ii) Immediately after the Share Consolidation becoming effective but before completion of the Rights Issue		(iii) Immediately after the Share Consolidation becoming effective and immediately upon completion of the Rights Issue (assuming full subscription under the Rights Issue)		(iv) Immediately after the Share Consolidation becoming effective and immediately upon completion of the Rights Issue (assuming nil acceptance by the Qualifying Shareholders and all the Placing Shares have been placed by the Placing Agent)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Space Investment								
(BVI) Ltd. (Note 1)	162,033,400	13.96	8,101,670	13.96	40,508,350	13.96	8,101,670	2.79
Che Chan U	1,600,000	0.14	80,000	0.14	400,000	0.14	80,000	0.03
Placees	Nil	Nil	Nil	Nil	Nil	Nil	232,128,000	80.00
Public Shareholders	997,006,600	85.90	49,850,330	85.90	249,251,650	85.90	49,850,330	17.18
Total	1,160,640,000	100.00	58,032,000	100.00	290,160,000	100.00	290,160,000	100.00

LETTER FROM THE BOARD

Note:

1. Space Investment (BVI) Ltd., a company incorporated in the BVI with limited liability, is held as to 94.74% by Mr. Che Chan U and 5.26% by Ms. Lei Soi Kun, which in turn beneficially holds 162,033,400 Shares. For the purposes of the SFO, each of Mr. Che Chan U and Ms. Lei Soi Kun are deemed or taken to be interested in all the Shares held by Space Investment (BVI) Ltd..

The Public Float Requirement under the Listing Rules shall be fulfilled by the Company at all times. The Company will take all appropriate steps to ensure that sufficient public float be maintained at all times in compliance with Rule 8.08 of the Listing Rules.

FUND-RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not conducted any equity fund-raising activities in the past twelve months immediately preceding the date of this circular.

Date of initial announcement	Event	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
5 June 2023	Placing of new shares under general mandate	HK\$31.9 million	Approximately HK\$31.9 million in aggregate for general working capital and for future expansion of the Group	All net proceeds have been fully utilised as intended
26 July 2023	Subscription of new shares under general mandate	HK\$38.7 million	Approximately HK\$38.7 million in aggregate for potential new construction projects and as general working capital of the Group	All net proceeds have been fully utilised as intended

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 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 on their behalf.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Increase in Authorised Share Capital

The Increase in Authorised Share Capital is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Increase in Authorised Share Capital, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Increase in Authorised Share Capital at the EGM.

Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of ordinary resolution at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation at the EGM.

Rights Issue

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of this circular (taking into account the effect of the Share Consolidation), the Rights Issue is conditional upon the minority Shareholders' approval of at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no Controlling Shareholder as defined under the Listing Rules. As at the Latest Practicable Date, (i) Mr. Che Chan U, an executive Director and the Chairman, is beneficially interested in 163,633,400 Shares; (ii) Ms. Ng Lai Kuan, the spouse of Mr. Che Chan U is deemed to be interested in the same number of Shares in which Mr. Che Chan U is interested by virtue of the SFO; and (iii) Ms. Lei Soi Kun, an executive Director, is beneficially interested in 162,033,400 Shares. Accordingly, Mr. Che Chan U, Ms. Ng Lai Kuan and Ms. Lei Soi Kun are required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting in favour of the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board. 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

LETTER FROM THE BOARD

Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue as at the Latest Practicable Date.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Company has established the Independent Board Committee, comprising all the independent nonexecutive Directors, namely Mr. Eulógio dos Remédios, José António, Mr. Lam Chi Wing, Mr. Li Guohui and Mr. Choi King Leung, to advise the Independent Shareholders in respect of the Rights Issue and as to the voting action therefor.

Red Sun Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM AND INDEPENDENT SHAREHOLDERS' APPROVAL

The EGM will be convened and held to consider and, if thought fit, approve, the Share Consolidation, Increase in Authorised Share Capital, the Rights Issue and the transactions contemplated thereunder.

The executive Directors and their respective associates and Shareholders who are involved in or interested in the Rights Issue will be required to abstain from voting in respect of the resolution(s) to approve the Rights Issue at the EGM.

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

Shareholders and potential investors of the Company should note that the proposed Rights Issue is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed "Conditions of the Rights Issue" in this circular. Accordingly, the Rights Issue 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.

Any Shareholder or other person dealing in the Existing Shares, the Consolidated Shares and/or the Nil-paid Rights up to the date on which all the conditions to which the Rights Issue are fulfilled (which is expected to be on Thursday, 20 June 2024) will accordingly bear the risk that the Rights Issue and/or the Placing may not become unconditional or may not proceed.

LETTER FROM THE BOARD

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Consolidated Shares and/or the Nil-paid Rights. 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).

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Increase in the Authorised Share Capital and the Share Consolidation by the Shareholders and the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be made available or sent by the Company together with the PAL on or before Monday, 20 May 2024. A copy of the Prospectus will also be made available on the websites of the Company (www.spacegroup.com.mo) and the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Excluded Shareholders for their information only but will not send the PAL to them.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolutions. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 39 to 40 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 41 to 68 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Increase in Authorised Share Capital and Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Shareholders and the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

By order of the Board
Space Group Holdings Limited
Che Chan U
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



Space Group Holdings Limited **恆宇集團控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2448)

11 April 2024

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED SHARE CONSOLIDATION;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS
SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD AT
THE CLOSE OF BUSINESS ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS;
AND
(4) NOTICE OF EGM**

We refer to the circular of the Company dated 11 April 2024 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

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

The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
the Independent Board Committee

**Mr. Eulógio dos Remédios,
José António**

*Independent
non-executive
Director*

Mr. Lam Chi Wing

*Independent
non-executive
Director*

Mr. Li Guohui

*Independent
non-executive
Director*

Mr. Choi King Leung

*Independent
non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 and the transactions as contemplated thereunder, 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

11 April 2024

*To: The independent board of committee and the independent shareholders of
Space Group Holdings Limited*

PROPOSED RIGHTS ISSUE ON THE BASIS OF FOUR (4) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD AT THE CLOSE OF BUSINESS ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

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 and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 11 April 2024 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, the Board proposed to conduct the Rights Issue on the basis of four (4) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Compensatory Arrangements. The Placing Shares which remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Board proposes to raise gross proceeds of up to approximately HK\$157,847,040 (before expenses) by issuing up to 232,128,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective) on the basis of four (4) Rights Share for every one (1) Consolidated Shares held on the Record Date.

In this connection, on 1 March 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of Placing Shares during the Placing Period to independent Placers on a best effort basis. Any premium over the Subscription Price and the expenses of procuring such acquirers for those Rights Shares that is realised will be paid to those No Action Shareholders and Excluded Shareholders on a pro-rata basis. Pursuant to the Placing Agreement, 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. Any ES Unsold Rights Shares and Unsubscribed Rights Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date (taking into account the effect of the Share Consolidation), the Rights Issue is conditional upon the minority Shareholders' approval of at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no Controlling Shareholder as defined under the Listing Rules and none of the Directors and the chief executive of the Company and their respective associates holds any Share. As at the Latest Practicable Date, (i) Mr. Che Chan U, an executive Director and the Chairman, is beneficially interested in 163,633,400 Shares; (ii) Ms. Ng Lai Kuan, the spouse of Mr. Che Chan U is deemed to be interested in the same number of Shares in which Mr. Che Chan U is interested by virtue of the SFO; and (iii) Ms. Lei Soi Kun, an executive Director, is beneficially interested in 162,033,400 Shares. Accordingly, Mr. Che Chan U, Ms. Ng Lai Kuan and Ms. Lei Soi Kun are required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue and the transaction contemplated thereunder at the EGM. Save as disclosed above, no other Shareholder is required to abstain from voting in favour of the Rights Issue at the EGM and no Director shall abstain from voting in favour of the Rights Issue at the meeting of the Board according to the Letter from the Board. 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 Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue as at the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising four independent non-executive Directors, namely Mr. Eulógio dos Remédios, José António, Mr. Lam Chi Wing, Mr. Li Guohui and Mr. Choi King Leung, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, and the transactions contemplated thereunder, 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

We did not have any business relationship with or interest in the Company that could reasonably be regarded as relevant in assessing our independence as at the Latest Practicable Date. Save for our appointment as the Independent Financial Adviser, Red Sun Capital did not act as an independent financial adviser to the Company under the 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 in connection with the Rights Issue that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR ADVICE

In order to formulate 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. 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

However, we have not, 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, the Placing Agent or their respective history, experience and track records, or the prospects of the markets in which they respectively 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 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, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into consideration the following principal factors and reasons in arriving at our opinion in respect of the Rights Issue:

1. Background and financial information of the group

As set out in the Letter from the Board, the principal activities of the Group are the provision of fitting-out works in Macau, including (i) the fitting-out works segment, which involves execution of fitting-out works, procurement of materials, site supervision, management of subcontractors, overall project management, interior decorative and modification works for existing buildings; and (ii) the building construction works segment, which involves structural building works, procurement of materials, site supervision, management of subcontractors and overall project management.

Set out below is a summary of (i) the audited consolidated financial performance of the Group for each of the years ended 31 December 2021 and 2022 as extracted from the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"); and (ii) the audited consolidated financial performance of the Group for the year ended 31 December 2023 as extracted from the Company's results announcement for the year ended 31 December 2023 (the "**2023 Annual Results Announcement**").

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the Group's consolidated statement of comprehensive income

	For the year ended		
	31 December		
	2023	2022	2021
	(audited)	(audited)	(audited)
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue	273,192	477,128	523,278
Cost of revenue	(214,166)	(358,787)	(388,552)
Gross profit	59,026	118,341	134,725
(Loss)/profit before taxation	(166,991)	23,758	61,285
(Loss)/profit for the year attributable to owners of the Company	(126,257)	21,485	51,825

Financial performance for the year ended 31 December 2022 compared to the year ended 31 December 2021

As set out in the 2022 Annual Report, the Group recorded revenue of approximately MOP477.1 million for the year ended 31 December 2022, representing a decrease of approximately 8.8% as compared to approximately MOP523.3 million recorded for the year ended 31 December 2021. Such fluctuation was mainly due to the year-on-year decrease in revenue derived from fitting-out works segment of approximately MOP49.0 million, as a result of a decrease in contract sum of construction contracts being awarded.

For the year ended 31 December 2022, the Group recorded a profit attributable to owners of the Company of approximately MOP21.5 million, compared to the profit attributable to owners of the Company of approximately MOP51.8 million for the year ended 31 December 2021. Based on the 2022 Annual Report, such change in the financial performance of the Group was mainly attributable to the decrease in gross profit of approximately MOP16.4 million as a result of decrease in revenue as discussed above, an increase in fair value loss on investment properties of approximately MOP10.9 million, and increase in impairment losses of financial assets and contract assets of approximately MOP7.9 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Financial performance for the year ended 31 December 2023 compared to the year ended 31 December 2022

As set out in the 2023 Annual Results Announcement, the Group recorded revenue of approximately MOP273.2 million for the year ended 31 December 2023, representing a decrease of approximately 42.7% as compared to approximately MOP477.1 million recorded for the year ended 31 December 2022. Such fluctuation was mainly due to the decrease in contract sum of construction contracts awarded in relation to the fitting-out works segment, and the decrease in revenue derived from the financial services segment.

