22 May 2024

To Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue and the Placing. The purpose of this circular is to provide you with, among others things, (i) further information regarding the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Grand Moore to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

PROPOSED RIGHTS ISSUE

Subject to the approval by the Independent Shareholders at the EGM, the Company proposes to implement the Rights Issue to raise, before expenses, approximately HK$91.61 million by issuing up to 610,714,104 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK$0.15 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.15 per Rights Share
Net price per Rights Share	:	Approximately HK$0.146 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date)
Number of Shares in issue as at the Latest Practicable Date	:	305,357,052 Shares
Total number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 610,714,104 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK$6,107,141.04 (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 916,071,156 Shares (assuming no change in the number of Shares in issue on or before the Record Date)

Gross proceeds from the proposed Rights Issue	:	Up to approximately HK$91.61 million (assuming no changes in the share capital of the Company on or before the Record Date)
Net proceeds from the Rights Issue	:	Up to approximately HK$89.2 million (assuming no changes in the share capital of the Company on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments

Assuming no changes in the share capital of the Company on or before the Record Date, the 610,714,104 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent (i) 200% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 66.67% of the total number of issued Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

As at the Latest Practicable Date, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

The Subscription Price

The Subscription Price of HK$0.15 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 31.8% to the closing price of HK$0.22 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 42.3% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 31.8% to the average closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.8% to the average closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 22.7% to the theoretical ex-entitlement price of approximately HK$0.17 per Share based on the closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares;

(vi) a discount of approximately 71.2% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2023 of approximately HK$0.52 per Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023 as set out in the annual report of the Company for the year ended 31 December 2023 by the number of Shares in issue as at the Latest Practicable Date; and

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.2%, represented by the theoretical diluted price of approximately HK$0.17 per Share to the benchmarked price of approximately HK$0.22 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day.

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK$0.146 per Rights Share.

The Subscription Price was determined with reference to an assortment of factors. In particular, the Directors had taken note of and considered:

(i) the prevailing market price and recent trading performance of the Shares, which includes the daily closing price and daily trading volume of the Shares from 6 December 2023 to the Last Trading Day (the "**Review Period**"), having considered that trading in the Shares on the Stock Exchange had been suspended from 27 May 2022 to 6 December 2023 (the "**Trading Suspension Period**"). The closing price of the Shares before the Trading Suspension Period was HK$0.32 per Share. Throughout the Review Period, the closing price of the Shares showed instability, ranging from a low of HK$0.11 per Share to a high of HK$0.37 per Share. However, the closing price on the Last Trading Day demonstrated an overall downward trend from HK$0.32 per Share to HK$0.22 per Share. Additionally, the average daily trading volume was approximately 0.06% of the total issued Shares as at the Last Trading Day, indicating a lack of liquidity and demand for the Shares;

(ii) the Group's consecutive net losses of approximately RMB78.1 million and RMB51.9 million for the two years ended 31 December 2022 and 2023, respectively. Furthermore, the net asset position of the Group significantly decreased from approximately RMB200.0 million as of 31 December 2022 to approximately RMB148.1 million as of 31 December 2023. The Directors also observed that the market capitalization of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalization of the Group during the Review Period ranged from approximately HK$28.5 million to approximately HK$113.0 million, which represented a discount of approximately 82.2% and 29.4% respectively to the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023. This substantial disparity reflects a lack of market confidence in the Group's financial performance, position, and future prospects. As a result, the market value of the Shares no longer accurately reflects the underlying net asset value. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 10 comparable transactions were conducted on a discount to consolidated net asset value per share, ranging from approximately 25.1% to approximately 96.2%, indicating that the Group's discount to consolidated net asset value per share aligns with the market norm. The Directors observed that the rest of these companies which have not conducted their comparable transactions on a discount to consolidated net asset value per share were mainly either in net liabilities positions in each of their latest annual reports or had delayed issuing the relevant annual report. The Directors believes that the 16 comparable transactions did not appear to have determined their respective subscription prices using their respective net asset value per share as a reference, indicating that using the net asset value per share as a reference point cannot be established as a market practice. Having considered the significant amount of funding to be raised from this Rights Issue, and preemptive nature to enable existing Shareholders' participation, the Board believes that determining the Subscription Price based on the lower end of the prevailing market price during the Review Period, despite it being at a significant discount to the net asset value as at 31 December 2023, is fair and reasonable;

(iii) the prevailing bearish condition of the Hong Kong stock market during the Review Period, where the average Hang Seng Index (HSI) remained low at 16,327. The HSI fluctuated between a low closing of 14,961 on 22 January 2024 (a 15-month low) and a high closing of 17,094 on 12 March 2024, and subsequently ended at 16,723 as of the Last Trading Day;

(iv) the relatively large fundraising size when compared with the Group's market capitalisation as at the Last Trading Day; and

(v) the Directors considered that it is reasonable to set the Subscription Price at a discount to the closing price per Share on the Last Trading Day and the consolidated net asset value per Share attributable to the Shareholders in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate, given the abovementioned challenging market conditions, unfavourable price trend and lack of liquidity and demand of the Shares.

The Directors believe that despite the theoretical dilution effect that existing Shareholders will experience as a result of the Rights Issue (see paragraph (vii) above), the Rights Issue will signal the Group's ability to raise new capital and improve its gearing and financial performance by lowering the level of debt and financing costs of the Group through repayment of indebtedness, and continue to grow its business as described in the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in this circular. Based on the foregoing, the Directors consider that the Subscription Price is fair and reasonable, and the Rights Issue is in the interests of the Company and the Shareholders a whole.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue and the Placing Agreement, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Last Trading Day, the theoretical dilution price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Rights Issue were approximately HK$0.17 per Share, HK$0.22 per Share and approximately 21.2%. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Closure of the register of members

The register of members of the Company will be closed from Monday, 3 June 2024 to Friday, 7 June 2024 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will also be closed from Friday, 14 June 2024 to Thursday, 20 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue.

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

Basis of provisional allotments

The basis of the provisional allotments shall be two (2) Rights Shares (in nil paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date. The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares.

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

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

Investors whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies 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 any doubt as to their status.

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 13 June 2024. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 11 June 2024 and the Shares will be dealt with on an ex-rights basis from Wednesday, 12 June 2024.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Application for all or any part of a Qualifying Shareholder's entitlement to the Rights Shares should be made by completing the PAL and lodging the same with a cheque drawn on an account with, or a banker cashier order issued by, a licensed bank in Hong Kong for the Rights Shares being applied for with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong on or before the Latest Time for Acceptance.

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

For Shareholders with an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date, please refer to the paragraph headed "Excluded Shareholders" below.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application:

(i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);

(ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renouncees or transferees of nil-paid Rights Shares;

(i) and (ii) above collectively referred to as "**Untaken Rights**".

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;

(ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;

(iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and

(iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling Shareholder or its associates (together, the "**Relevant Shareholders**"), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Investors whose Shares are held by a nominee company (or held through CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For those