For the year ended 31 December 2023, the Group recorded a loss attributable to owners of the Company of approximately MOP126.3 million, compared to the profit attributable to owners of the Company of approximately MOP21.5 million for the year ended 31 December 2022. Based on the 2023 Annual Results Announcement, such change in the financial performance of the Group was mainly attributable to the decrease in gross profit of approximately MOP59.3 million as a result of the decrease in revenue as discussed above, and the increase in impairment losses of financial assets and contract assets of approximately MOP150.7 million.

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Summary of the Group's consolidated statement of financial position

	As at 31 December		
	2023	2022	2021
	(audited) <i>MOP'000</i>	(audited) <i>MOP'000</i>	(audited) <i>MOP'000</i>
Non-current assets	124,393	150,714	151,979
– Investment properties	94,760	99,292	110,210
– Goodwill	12,039	20,681	–
– Property, plant and equipment	11,605	21,929	37,141
Current assets	1,004,025	1,106,190	1,112,990
– Trade and other receivables	614,176	578,159	389,925
– Prepayments	257,563	246,398	439,643
– Contract assets	106,173	100,602	67,378
– Pledged deposits	5,818	126,100	119,352
– Cash and bank balances	20,255	54,898	96,662
Current liabilities	546,789	616,436	639,129
– Bank loans and overdrafts	301,787	445,091	499,273
– Trade and other payables	151,641	79,496	86,384
– Tax payable	48,028	47,775	41,415
– Bond payable	35,020	–	–
– Amounts due to a director	6,957	37,060	4,453
Non-current liabilities	6,276	11,529	19,007
Total equity attributable to owners of the Company	575,353	629,037	606,925

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

Financial position as at 31 December 2022 and 31 December 2021

The Group's total assets remained largely stable as at 31 December 2021 and 2022, which amounted to approximately MOP1,265.0 million and MOP1,256.9 million, respectively, which mainly comprised (i) trade and other receivables of approximately MOP578.2 million as at 31 December 2022 as compared to approximately MOP389.9 million as at 31 December 2021; (ii) prepayments of approximately MOP246.4 million as at 31 December 2022 as compared to approximately MOP439.6 million as at 31 December 2021; (iii) pledged deposits of approximately MOP126.1 million as at 31 December 2022 as compared to approximately MOP119.4 million as at 31 December 2021; (iv) contract assets of approximately MOP100.6 million as at 31 December 2022 as compared to

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approximately MOP67.4 million as at 31 December 2021; (v) investment properties of approximately MOP99.3 million as at 31 December 2022 as compared to approximately MOP110.2 million as at 31 December 2021; and (vi) cash and bank balances of approximately MOP54.9 million as at 31 December 2022 as compared to approximately MOP96.7 million as at 31 December 2021.

As at 31 December 2022, the Group's total liabilities amounted to approximately MOP628.0 million, as compared to approximately MOP658.1 million as at 31 December 2021, which comprised (i) bank loans and overdrafts of approximately MOP445.1 million as at 31 December 2022 as compared to approximately MOP499.3 million as at 31 December 2021; (ii) trade and other payables of approximately MOP79.5 million as at 31 December 2022 as compared to approximately MOP86.4 million as at 31 December 2021; (iii) tax payable of approximately MOP47.8 million as at 31 December 2022 as compared to approximately MOP41.4 million as at 31 December 2021; and (iv) amounts due to a director of approximately MOP37.1 million as at 31 December 2022 as compared to approximately MOP4.5 million as at 31 December 2021.

As at 31 December 2022, total equity attributable to owners of the Company amounted to approximately MOP629.0 million, as compared to approximately MOP606.9 million as at 31 December 2021.

Financial position as at 31 December 2023 and 31 December 2022

The Group's total assets amounted to approximately MOP1,128.4 million as at 31 December 2023 as compared to approximately MOP1,256.9 million as at 31 December 2022, which mainly comprised (i) trade and other receivables of approximately MOP614.2 million as at 31 December 2023 as compared to approximately MOP578.2 million as at 31 December 2022; (ii) prepayments of approximately MOP257.6 million as at 31 December 2023 as compared to approximately MOP246.4 million as at 31 December 2022; (iii) contract assets of approximately MOP106.2 million as at 31 December 2023 as compared to approximately MOP100.6 million as at 31 December 2022; (iv) investment properties of approximately MOP94.8 million as at 31 December 2023 as compared to approximately MOP99.3 million as at 31 December 2022; and (v) cash and bank balances of approximately MOP20.3 million as at 31 December 2023 as compared to approximately MOP54.9 million as at 31 December 2022.

As at 31 December 2023, the Group's total liabilities amounted to approximately MOP553.1 million, as compared to approximately MOP628.0 million as at 31 December 2022, which comprised (i) bank loans and overdrafts of approximately MOP301.8 million as at 31 December 2023 as compared to approximately MOP445.1 million as at 31 December 2022; (ii) trade and other payables of approximately MOP151.6 million as at 31 December 2023 as compared to approximately MOP79.5 million as at 31 December 2022; (iii) tax payable of approximately MOP48.0 million

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as at 31 December 2023 as compared to approximately MOP47.8 million as at 31 December 2022; and (iv) bond payable of approximately MOP35.0 million as at 31 December 2023.

As at 31 December 2023, total equity attributable to owners of the Company amounted to approximately MOP576.1 million, as compared to approximately MOP629.0 million at 31 December 2022.

Summary of published information of the Group subsequent to 31 December 2023 up to the Latest Practicable Date

We noted from the announcements of Company dated 14 February 2024, 19 February 2024 and 25 March 2024 in relation to the winding up petition filed by certain petitioner against the Company regarding a demand for the repayment of the principal amount and interest accrued of a bond in the aggregate amount of HK\$34,000,000, which may exert pressure on the working capital position of the Group.

In addition, we noted from the announcement of Company dated 22 March 2024 that, on 22 March 2024, pursuant to a disposal agreement, the Group as the vendor agreed to sell and two independent third parties as the purchasers agreed to purchase approximately 61.4% shares of Space Financial Holdings Limited, which will become an associate of the Group after completion of such transaction, and HK\$4.6 million from the proceed will be utilised for repayment of debts of the Company.

2. Rights issue

Reasons for and benefit of the Rights Issue and use of proceeds

As stated in the Letter from the Board, assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$157.847 million and the relevant expenses would be approximately HK\$2.587 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 90% (being approximately MOP143.925 million) for repayment of bank loans, overdrafts and other payables of the Group within around three months upon completion of the Rights Issue; and (ii) approximately 10% (being approximately MOP15.991 million) as general working capital of the Group, including but not limited to its daily operational expenses and its staff cost of the Group for the forthcoming six months upon completion of the Rights Issue. In the event that there is an under subscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

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With reference to the Letter from the Board and the 2023 Annual Results Announcement, we noted that, as at 31 December 2023, the Group recorded (i) cash and bank balances of approximately MOP20.3 million; (ii) pledged deposits of approximately MOP5.8 million; and (iii) bank loans and overdrafts of approximately MOP303.6 million, representing a net debt position of approximately MOP277.5 million.

We noted from the Management that, up to the Latest Practicable Date, the Group received demand letters from various banks for the repayment of not less than MOP300.0 million, which may further exert pressure on the working capital position of the Group. On this basis, the Group has an urgent need for additional financial resources to settle its overdue liabilities and replenish its working capital.

In light of the aforesaid analysis and the fact that the Rights Issue will give all the Qualifying Shareholders an equal opportunity to participate in the long-term development of the Company without diluting their corresponding shareholdings in the event that they take up their entitlement in full, we concur with the Board that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Fundraising alternatives considered by the Group

As set out in the Letter from the Board, the Directors have considered other financing alternatives, such as debt and equity issues to raise funds including bank borrowings, placing and an open offer.

As mentioned in the Letter from the Board, for debt financing, such as bank borrowings, the Company is of the view that, if available, carry additional interest costs and create pressure to the liquidity of the Company. We have discussed with the Management and noted that debt financing would increase the interest burden of the Group, in particular, as the Federal Reserve of the United States has raised its benchmark interest rate in recent years and may remain at or around the prevailing level for a period of time in 2024 barring unforeseen circumstances, and the base interest rate set by the Hong Kong Monetary Authority is also expected to move in the similar direction.

Moreover, we have discussed with the Management and understand that, the Management has contacted several financial institutions regarding the possibilities of debt financing. However, based on the relevant feedback, the Management is of the view that considering the winding up petition filed by certain petitioner against the Company regarding a demand for the repayment of the principal amount and interest accrued of a bond in the aggregate amount of HK\$34,000,000 with reference the announcements of Company dated 12 September 2023, 20 September 2023, 6 October 2023 and 8 November 2023, 20 December 2023, 14 February 2024, 19 February 2024 and 25 March 2024, there are uncertainties around obtaining new credit lines/facilities. Additional debt financing will increase the Group's financial burden

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due to potential increase in the finance costs. In this connection, the Directors considered that debt financing is a less preferable option for fund raising currently.

In relation to other equity fund raising methods, such as placement or subscription of new Shares, with reference to the Letter from the Board, such may dilute the interests of existing Shareholders without giving them the opportunity to take part in the exercise. We also discussed with the Management and understand that, unlike the open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market, but such mechanism is not typically available for open offers.

It is noted from the Management that they have contacted financial institutions regarding the possibilities of equity fund raising exercise other than rights issue. However, based on the relevant feedback, the Board is of the view that the disadvantages and/or uncertainties associated with the abovementioned equity fund raising exercises compared to fund raising through a rights issue makes it a less preferable option for the Group's fund raising exercise.

Having taken into consideration the above, including, (i) the Rights Issue will strengthen the capital base of the Company, thus enhancing the Group's financial 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 the Company; (ii) the Rights Issue is the preferred option over the other alternatives since it would strengthen the capital base of the Company, enhance its cash position without the ongoing burden of interest expenses while allowing 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.

Principal terms of the Rights Issue

Set out below is a summary of principal terms of the Rights Issue:

Basis of the Rights Issue:	Four (4) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective

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Number of Existing Shares in issue as at the Latest Practicable Date:	1,160,640,000 Existing Shares
Number of Consolidated Shares in issue immediately upon the Share Consolidation becoming effective:	58,032,000 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 232,128,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date)
Number of Consolidated Shares in issue upon completion of the Rights Issue:	Up to 290,160,000 Consolidated Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the Rights Shares)
Gross proceeds to be raised before expenses:	Up to approximately HK\$157,847,040 (before expenses)

As at the Latest Practicable Date, the Company does not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. With reference to the Letter from the Board, assuming that there will not be any further issue of new Shares or repurchase of Shares on or before the Record Date, the 232,128,000 Consolidated Shares to be issued pursuant to the terms of the proposed Rights Issue represents approximately 400% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and approximately 80% of the total number of issued Consolidated Shares as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

With reference to the Letter from the Board, as at the Latest Practicable Date, the Board has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Places under the Compensatory Arrangements. The Placing Shares which remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights

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Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (i) does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 7.19(5)(b) of the Listing Rules; and/or (ii) does not result in the non-compliance of the Public Float Requirement on the part of the Company.

The Subscription Price

As set out in the Letter from the Board, the Subscription Price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective) is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, or where a transferee of the Nil-paid Rights applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 19.05% to the theoretical closing price of HK\$0.84 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 18.27% to the adjusted theoretical average closing price of approximately HK\$0.832 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0416 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 18.85% to the adjusted theoretical average closing price of approximately HK\$0.838 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.0419 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

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- (iv) a discount of approximately 4.49% to the theoretical ex-rights price of approximately HK\$0.0712 per Consolidated Share (after taking into account the effect of the Share Consolidation), based on the closing price of HK\$0.042 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of a discount of approximately 15.24%, represented by the theoretical diluted price of approximately HK\$0.712 per Consolidated Share (after taking into account the effect of the Share Consolidation) to the theoretical benchmarked price of HK\$0.84 per Consolidated Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of the closing price of HK\$0.042 per Existing Share on the Last Trading Day and the average closing price of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the Last Trading Day of HK\$0.0416 per Existing Share and adjusted for the effect of the Share Consolidation);
- (vi) a discount of approximately 93.34% to the net asset value per Share of approximately HK\$0.511 (based on the latest audited consolidated net asset value of the Group of approximately MOP575.353 million (equivalent to approximately HK\$592.613 million) as at 31 December 2023 as disclosed in the 2023 Annual Results Announcement for the financial year ended 31 December 2023 and 1,160,640,000 Shares); and
- (vii) a discount of 5.56% to the theoretical closing price of HK\$0.72 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.036 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date.

As set out in the Letter from the Board, the Subscription Price was set at a discount to the recent closing prices of the Shares so as to lower the further investment cost of the Shareholders and to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimizing dilution impact. The Subscription Price was determined with reference to, among others, (i) the market price of the Existing Shares under the prevailing market conditions; (ii) the financial position of the Group; and (iii) the reasons as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in the Letter from the Board. The Board is of the view that (i) the Subscription Price representing a discount to the consolidated net asset value per Share as at 31 December 2023 is fair and reasonable in light of the current weak market sentiment and the anticipated market response to the Rights Issue by the Directors in order to attract Shareholders and investors to participate in the Rights Issue; (ii) the closing prices of the Shares shown an overall downward trend for the past 11 months; (iii) it makes commercial sense to set the Subscription Price at a

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discount to the prevailing market price in order to attract Shareholders and investors to participate in the Rights Issue, especially under the current market downturn; and (iv) the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As set out in the Letter from the Board, whilst the Subscription Price represents a discount of approximately 93.34 % to the net asset value per Share of approximately HK\$0.511 (based on the latest audited consolidated net asset value of the Group of approximately MOP575.353 million (equivalent to approximately HK\$592.613 million) as at 31 December 2023 as disclosed in the annual report of the Company for the financial year ended 31 December 2023 and 1,160,640,000 Shares), the Board is of the view that the net asset value per Shares is not the sole relevant factor to determine the Subscription Price due to the fact that the Shares traded below the net asset value per Shares continuously over the past 8 months. Apart from the low Share price, the low trading volume of the Shares during the 8-month period prior to the Rights Issue with average daily trading volume amounted to approximately 2.32% of the total issued Shares. Under the current market condition and with reference to the recent market performance of the Shares, it would not be practical nor commercially feasible to set a Subscription Price which is significantly higher than the prevailing market price, which would likely to discourage investors to participate in the Rights Issue.

Our analysis on the Subscription Price

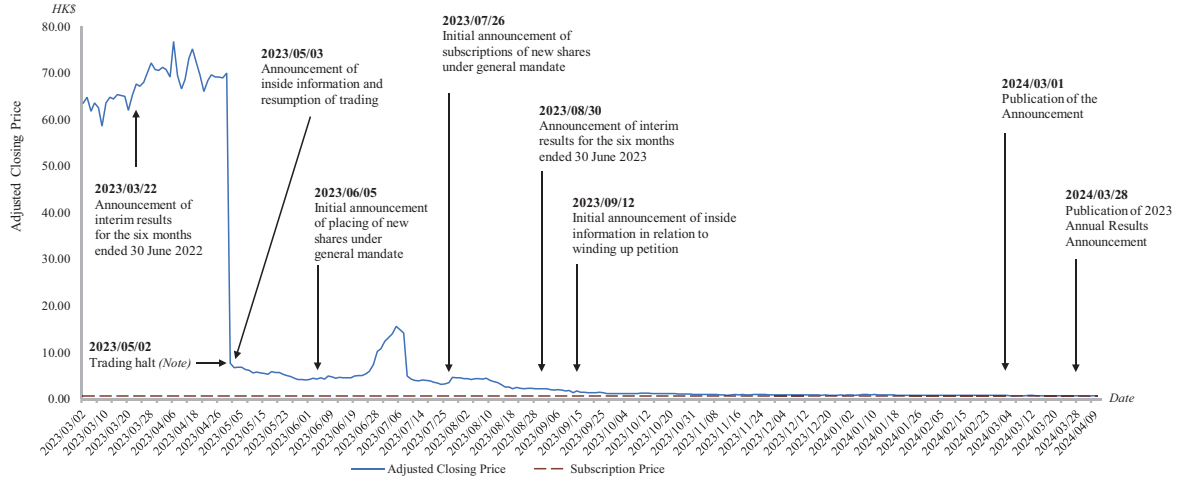
We set out the following analysis for illustrative purposes with a view to assess the fairness and reasonableness of the Subscription Price:

Our analysis on historical Share price performance

In order to assess the fairness and reasonableness of the Subscription Price (being HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective), we have reviewed the movements of the theoretical adjusted closing price of 20 shares in aggregate, calculated by aggregating the relevant closing price of 20 Shares (the “**Adjusted Closing Price**”) during the period from 2 March 2023, being 12 months immediately preceding the Last Trading Day, up to and including the Latest Practicable Date (the “**Share Price Review Period**”), which is commonly adopted timeframe for similar share price analysis in the market and is considered to be adequately lengthy to illustrate the recent trend of the closing prices of the Shares for 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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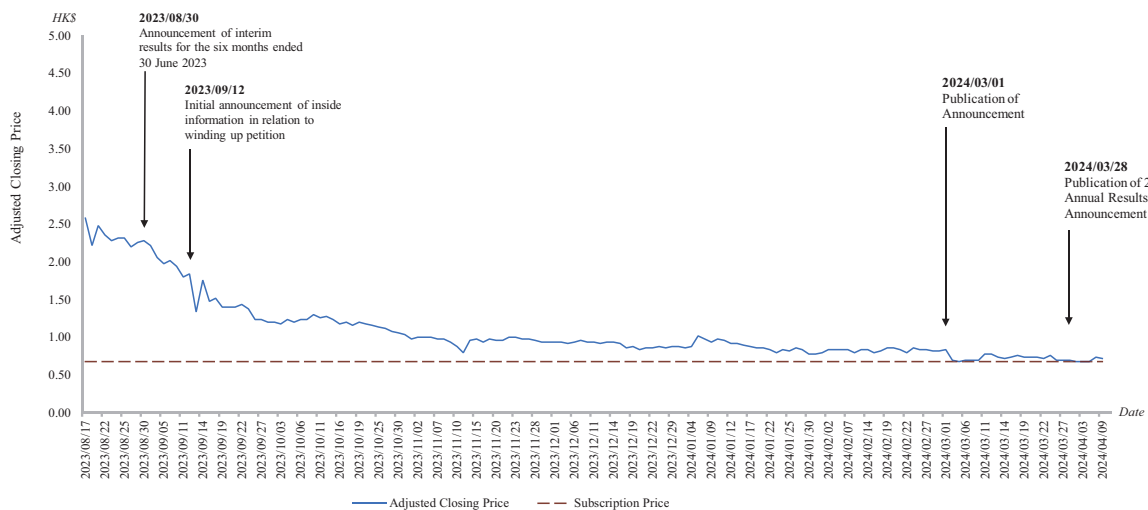
Share price chart during the Share Price Review Period



Source: www.hkex.com.hk

Note: During the Share Price Review Period, the trading in the Shares had been halted effect from the morning of 2 May 2023 and trading in the Shares was resumed on 3 May 2023 (the “Trading Halt”).

With a view to provide a clearer graphical comparison between the more recent Adjusted Closing Price and the Subscription Price, we set out below the Shares price chart for the six months period immediately prior to the Last Trading Day up to and including the Latest Practicable Date for illustration purposes.



Source: www.hkex.com.hk

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As illustrated in the above charts, the Adjusted Closing Price has been on a decreasing trend in general during the Share Price Review Period with the highest and lowest Adjusted Closing Price per Consolidated Share being HK\$76.80 on 6 April 2023 and HK\$0.68 on 5 March 2024, 2 April 2024, 3 April 2024 and 5 April 2024, respectively.

Since the commencement of the Share Price Review Price and up to the end of April 2023, the Adjusted Closing Price has been fluctuated in the range of HK\$58.60 (9 March 2023) and HK\$76.80 (6 April 2023), such fluctuation may be attributable to the market reactions of the then development or published information or announcements of the Company at the relevant time, including, the announcement of annual results for the year ended 31 December 2022 dated 22 March 2023. However, the Adjusted Closing Price experienced a substantial decrease from HK\$70.00 on 28 April 2023 to HK\$7.70 on 2 May 2023. Subsequently, the Company published the announcement in relation to inside information and resumption of trading on 3 May 2023 which indicated that on 2 May 2023, 99,770,000 Shares held by Space Investment (BVI) Limited, a controlling shareholder of the Company, were forcibly sold in the open market by securities companies through margin securities accounts (the “**Forcibly Sold**”). Since May 2023 up to and including the trading day of the publication of the interim results announcement for the six months ended 30 June 2023, the Adjusted Closing Price generally experienced a downward trend, save for the period between 28 June 2023 to 7 July 2023, which the Adjusted Closing Price has been above the HK\$10.00 level and reached HK\$15.60 on 5 July 2023 before decreasing back to below the HK\$5.00 level. We have discussed with the Company and were advised that the Company are not aware of any particular reasons that may lead to the movement in the Shares during the aforesaid period. From the trading day immediately after the publication of the interim results announcement for the six months ended 30 June 2023 up to the end of the Share Price Review Period, the Adjusted Closing Price experienced a general decreasing price trend with the highest and lowest Adjusted Closing Price of HK\$2.22 (31 August 2023) and HK\$0.68 (5 March 2024, 2 April 2024, 3 April 2024 and 5 April 2024), respectively. The Adjusted Closing Price was HK\$0.84 and HK\$0.72 as at the Last Trading Day and Latest Practicable Date, respectively.

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Our analysis on historical trading volume and liquidity

We have conducted analysis on the historical trading volume and liquidity of the Shares, together with a summary of number of days with trading in the month/period, average daily trading volume of Shares in the month/period and the percentages of average daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Share Price Review Period, are set out in the table below.

Month/period	Number of days with trading of Shares in the month/period	Average daily Shares traded per trading days in the month/period	% of average daily number of Shares traded to the total number of Shares in issue (Note 1)	% of average daily number of Shares traded to the total number of Shares held by public Shareholders (Note 2)
2023				
March (from 2 March 2023)	22	3,361,705	0.29%	0.34%
April	17	7,805,147	0.67%	0.78%
May (Note 3)	21	48,385,833	4.17%	4.85%
June	21	30,771,071	2.65%	3.09%
July (Note 3)	20	96,243,171	8.29%	9.65%
August	23	66,927,935	5.77%	6.71%
September	19	25,134,474	2.17%	2.52%
October	20	5,127,125	0.44%	0.51%
November	22	5,646,818	0.49%	0.57%
December	19	2,841,447	0.24%	0.28%
2024				
January	21	4,702,614	0.41%	0.47%
February	19	1,288,158	0.11%	0.13%
March	20	7,714,625	0.66%	0.77%
April (up to and including the Latest Practicable Date)	5	3,938,000	0.34%	0.39%
Minimum			0.11%	0.13%
Maximum (Note 3)			5.77%	6.71%
Average			1.19%	1.38%

Source: www.hkex.com.hk

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Notes:

1. Calculated based on the total number of the Shares in issue at the Last Trading Day. For the avoidance of doubt, the total number of the Shares in issue as at the Last Trading Day does not represent the actual number of Shares in issue during the Share Price Review Period. On this basis, the analysis set out in the table above is for illustration purposes only.
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 Latest Practicable Date.
3. We noted that from the announcement of the Company dated 3 May 2023, 99,770,000 Shares held by Space Investment (BVI) Limited were forcibly sold in the open market by securities companies through margin securities accounts, and it was also noted that on 10 July 2023, the price of Share decreased by over 60% intra-day with a trading volume over 300 million Shares. Given the one-off nature of the above-mentioned events, we considered that the trading volume data for the month of May and July 2023 would have been distorted, thus we have considered them outliers and excluded them from our relevant analysis.

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, excluding outliers, were in the range of (i) approximately 0.11% to approximately 5.77% with an average of approximately 1.19% as to the total number of issued Shares; and (ii) approximately 0.13% to approximately 6.71% with an average of approximately 1.38% as to the total number of Shares held by public Shareholders.

The trading volume of the Shares was notably higher in June, August and September 2023 (other than outliers) compared to other months/periods during the Share Price Review Period, which may be attributable to the market reaction and/or knock-on effects of the various published information, announcements and/or corporate actions of the Company during the subject period, including, (i) the substantial decrease in price of the Shares and the Trading Halt, the corresponding announcement of inside information published by the Company on 3 May 2023 setting out information in relation to certain Shares held by the controlling Shareholder at the time being Forcibly Sold; (ii) the announcement of interim results for the six months ended 30 June 2023 of the Company dated 30 August 2023 which set out a deterioration in the financial performance of the Group for the six month ended 30 June 2023; and (iii) announcements in relation to the winding-up petition published by the Company on 12 September 2023 and 20 September 2023.

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The above statistics revealed that the trading liquidity of the Shares has not been high in the open market, in particular, in the recent six months period since October 2023 up to the Latest Practicable Date. On this basis and considering the financial position and performance of the Group, we are of the view that the Company is unlikely to be able to raise notable amount of funds via equity financing without a notable discount. Hence, 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.

Our 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 also 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 gross proceeds of the subject proposed rights issue transaction is not more than HK\$300 million, after taking into consideration the gross proceeds of the Rights Issue of up to approximately HK\$157.8 million; and (iii) the proposed rights issue transaction was announced during the 6-month period (the “**Review Period**”) commencing on 2 September 2023 up to and including the Last Trading Day, which we considered to be an appropriate timeframe to identify a representative sample set for the purpose of our analysis (together the “**Criteria**”).

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Based on the Criteria, we have identified 30 rights issues (the “**Rights Issue Comparable(s)**”) for the purpose of our analysis, the details of which are set out 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 3)	Underwriting Commission (Note 4)	Placing Commission (Note 5)	Excess application (Yes/No)
				Closing price on the Last Trading Day (%)	Theoretical ex-rights price (Note 1) (%)	Consolidated NAV per Share (Note 2) (%)				
26-Feb-2024	Raily Aesthetic Medicine International Holdings Limited (2135)	1 for 3	20.6	(74.0)	(69.5)	(66.5)	(18.8)	0.5	N/A	Yes
23-Feb-2024	Basetrophy Group Holdings Limited (8460)	3 for 1	41.4	(31.8)	(10.5)	(77.4)	(23.9)	N/A	3.5	No
21-Feb-2024	Guoen Holdings Limited (8121)	2 for 1	17.3	(33.3)	(15.4)	(60.9)	(23.5)	7.07	N/A	Yes
21-Feb-2024	Green Economy Development Limited (1315)	1 for 2	36.2	(15.3)	(10.6)	(5.8)	(5.3)	N/A	N/A	Yes
19-Feb-2024	Ta Yang Group Holdings Limited (1991)	1 for 2	78.4	(9.8)	(8.4)	(87.4)	(3.7)	N/A	N/A	Yes
9-Feb-2024	Wuxi Life International Holdings Group Limited (8148)	2 for 1	30.5	(20.0)	(10.5)	96.9	(17.3)	N/A	N/A	Yes
1-Feb-2024	Goldstone Capital Group Limited (1160)	1 for 2	13.0	(69.9)	(60.7)	57.1	(23.3)	N/A	3.50	No
30-Jan-2024	SingAsia Holdings Limited (8293)	2 for 1	14.4	(11.5)	(8.1)	(67.3)	(14.2)	N/A	1.50 or HK\$100,000	No
18-Jan-2024	CCIAM Future Energy Limited (145)	1 for 2	19.8	(12.5)	(8.7)	(5.4)	(4.2)	N/A	5.00	No
16-Jan-2024	China Oriented International Holdings Limited (1871)	1 for 2	40.0	(18.4)	(13.0)	(63.0)	(6.1)	N/A	3.00	No
12-Jan-2024	Tongda Hong Tai Holdings Limited (2363)	2 for 1	79.0	(1.7)	(0.6)	N/A	(1.7)	N/A	2.00	No
10-Jan-2024	Teamway International Group Holdings Limited (1239)	1 for 1	15.8	(32.8)	(19.6)	N/A	(16.4)	N/A	0.50	No
28-Dec-2023	Sun Kong Holdings Limited (8631)	2 for 1	24.0	(34.8)	(15.5)	(70.9)	(23.5)	N/A	1.00	No
28-Dec-2023	Huasheng International Holding Limited (1323)	1 for 2	29.0	(12.2)	(8.7)	(93.8)	(3.8)	N/A	3.00	No
28-Dec-2023	Elife Holdings Limited (223)	1 for 5	95.4	3.5	2.7	354.8 (Note 6)	–	2.50 or HK\$50,000	N/A	Yes
14-Dec-2023	Major Holdings Limited (1389)	2 for 3	30.2	(53.1)	(40.4)	(57.0)	(21.2)	0.00	3.00	No
8-Dec-2023	Imperium Financial Group Limited (8029)	1 for 2	45.7	(11.1)	(7.7)	N/A	(3.7)	N/A	2.00	No
5-Dec-2023	Finsoft Financial Investment Holdings Limited (8018)	3 for 1	28.0	(28.2)	(8.9)	(83.1)	(21.1)	N/A	3.50	No
1-Dec-2023	China Financial Leasing Group Limited (2312)	1 for 1	20.8	(32.6)	(19.5)	(64.0)	(16.3)	1.00	N/A	Yes
28-Nov-2023	IBO Technology Company Limited (2708)	3 for 1	254.5	(25.2)	(7.9)	(86.7)	(19.3)	2.00	N/A	Yes
24-Nov-2023	Lapco Holdings Limited (8472)	3 for 1	43.2	(30.2)	(9.8)	(84.9)	(22.7)	N/A	2.50	No
21-Nov-2023	Gameone Holdings Limited (8282)	1 for 2	13.2	6.8	4.5	(23.1)	–	3.00	N/A	Yes
20-Nov-2023	Cool Link (Holdings) Limited (8491)	3 for 1	100.2	(28.7)	(9.2)	(59.9)	(21.5)	N/A	1.50	No

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Date of announcement	Company name (Stock code)	Basis of entitlement	Premium/(Discount) of subscription price over/to							Excess application
			Gross Proceeds (HK\$ million)	Closing price on the Last Trading Day (%)	Theoretical ex-rights price (Note 1) (%)	Consolidated NAV per Share (Note 2) (%)	Theoretical dilution effect (Note 3) (%)	Underwriting Commission (Note 4) (%)	Placing Commission (Note 5) (%)	
17-Nov-2023	Huabang Technology Holdings Limited (3638)	1 for 2	56.8	(24.1)	(17.4)	(36.8)	(8.0)	N/A	2.00	No
17-Nov-2023	Da Yu Financial Holdings Limited (1073)	1 for 1	170.9	11.1	4.9	(64.3)	-	N/A	N/A	Yes
3-Nov-2023	Rego Interactive Co., Ltd (2422)	1 for 2	100.0	(49.4)	(39.4)	(38.8)	(16.5)	N/A	0.50	No
3-Oct-2023	Universe Printshop Holdings Limited (8448)	3 for 2	34.4	(14.8)	(8.0)	N/A	(11.1)	0.00	1.50	No
15-Sep-2023	Royal Century Resources Holdings Limited (8125)	5 for 1	36.1	(19.3)	(3.8)	(85.0)	(16.1)	N/A	1.00	No
11-Sep-2023	Asian Citrus Holdings Limited (73)	1 for 2	43.7	(34.0)	(25.5)	(57.6)	(11.3)	2.50 + HK\$50,000	N/A	Yes
3-Sep-2023	Rare Earth Magnesium Technology Group Holdings Limited (601)	1 for 2	15.8	(39.9)	(30.6)	(96.5)	(13.5)	7.07	N/A	Yes
	Maximum		254.5	11.1	4.9	96.9	-	7.07 (Note 7)	5.00 (Note 8)	
	Minimum		13.0	(74.0)	(69.5)	(96.5)	(23.9)	0.00 (Note 7)	0.50 (Note 8)	
	Average		51.6	(24.9)	(15.9)	(51.3)	(12.9)	2.58 (Note 7)	2.25 (Note 8)	
	Median		35.3	(24.6)	(10.1)	(64.0)	(15.1)	2.25 (Note 7)	2.00 (Note 8)	
	The Company	4 for 1	157.8	(19.0)	(4.5)	(94.0)	(15.2)	N/A	0.50%	No

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

Notes:

- The benchmarked price used for calculation of the theoretical ex-rights price is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”), being the higher of (i) the closing price per share on the last trading day of the subject Rights Issue Comparable; and (ii) average closing price per share for the five trading days immediately prior to the last trading day of the subject Rights Issue Comparable.
- The net asset value (the “NAV”) per share is calculated based on the latest published audited/unaudited, where applicable, consolidated NAV attributable 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 subject company recorded net liabilities according to its latest published audited/unaudited consolidated financial statements.
- The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Listing Rules or Rule 10.44A of the GEM Listing Rules. “-” denotes that the rights issue has no theoretical dilution effect attributable to the subject theoretical ex-right price being higher than the subject benchmarked price.
- “N/A” denotes that the subject rights issue was conducted on a non-underwritten basis.

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5. “N/A” denotes that the subject rights issue was conducted without the involvement of any placing.
6. Given the premium of subscription price over the NAV per share for Elife Holdings Limited of approximately 354.8%, is notably higher than other Rights Issue Comparables, with the next closest comparable being at a premium of approximately 96.9%, thus such was considered to be an outlier and excluded from the analysis on the subscription price over the NAV per share.
7. Analysis is based on the absolute percentage of the underwriting commission.
8. Analysis is based on the absolute percentage of the placing commission.
9. Figures or data shown in the above table are based on information as set out in the subject announcement or circular of the respective listed company or by our calculation, where applicable.
10. The above figures may subject to rounding adjustments, where applicable.

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 74.0% to a premium of approximately 11.1% (the “**Comparable LTD Range**”), with the average and median of discounts being approximately 24.9% (the “**Comparable LTD Average**”) and 24.6%, respectively. The Subscription Price represents a discount of approximately 19.0% to the Adjusted Closing Price on the Last Trading Day, which is within the Comparable LTD Range and represents a lower discount than the aforesaid 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 69.5% to a premium of approximately 4.9% (the “**Comparable TERP Range**”), with the average and median of discounts of approximately 15.9% (the “**Comparable TERP Average**”) and 10.1%, respectively. The Subscription Price represents a discount of approximately 4.5% to the theoretical ex-rights price per Consolidated Share on the Last Trading Day which is within the Comparable TERP Range and represents a lower discount than the aforesaid average and median;
- (iii) the premium or discount of subscription price over or to the consolidated NAV per share of the Rights Issue Comparables (excluding outlier) ranged from a discount of approximately 96.5% to a premium of approximately 96.9% (the “**Comparable NAV Range**”), with average and median of discounts of approximately 51.3% and 64.0%, respectively. The Subscription Price represents a discount of

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approximately 94.0% to the consolidated NAV per Consolidated Share on the Last Trading Day which is within the Comparable NAV Range but a higher discount compared to the average and median. Given the Subscription Price was determined with reference to the prevailing closing price of the Shares at the material time, and that the closing price of the Shares is market driven and should have reflected the relevant information available to the market at the material time. On this basis, we considered that it is appropriate for the purpose of our analysis to consider the other discounts/premiums of the Rights Issue Comparables set out in this section as a whole rather than solely place our focus on the discount/premium of the respective subscription price to the consolidated NAV per share of the Rights Issue Comparables in isolation;

- (iv) the theoretical dilution effect of the Comparable Rights Issue ranged from approximately 23.9% to nil% (the “**Comparable Dilution Range**”), with average and median dilution effects of approximately 12.9% and 15.1%, respectively. The theoretical dilution effect of the Rights Issue of approximately 15.2% is within the Comparable Dilution Range and higher than the average and median dilution effects of the Comparable Rights Issue. In any case, as the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 7.27B 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 18 out of 30 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 to be acceptable as far as the Independent Shareholders are concerned;

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- (vi) the Rights Issue is on a non-underwritten basis, which is considered to be in line with market practice, given 20 out of 30 Rights Issue Comparables were also conducted on a non-underwritten basis. Furthermore, under the Compensatory Arrangements, the Company entered into the Placing Agreement with the Placing Agent to procure Placees, on a best effort basis, to subscribe for the Placing Shares during the Placing Period; and
- (vii) the placing commission of the Rights Issue Comparables, where applicable, ranged from 0.5% to 5.0%, with the average and median of approximately 2.25% and 2.0%, respectively. Pursuant to the terms of the Placing Agreement, the Placing commission is 0.5% of the gross proceeds, from the successful placement of Unsubscribed Rights Shares, such is within the aforesaid range of the Rights Issue Comparables.

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

In view of (i) the Subscription Price represents a discount of approximately 19.0% to the Adjusted Closing Price on the Last Trading Day which is within the Comparable LTD Range and represents a lower discount than the corresponding average and median of the Rights Issue Comparables; (ii) the discount of the Subscription Price to the theoretical ex-rights price per Consolidated Share on the Last Trading Day is within the Comparable TERP Range and such discount is lower than the corresponding average and median of the Rights Issue Comparables; (iii) the discount of the Subscription Price to the consolidated NAV per Consolidated Share is within the Comparable NAV Range; (iv) the theoretical dilution effect of the Rights Issue is within the Comparable Dilution Range and below 25%; (v) our analysis on the Compensatory Arrangement in 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.

Possible financial effects of the Rights Issue

Net assets

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, assuming that the Rights Issue had been completed

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and subscribed in full on 30 June 2023, the unaudited consolidated net tangible assets attributable to equity holders of the Company would have increased from approximately HK\$676.3 million as at 30 June 2023 to an unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company of approximately HK\$831.6 million immediately after the completion of the Rights Issue.

Working capital

Upon completion of the Rights Issue and assuming it is subscribed in full and before utilising for the repayment of bank loans and overdrafts of the Group, the bank balances of the Group is expected to increase by an amount equivalent to the net proceeds from the Rights Issue, which is estimated to be up to approximately MOP155.3 million.

Gearing ratio

According to the 2023 Annual Results Announcement, the gearing ratio of the Company, calculated by total debts divided by total equity; total debts included bank loans and overdrafts and other borrowings, was approximately 0.528 as at 31 December 2023. Since most of the net proceeds from the Rights Issue are intended to be used as the repayment of bank loans and overdrafts of the Group, the total liabilities of the Company are expected to decrease as a result of the Rights Issue.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

In respect to our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered the above principal factors and reasons, in particular, the following:

- (i) our analysis on the working needs arising from the Group's operations, in particular, the fire safety system projects on hand and the limited bank balances and cash of the Group as set out under the section headed "Reasons for and benefits of the Rights Issue and use of proceeds" in this letter;
- (ii) our analysis on the trading volume and liquidity of the Shares as set out under the section headed "Our analysis on historical trading volume and liquidity" in this letter;
- (iii) our analysis on the Rights Issue Comparables, including our findings on the Subscription Price and the respective discounts it represents are in line with market practice based on our analysis, as set out under the section headed "Our analysis on recent rights issue market comparables" in this letter;
- (iv) the expected financial effects attributable to the Rights Issue, including the improvement in the Group's net debt position and the expected ease of immediate working capital pressure; and
- (v) the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as long as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares, while those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market.

In light of the above, we are of the view that the terms of the Rights Issue, including the Subscription Price, basis of the Rights Issue (i.e. four (4) Rights Shares for every one (1) Consolidated Shares held at the close of business on the Record Date), although is not entered into in the ordinary and usual course of business of the Company, but are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and therefore is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into consideration the reasons for and possible benefits of the Rights Issue, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the Rights Issue and the underlying transactions contemplated thereunder.

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 17 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2020, 2021 and 2022, the interim report for the period ended 30 June 2023 and the annual results for the year ended 31 December 2023 were disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (<https://www.spacegroup.com.mo/>):

- annual report of the Company for the year ended 31 December 2020 published on 28 April 2021 (pages 58 to 131);

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042802488.pdf>)
- annual report of the Company for the year ended 31 December 2021 published on 25 April 2022 (pages 55 to 133);

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042501368.pdf>)
- annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 69 to 145);

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702152.pdf>)
- interim report of the Company for six months ended 30 June 2023 published on 29 September 2023 (pages 12 to 18).

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0929/2023092900591.pdf>)
- annual results announcement of the Company for the year ended 31 December 2023 published on 28 March 2024 (pages 2 to 16).

(<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0328/2024032805650.pdf>)

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 29 February 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

Bank borrowings and overdrafts

	<i>Notes</i>	As at 29 February 2024 <i>MOP'000</i>
Current liabilities		
Bank loans – secured and guaranteed	(a)	289,282
Bank overdrafts – secured and guaranteed	(a)	<u>11,735</u>
Non-current liabilities		
Bank loans – secured and guaranteed	(a)	<u>1,619</u>
Total		<u><u>302,636</u></u>

Notes:

- (a) As at 29 February 2024, bank borrowings and overdrafts were secured by the Group's investment pledged deposits, corporate guarantees provided by the Company and certain subsidiaries and Guarantees provided by HKMC Insurance Limited under the HKMC SME Financing Guarantee Scheme.

Lease liabilities

	As at 29 February 2024 <i>MOP'000</i>
Non-current	3,039
Current	<u>2,516</u>
	<u><u>5,555</u></u>

Contingent liabilities

As at
29 February
2024
MOP'000

Performance bonds given to customers for due and proper performance
of projects undertaken by the Group's subsidiaries

13,043

Pledged bank deposit

Pledged bank deposit represented deposit pledged to bank to secure general banking facilities granted to the Group. As at 29 February 2024, the bank deposit of MOP144,000 has been pledged to secure short-term bank borrowing of the independent third party and was therefore classified as current asset. The pledged bank deposit carry interest rates at 4.75% per annum and will be released upon the expiry of the relevant banking facilities.

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 29 February 2024, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group including the estimated net proceeds from the Rights Issue of approximately HK\$155.26 million, cash and cash equivalents on hand, cash flows from operating activities and available banking facilities, the Directors are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the fitting-out works and provision of financial services.

In 2023, the Company encountered a wide range of challenges. Externally, the economic environment presented the Company with uncertainties and difficulties, including a global economic slowdown, financial market volatility, intense market competition, and increased cost pressures. Internally, the Company has also been facing the pressure for the repayment of bank loans.

In response to the challenges faced in recent years, the governments of Hong Kong and Macau has initiated several schemes to support the local economy and businesses. These include measures designed to attract overseas talent, cancellation of special stamp duties on residential properties sale, financial support to boost domestic consumption, and plans for large-scale infrastructure projects across the cities. Looking ahead, the local economic outlook is expected to improve as economic activities return to normal in the post-pandemic era.

The fitting-out industry in Hong Kong and Macau, despite facing ongoing challenges, is expected to recover in the coming years, driven by demand for new and renovated commercial and residential spaces. However, contractors must adapt to changing market conditions and explore innovative solutions and strategies to remain competitive. With extensive experience in the market, the Group recognises that opportunities for growth and success are present in the fitting-out industry for contractors that can skillfully navigate the complexities of the market and adapt to changing circumstances. In light of this, the Group intends to pursue business strategies with both vigour and caution, striking a balance between growth and stability in its future development.

Besides, the management has been actively solving issue of the repayment of outstanding bank loans including but no limited to source different sources of financing and discuss the extension for repayment with different banks.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Unaudited Proforma Financial Information") which has been prepared by the Directors in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group attributable to equity holders of the Company as if the Rights Issue had been completed on 30 June 2023. As it is prepared for illustrative purpose only, and because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to equity holders of the Company had of the Rights Issue been completed as at 30 June 2023 or at any future date.

The Unaudited Pro Forma Information is prepared based on the unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 as derived from the Group's published interim report for the six months ended 30 June 2023, and is adjusted for the effect of the Rights Issue as if the Rights Issue had been completed as at 30 June 2023.

Unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 <i>(Note 1)</i> <i>HK\$'000</i>	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 immediately after completion of the Rights Issue <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 per Share immediately after the Completion of the Rights Issue <i>(Note 3)</i> <i>HK\$</i>	
Based on 232,128,000 Consolidated Shares to be issued at the Subscription Price of HK\$0.68 per Consolidated Share	676,314	155,260	831,574	2.87
	<u>676,314</u>	<u>155,260</u>	<u>831,574</u>	<u>2.87</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to equity holders of the Company of HK\$676,314,000 as at 30 June 2023 is extracted from the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 set out in the published interim report of the Company.
2. The estimated net proceeds from the Rights Issue are based on 232,128,000 Rights Shares (calculated on the basis of four Rights Shares for every one consolidated share held as at 30 June 2023, details as disclosed in note 3) to be issued at the subscription price of HK\$0.68 per Consolidated Share, after deducting the estimated related expenses of HK\$2,587,000 to be incurred by the Group.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 per Share immediately after the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 of HK\$831,574,000 divided by 290,160,000 shares in issue upon completion of the Rights Issue, which comprises 58,032,000 Consolidated shares in issue before the Rights Issue and 232,128,000 Consolidated Shares to be issued under the Rights Issue.

The 58,032,000 Consolidated shares in issue is calculated based on the shares in issue of 1,160,640,000 as at 30 June 2023 which are adjusted for share consolidation whereby every twenty issued and unissued existing shares would be consolidated into one consolidated share as stipulated in the section “Proposed Share Consolidation” in the Letter from the Board of this circular.

4. No adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

(B) REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Global Link CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the 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

The Board of Directors of Space Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Space 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 equity holders of the Company as at 30 June 2023 and related notes as set out on in appendix II of the circular issued by the Company dated 11 April 2024 (the "Circular") issued in connection with the proposed rights issue of the Company. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in 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 rights issue of the Company on the basis of four rights shares for every one consolidated share held on the record date on a non-underwritten basis (the "Rights Issue") on the Group's financial position as at 30 June 2023 as if the Rights 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 consolidated financial statements for the six months ended 30 June 2023, on which no audit or review 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 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Management

We have complied with the independence and other ethical requirement 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.

The firm applies Hong Kong Standard on Quality Management (“HKSQM”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, 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 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting 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 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Rights Issue on unadjusted financial information of the Group as if the Rights Issue had occurred at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the 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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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 Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Global Link CPA Limited

Certified Public Accountants

Au Yeung Ming Yin Gordon

Practising Certificate Number P08219

Hong Kong

11 April 2024

1. RESPONSIBILITY STATEMENT

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

2. NUMBER OF SHARES IN ISSUE

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the completion of the Increase in the Authorised Share Capital and the Share Consolidation but before the completion of the Rights Issue; and (iii) immediately following the completion of the Rights Issue (assuming there is no change in the number of issued Shares and that all Shareholders have taken up all their entitled Rights Shares) are as follows:

As at the Latest Practicable Date:

HK\$

Authorised:

2,000,000,000 Existing Shares of HK\$0.01 each	<u>20,000,000.00</u>
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Issued and fully paid:

1,160,640,000 Existing Shares of HK\$0.01 each	<u>11,606,400.00</u>
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Immediately following the completion of the Increase in Authorised Share Capital and Share Consolidation but before the completion of the Rights Issue:

HK\$

Authorised:

500,000,000 Consolidated Shares of HK\$0.20 each	<u>100,000,000.00</u>
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Issued and fully paid:

58,032,000 Consolidated Shares of HK\$0.20 each	<u>11,606,400.00</u>
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Immediately following the completion of the Rights Issue (assuming no other change in the number of issued Shares and that all Shareholders have taken up all their entitled Rights Shares):

HK\$

Authorised:

500,000,000 Consolidated shares of HK\$0.20 each	<u>100,000,000.00</u>
--	-----------------------

Issued and fully paid:

290,160,000 Consolidated shares of HK\$0.20 each	<u>58,032,000.00</u>
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The Rights Shares, when issued and fully-paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank pari passu in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the fully-paid Rights Shares.

The Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Rights Shares to be issued will be listed on the Stock Exchange. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at Latest Practicable Date, the interests and short positions of Directors and/or the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) (the "SFO") as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of Director	Capacity in which the shares were held	Number of shares held/ interested ⁽¹⁾	Approximate percentage of the total issued Shares
Mr. Che Chan U	Interest held jointly with another person; interest in a controlled corporation ⁽²⁾ ; and beneficial owner ⁽³⁾	163,633,400 Shares (L)	14.10%
Ms. Lei Soi Kun	Interest held jointly with another person; interest in a controlled corporation ⁽²⁾	162,033,400 Shares (L)	13.96%

Notes:

- (1) The letter "L" denotes the Directors' long position in the Shares.
- (2) The Company was held as to approximately 13.96% by Space Investment (BVI) Ltd. Space Investment (BVI) Ltd. is held as to 94.74% by Mr. Che Chan U and 5.26% by Ms. Lei Soi Kun.
- (3) Mr. Che Chan U beneficially owns 1,600,000 Shares in the Company.

(b) Associated corporation

Name of Director	Name of associated corporation	Capacity in which the shares were held	Number of Shares held/ interested in the associated corporation⁽¹⁾	Approximate percentage of the total issued shares in the associated corporation
Mr. Che Chan U	Space Investment (BVI) Ltd.	Beneficial owner	9,474 Shares (L)	94.74%
Ms. Lei Soi Kun	Space Investment (BVI) Ltd.	Beneficial owner	526 Shares (L)	5.26%

Note:

(1) The letter “L” denotes the Directors’ long position in the shares of the associated corporation.

Save as disclosed in the foregoing, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(c) Interests and short positions of the substantial shareholders in shares and underlying shares of the company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons or corporation (other than the Directors and chief executive of the Company) had interests or short positions in the Shares and underlying Shares of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

Name of Shareholders	Capacity	Number of Shares held/ interested⁽¹⁾	Approximate percentage of the total issued Shares
Space Investment (BVI) Ltd.	Beneficial owner ⁽²⁾	162,033,400 Shares (L)	13.96%
Ms. Ng Lai Kuan	Beneficial owner ⁽²⁾	163,633,400 Shares (L)	14.10%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Space Investment (BVI) Ltd. is directly interested in 162,033,400 Shares, representing approximately 13.96% of the total issued share capital in the Company.
- (3) Ms. Ng Lai Kuan is the spouse of Mr. Che Chan U. Ms. Ng Lai Kuan is deemed to be interested in the same number of Shares in which Mr. Che Chan U is interested by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons or corporations (other than the Directors and chief executive of the Company) who/which had any interests or short positions in the Shares or underlying Shares of the Company or any of its associated companies which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

4. DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. DIRECTORS’ SERVICE CONTRACTS

Mr. Che Chan U and Ms. Lei Soi Kun has entered into a service contract with the Company for a fixed term of three years commencing from 6 January 2021 and thereafter from 16 January 2024, unless terminated by not less than three months’ notice in writing served by either party on the other expiring at the end of the initial term.

Mr. Ho Kwong Yu has entered into a service contract with the Company for a fixed term of three years commencing from 29 July 2020 and thereafter from 29 July 2023, unless terminated by not less than three months’ notice in writing served by either party on the other expiring at the end of the initial term.

Mr. Lok Wai Tak has entered into a service contract with the Company for a fixed term of three years commencing from 16 May 2022, unless terminated by not less than three months’ notice in writing served by either party on the other expiring at the end of the initial term.

Each of Mr. Eulógio dos Remédios, José António and Ms. Leong Iat Lun have been appointed as independent non-executive Directors on 20 December 2017 and thereafter from 16 January 2024 and are subject to retirement by rotation and re-election at AGM of the Company at least once every three years and until terminated by not less than three months' notice in writing served by either the Company or the respective independent nonexecutive Director. Mr. Li Guohui has entered into a service agreement with the Company for a fixed term of three years commencing from 8 August 2022.

As at the Latest Practicable Date, none of the Directors are being proposed for re-election at the forthcoming AGM has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

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

7. LITIGATION

On 4 September 2023, it has come to the attention of the Company that a winding-up petition (the "**Petition**") from Huang Bingchen (the "**Petitioner**") has been filed with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") for the winding-up of the Company under the provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the "**Companies (WUMP) Ordinance**") under Companies Winding-up Proceedings No. 388 of 2023, in relation to demand for the repayment of the principal amount and interest accrued of a bond in the aggregate amount of HK\$34,000,000. There will be a hearing for the Petition on 8 November 2023. As at the Latest Practicable Date, the hearing of the Petition has been adjourned to 13 May 2024.

Effect of the Petition under the applicable laws and regulations

Pursuant to Section 182 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), in a winding-up by the court, any disposition of the property of the Company, including things in action, and any transfer of shares, or alteration in the status of the members of the Company, made after the commencement of the winding-up, shall be void as a matter of Hong Kong law, unless the court otherwise orders.

Reference is also made to the circular dated 28 December 2016 issued by HKSCC in relation to the transfer of the shares of listed issuers in respect of which a winding-up petition is presented. After the Petition has been presented, the transfer of shares made

thereafter may be void without a validation order from the court. In view of the restrictions and the uncertainties that may arise in relation to the transfer of shares of the affected listed issuers, HKSCC may at any time, and without notice, exercise its powers under the General Rules of CCASS to temporarily suspend any of its services in respect of the shares of the affected listed issuers. This may include the suspension of acceptance of deposits of share certificates of the affected listed issuers into the CCASS. The share certificates of the affected listed issuers received by HKSCC but not yet re-registered in HKSCC Nominees Limited's name will also be returned to the relevant CCASS participant and HKSCC shall reserve the right to reverse any credit granted to such CCASS participant by debiting the relevant securities of the affected listed issuers from its CCASS account accordingly. These measures would generally cease to apply from the date when the a winding-up petition has been struck out, dismissed or permanently stayed, or the affected listed issuer has obtained the necessary validation order from the relevant court(s).

Transfer of Shares may be restricted as the deposits of the Company's shares into CCASS may be suspended due to the Petition. Shareholders and potential investors should exercise caution when they deal or contemplate dealing in the Shares of the Company.

Impact of the Petition to the Group's business, operation and financial position

As at the Latest Practicable Date, the Company considers that the Petition has no material impact on the Group business, operation and financial position.

Save and except for the Petition as first disclosed in the announcement dated 12 September 2023, neither the Company nor any other member of the Group was engaged 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 other member of the Group as at the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm there is no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MATERIAL CONTRACTS

The following 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 the members of the Group during two years preceding the date of this circular and are or may be material:

- (i) the Placing Agreement;
- (ii) the sale and purchase agreement dated 22 March 2024 between Space Construction (BVI) Limited (a wholly-owned subsidiary of the Company) and the purchasers in relation to the disposal of equity interests in Space Financial Holdings Limited; and
- (iii) the placing agreement dated 5 June 2023 between the Company and Space Securities Limited.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

Name	Qualification
Global Link CPA Limited	Certified Public Accountants
Red Sun Capital Limited	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, (i) each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) each of the above Experts was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) each of the above Experts did not have any direct or indirect interest in any assets which have been acquired, or disposed of by, or leased to any member of the Group, or are proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

11. CORPORATE INFORMATION**Directors***Executive Directors*Mr. Che Chan U (*Chairman*)

Ms. Lei Soi Kun

Mr. Lok Wai Tak

Mr. Ho Kwong Yu

Independent non-executive Directors

Mr. Choi King Leung

Mr. Eulógio dos Remédios, José António

Mr. Lam Chi Wing

Mr. Li Guohui

Company SecretaryMs. Chan Hiu Wa (*a member of Hong Kong
Institute of Certified Public Accountants*)**Authorised Representatives**

Mr. Che Chan U

Mr. Ho Kwong Yu

**Business address of Directors,
senior management and
authorised representatives**Suite 1905–07, Tower 6,
The Gateway, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong**Principal Bankers****The Hong Kong and Shanghai Banking
Corporation Limited**

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Macau Chinese Bank

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Edf. da Cia (Grou) Nam Yue, R/C

Macau

Bank of China Macau Branch

Bank of China Building

Avenida Doutor Mario Soares

Macau

Registered Office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Headquarters and Principal Place of Business in Macau	Edificio Centro Comercial Chong Fok 8C Avenida de Marciano Baptista 18 Macau
Principal place of business in Hong Kong	Suite 1905–07, Tower 6 The Gateway, 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Principal Share Registrar	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Branch Registrar in Hong Kong	Boardroom Share Registrars (HK) Limited 2103B, 21/F 148 Electric Road North Point Hong Kong

12. PARTIES INVOLVED IN THE RIGHTS ISSUE

The Company	Space Group Holdings Limited Suite 1905–07, Tower 6 The Gateway, 9 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Legal Advisors to the Company	<i>As to Hong Kong law</i> Yick & Chan, Solicitors Suite A1, 11/F One Capital Place 18 Luard Road, Wanchai Hong Kong
Financial adviser to the Company	Advent Corporate Finance Limited Unit A–C, 11/F Kee Shing Centre 74–76 Kimberley Road Kowloon Hong Kong

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Red Sun Capital Limited Room 310, 3/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Reporting accountant of the Company	Global Link CPA Limited Room 1521A, 15/F, Star House 3 Salisbury Road Tsim Sha Tsui Hong Kong
Placing agent	Space Securities Limited Unit A–C, 11/F Kee Shing Centre 74–76 Kimberley Road Kowloon Hong Kong

13. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Che Chan U (謝鎮宇), aged 42, was appointed as our Director on 24 April 2017 and was redesignated as chairman and executive Director of the Group on 20 December 2017. Mr. Che is responsible for the Group’s overall management, strategic planning and business development. He is also the Chairman of the nomination committee. As the founder of the Group, Mr. Che has extensive experience in fitting out industry. Mr. Che is also the director of Companhia Space Grupo Limitada (“**Space Group**”), Space Construction & Engineering Co., Ltd. (恆宇建築工程有限公司) (“**Space Construction**”), Space Oriental Construction & Engineering Co., Ltd. (恆宇東方建築工程有限公司) (“**Space Oriental**”) and Minsang Oriental Limited (敏生東方有限公司) (“**Minsang Oriental**”).

Mr. Che graduated in June 2004 from the National Taiwan University with the degree of Bachelor of Science in Engineering. In June 2015, he became a member of the IPlantE Professional Sector, a professional sector of the Society of Operations Engineers. He was registered as a Chartered Building Engineer and was elected a member of the Chartered Association of Building Engineers on 31 March 2017. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of the Macao Special Administrative Region since 2006. He is the son of Ms. Lei.

Ms. Lei Soi Kun (李瑞娟), aged 65, is our executive Director. Ms. Lei was appointed as our Director on 24 April 2017 and redesignated as executive Director on 20 December 2017. She is responsible for the overall management of the Group's administrative matters. She is also a member of the nomination committee.

Ms. Lei has over 20 years of experience in fitting-out industry. From 1976 to 1990, she was an administrative clerk at Macau Fuhe Construction Property Co., Ltd (澳門福和建築置業有限公司). She was a real estate agent and assisted her clients with renovation works from 1990 to 1993. Prior to joining the Group in 2009, Ms. Lei has been the director of Bo Ngai Engineering Co., Ltd, a company which carried out fitting-out business in Macau. Ms. Lei then joined the Group as a director in 2010 and has been handling the Group's administrative matters. She is the mother of Mr. Che.

Mr. Lok Wai Tak (陸惠德), aged 69, was appointed as our Director on 16 May 2022. He is currently a director of Space Financial Holdings Limited ("**Space Financial**"), and is also appointed as the managing director of Space Financial in the People's Republic of China. He joined the Group since 15 October 2020 and is mainly responsible for management of capital investment business of the Group. He has been engaged in properties and finance industries for 47 years with connections in the local financial and property sectors. He is a member of the Election Committee of the Chief Executive of the Macau Special Administrative Region, a member of the Election Committee of the Thirteenth National People's Congress of Macau, a member of Standing Committee of the Shanxi Provincial Committee of the Chinese People's Political Consultative Conference, the president of the Macau Real Estate Association* (澳門地產發展商會), the president of Macau-Shanxi Economic and Trade Association* (澳門山西經貿聯誼促進會), vice president of the Shanxi Provincial China Overseas Friendship Association* (山西省海外聯誼會), consultant of Shanxi Provincial Federation of Returned Overseas Chinese* (山西省僑聯), the chairman of The International Real Estate Federation – China Macau Chapter* (世界不動產聯盟中國澳門分會), vice president of Macau Chinese People's Political Consultative Conference (Provincial) Members Association* (澳區省級政協委員聯誼會), director of Macau Basic Law Promotion Association* (澳門基本法推廣協會), supervisor of the Chinese General Chamber of Commerce of Macau* (澳門中華總商會) and director of Macao Region China Council for the Promotion of Peaceful National Reunification.

Mr. Ho Kwong Yu (何光宇), aged 38, is our executive Director and the managing director of Space Financial Holdings Limited. Mr. Ho joined our Group on 7 April 2017 as company secretary and chief financial officer and was appointed as our director on 29 July 2020. He is mainly responsible for the Group's business development and overall management of financial matters. He is also a member of the remuneration committee.

Mr. Ho obtained his Bachelor of Business Administration (Major in Professional Accountancy) from the Chinese University of Hong Kong in 2008. He is also a member of The Hong Kong Institute of Certified Public Accountants.

* *For identification purposes only*

From January 2008 to February 2015, Mr. Ho worked at Deloitte Touche Tohmatsu and his last position held was manager in the audit department. From February 2015 to May 2015, Mr. Ho was an internal audit manager at Cosco Shipping International (Hong Kong) Co., Ltd. (formerly named as Cosco International Limited) (Stock Code: 517) and was responsible for conducting internal audit. His last position prior to joining the Group was chief financial officer and company secretary of Creative China Holdings Limited (Stock Code: 8368) where he was responsible for accounting, financial management and company secretarial matters. Mr. Ho has been appointed as an independent non-executive director of Most Kwai Chung Limited (Stock Code: 1716) since March 2018 and Sino Golf Holdings Limited (Stock Code: 361) since November 2018.

Independent Non-executive Directors

Mr. Choi King Leung (蔡景良), aged 46, was appointed as an independent non-executive Director on 25 October 2023. He has obtained a bachelor's degree in engineering in civil and structural engineering from the Hong Kong University of Science and Technology in November 1999. Mr. Choi is a member of the Chartered Association of Building Engineers since July 2014, fellow member of the Chartered Management Institute since December 2014, fellow member of the Society of Professional Engineers since January 2015, member of the International Institute of Risk and Safety Management since February 2015 and member of the Society of Operations Engineers since February 2015. Mr. Choi has over 20 years of experience in the construction industry. Mr. Choi joined Zhunsheng Engineering Company Limited in May 2022 and currently serves as a project director. From November 2019 to May 2022, Mr. Choi was the manager of Shenzhen Ruihe Construction Decoration Limited. From May 2017 to November 2019, Mr. Choi was the Project Director and Assistant to General Manager of China Metallurgical Group Corporation (Macau Branch).

Mr. Li Guohui (李國輝), aged 53, was appointed as an independent non-executive Director on 8 August 2022. He joined China Aircraft Leasing Group Holdings Limited (a company listed on the Stock Exchange, stock code: 1848) and currently serves as the Chief Strategy Officer and Co-Chief Financial Officer. From July 2019 to December 2022, he served as an executive director and joint chief financial officer of Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange, stock code: 0881). From August 2013 to July 2019, Mr. Li was the vice president, chief financial officer and executive director of China Resources Pharmaceutical Group Limited (a company listed on the Stock Exchange, stock code: 3320), a non-executive director of Dong-E E-Jiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000423) and China Resources Double Crane Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600062) and a supervisor of Sanjiu Medical & Pharmaceutical Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000999). From September 2009 to August 2013, he was the accounting director of the finance department of China Resources (Holdings) Company Limited. From April 2006 to September 2009, he was a senior analyst of IMC Development Management Company Limited in Hong Kong. From October 2005 to April 2006, he was a M&A investment analyst in IMC Fanya,

Singapore. He has also served as an independent nonexecutive director of Shandong Weigao Group Medical Polymer Company Limited (a company listed on the Stock Exchange, stock code: 1066) since June 2022. Mr. Li obtained a bachelor's degree in naval architecture and marine engineering from Wuhan University of Technology, a master's degree in business administration from Wuhan University, a master's degree in financial management from Nanyang Technological University in Singapore and obtained professional qualifications as a Chartered Financial Analyst (CFA) qualified by the CFA Institute of Chartered Financial Analyst and a Certified Public Accountant (CPA) qualified by the Singapore Institute of Chartered Accountants.

Mr. Eulógio dos Remédios, José António (李秉鴻), aged 46, was appointed as an independent nonexecutive Director on 20 December 2017 and is mainly responsible for overseeing the management independently and providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Company. He is also the chairman of the remuneration committee and a member of the audit and nomination committees. Mr. Eulógio dos Remédios obtained a Diploma in public relations from the Instituto Politécnico de Macau in 2002. He later obtained a Bachelor's degree in Law from the University of Macau in 2007. In July 2011, Mr. Eulógio dos Remédios became a lawyer under the Associação dos Advogados de Macau.

Mr. Eulógio dos Remédios has over 10 years of experience in law. He was a trainee-lawyer at Jorge Neto Valente Lawyers and Notaries from October 2007 to April 2010 and is a lawyer at the same law firm from July 2011 to present. From August 2012 to June 2013, Mr. Eulógio dos Remédios was also a part-time lecturer at the University of Macau.

Mr. Lam Chi Wing (林至穎), aged 44, obtained a bachelor of business administration in accounting and finance degree from The University of Hong Kong in December 2003, a master of science in knowledge management degree from The Hong Kong Polytechnic University in December 2006 and a master of business administration degree from The Chinese University of Hong Kong in December 2010. He is currently a postgraduate of the Executive Master in Public Administration Hong Kong Administrative Talents Program conducted by the School of Public Policy & Management at Tsinghua University. Mr. Lam joined Li & Fung Group in September 2003, where he served as the group chief representative and general manager of Southern China of Li & Fung Development (China) Limited prior to his departure in July 2015. From June 2020 to December 2020, he was an executive director of Bonjour Holdings Limited. Mr. Lam has been a deputy to the 14th National People's Congress (第十四屆全國人大代表), a member of each of the 12th and 13th Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆及第十三屆廣東省委員會) and a member of each of the 11th and 12th Zhongshan Municipal Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆及第十二屆中山市委員會). Mr. Lam is currently a vice-chairman of each of the Hong Kong Guangdong Youth Association (香港廣東青年總會), the council of the Guangdong Society of Commercial Economy (廣東省商業經濟學會理事會), the Council for the Promotion of Guangdong-Hong

Kong-Macao Cooperation (廣東省粵港澳合作促進會) and the Federation of Hong Kong Zhongshan Community Organisations Limited (香港中山社團總會). He is also currently an adjunct associate professor of the department of information systems, business statistics and operations management of the Business School of The Hong Kong University of Science and Technology, and co-director and an adjunct professor of the Center of Innovation, Design and Entrepreneurship of the School of Management and Economics of The Chinese University of Hong Kong, Shenzhen. Mr. Lam served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region from 2011 to 2012. Mr. Lam served as an executive director of Bonjour Holdings Limited (stock code: 653) from July 2020 to December 2020 and an independent non-executive director of Aidigong Maternal & Child Health Limited (stock code: 286) from March 2016 to December 2022, the shares of both of which are listed on the Main Board of the Stock Exchange. Mr. Lam is currently an independent non-executive director of each of Wai Hung Group Holdings Limited (stock code: 3321), Alco Holdings Limited (stock code: 328), MTT Group Holdings Limited (stock code: 2350), Carry Wealth Holdings Limited (stock code: 643), China Wantian Holdings Limited (stock code: 1854), RENHENG Enterprise Holdings Limited (stock code: 3628), Aidigong Maternal & Child Health Limited (stock code: 286) and TOMO Holdings Limited (stock code: 6928), and Non-executive Director and Chairman of Dreameast Group Limited (stock code: 593), the shares of all of which are listed on the Main Board of the Stock Exchange.

Senior Management

The following table sets forth certain information of our senior management as at the date of this circular:

Name	Age	Position	Roles and Responsibilities	Date of joining the Group
Mr. Cheong Chio Kit (張潮杰)	38	Managing Director – Capital Investment	management of capital investment business of the Group	15 October 2020
Ms. Chan Hiu Wa (陳曉華)	30	Company Secretary	the company secretarial matters of the Group	24 June 2021
Mr. Ho King To (何景滔)	43	Deputy Chief Financial Officer	finance and accounting matters	10 August 2013
Mr. Leong Tang Fu (梁燈富)	36	Senior Project Manager	management of the Group's fitting-out and construction projects	1 November 2014

Our senior management is responsible for the day-to-day management of our business.

Mr. Cheong Chio Kit (張潮杰), aged 38, is currently the managing director of Space Capital Limited. He joined us on 15 October 2020 and is mainly responsible for management of capital investment business of the Group. Mr. Cheong holds a master's degree in business administration from the European University.

Mr. Cheong had previously invested in and/or held middle to senior management positions at various Macau-based companies engaging in different industries including building construction and decoration and investment, where he has accumulated over 12 years of experience in investment and corporate management.

Ms. Chan Hiu Wa (陳曉華), aged 30, graduated from the City University of Hong Kong with a bachelor's degree of business administration in accounting. She is a member of Hong Kong Institute of Certified Public Accountants. Ms. Chan has over 5 years of experience in auditing and accounting. Prior to joining the Group, she worked at an international accounting firm in Hong Kong.

Mr. Ho King To (何景滔), aged 43, is the deputy chief financial officer. He joined us on 10 August 2013 and is mainly responsible for finance and accounting matters. Mr. Ho has over 8 years of clerical experience and accounting experience.

Mr. Ho obtained his Advanced Diploma in Accounting from the University of Hong Kong School of Professional and Continuing Education in October 2012. He obtained his Bachelor of Accounting from the University of Canberra through a part-time program co-organized with the Hong Kong Baptist University School of Continuing Education in September 2016.

Mr. Leong Tang Fu (梁燈富), aged 36, is the senior project manager. He joined us on 1 November 2014 and is mainly responsible for management of the Group's fitting-out and construction projects. Mr. Leong obtained his bachelor's degree of Civil Engineering and Environment from the National University of Kaohsiung in 2012.

Mr. Leong has over 10 years' experience as an engineer in the engineering industry. From November 2012 to October 2014, he was employed at Ming Shun Construction and Property Investment Ltd with his last position as engineer. He is a registered Civil Engineer with the Land, Public Works and Transport Bureau of Macau. Mr. Leong is also a registered construction safety supervisor in Macau.

Business address of the Directors and Senior Management

The business address of the Directors and the senior management is the same as the Company's head office and principal place of business in Hong Kong at Suite 1905-07, Tower 6, The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

14. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and the placing of all Unsubscribed Rights Shares and the ES Unsold Rights Shares by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$2.587 million, which are payable by the Company.

15. DOCUMENTS ON DISPLAY

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

- (i) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 68 of this circular;
- (ii) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (iii) the material contracts referred to in the paragraph headed “9. Material contracts” in this appendix; and
- (iv) the written consent from the Experts as referred to in the paragraph headed “10. Experts and consents” in this appendix.

16. MISCELLANEOUS

- (i) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.
- (iii) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

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Space Group Holdings Limited 恆宇集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2448)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the “**Meeting**”) of Space Group Holdings Limited (the “**Company**”) will be held at Multi-function Room, 1/F, Harbourview Hotel, Macau Fishermans Wharf, Avenida Dr. Sun Yat-Sen, Macau City, Macau, on Friday, 3 May 2024 at 11:00 a.m. to consider and, if thought fit, approve, with or without modifications the following resolutions:

ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the authorised share capital of the Company be increased from HK\$20,000,000 divided into 2,000,000,000 shares with a par value of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.01 each (the “**Increase in Authorised Share Capital**”) so that the authorised share capital of the Company shall be changed from HK\$20,000,000 divided into 2,000,000,000 shares with a par value of HK\$0.01 each before the Increase in Authorised Share Capital to HK\$100,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.01 each after the Increase in Authorised Share Capital; and
- (b) any one or more Directors be and is/are hereby authorised for and on behalf of the Company to execute all such documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”

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2. “**THAT** conditional upon the passing of the resolution numbered 1 as set out above and the Increase in Authorised Share Capital becoming effective, and subject to the satisfaction of the other conditions set out in the letter from the board under the heading “Conditions of the Share Consolidation” in the circular of the Company dated 11 April 2024 (the “**Circular**”), with effect on the second Business Day immediately following the date of passing this resolution, being a date on which the shares of the Company are traded on The Stock Exchange of Hong Kong Limited:
- (a) every twenty (20) issued and unissued existing Shares of par value of HK\$0.01 each in the authorised share capital of the Company be consolidated (the “**Share Consolidation**”) into one (1) ordinary share of par value of HK\$0.20 each (the “**Consolidated Share(s)**”), and such Consolidated Shares shall rank *pari passu* in all respect with each other in accordance with the Company’s articles of association so that immediately following the Share Consolidation, the authorised share capital of the Company shall be changed from HK\$100,000,000 divided into 10,000,000,000 shares with a par value of HK\$0.01 each (after the Increase in Authorised Share Capital) to HK\$100,000,000 divided into 500,000,000 Consolidated Shares with a par value of HK\$0.20 each;
 - (b) no fractional Consolidated Shares will be issued by the Company and any fractional entitlements to the Consolidated Shares will be aggregated and sold for the benefit of the Company; and
 - (c) 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.”
3. “**THAT** conditional upon the passing of resolutions number 1 and 2 as set out above, and subject to the satisfaction of the other conditions set out in the letter from the board under the heading “Conditions of the Rights Issue” in the Circular:
- (a) the allotment and issue of 232,128,000 new Consolidated Shares (assuming no change in the number of the Consolidated Shares in issue on or before the Record Date (as defined below) and that no new Consolidated Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.034 per Rights Share (or HK\$0.68 per Consolidated Share after the Share Consolidation becoming effective) (the “**Subscription Price**”) on the basis of four (4) Rights Shares for every one (1) Consolidated Share held by the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Friday, 17 May 2024 or such other date as may be determined by the Company for determining entitlements of Shareholders to participate in the Rights Issue (as defined below) (the “**Record**

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Date”), as described in further details in a circular issued by the Company dated 11 April 2024 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Excluded Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), be and is hereby approved, confirmed and ratified;

- (b) the placing agreement dated 1 March 2024 (the “**Placing Agreement**”) and entered into between the Company and Space Securities Limited (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Shares which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the existing Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as it considers necessary, desirable or expedient to give effect to any or all other transactions contemplated in this resolution; and

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- (d) 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 Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

By order of the Board
Space Group Holdings Limited
Che Chan U
Chairman

Hong Kong, 11 April 2024

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in

Hong Kong:
Suite 1905–07, Tower 6
The Gateway, 9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Notes:

1. An eligible shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her stead at the Meeting (or at any adjournment of it) provided that each proxy is appointed to represent the respective number of shares held by the shareholder as specified in the relevant proxy forms. The proxy does not need to be a shareholder of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at the Meeting (or at any adjournment of it), either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto but the vote of the senior holder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
3. A form of proxy for use at the Meeting or its adjourned meeting is enclosed.
4. In order to be valid, the completed proxy form must be received by the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong at least 48 hours before the time appointed (i.e. Wednesday, 1 May 2024 at 11:00 a.m.) for holding the Meeting or adjourned meeting (as the case may be). If a proxy form is signed by an attorney of a shareholder who is not a corporation, the power of attorney or other authority under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practice in Hong Kong) must be delivered to the Hong Kong branch share registrar and transfer office of the Company together with the proxy form. In the case of a corporation, the proxy form must either be executed under its common seal or be signed by an officer or agent duly authorised in writing.
5. For the purposes of determining shareholders' eligibility to attend, speak and vote at the Meeting (or at any adjournment of it), the register of members of the Company will be closed from Friday, 26 April 2024 to Friday, 3 May 2024, (both dates inclusive), during which period no transfer of shares of the Company will be registered. To be eligible to attend, speak and vote at the above meeting (or at any adjournment of it), all properly

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completed transfer documents accompanied by the relevant share certificate must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Thursday, 25 April 2024.

6. The voting at the Meeting or its adjourned Meeting will be taken by poll.
7. If tropical cyclone warning signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will post an announcement on the website of the Company at www.spacegroup.com.mo and on the website of the Stock Exchange at www.hkexnews.hk to notify the Shareholders of the date, time and place of the re-scheduled Meeting.

If a tropical cyclone warning signal No. 8 or above or a “black” rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the Meeting and where conditions permit, the Meeting will be held as scheduled.

The Meeting will be held as scheduled when an “amber” or “red” rainstorm warning signal is in force.

As at the date of this notice, the executive Directors are Mr. Che Chan U, Ms. Lei Soi Kun, Mr. Lok Wai Tak and Mr. Ho Kwong Yu; and the independent non-executive Directors are Mr. Choi King Leung, Mr. Eulógio dos Remédios, José António, Mr. Lam Chi Wing and Mr. Li Guohui.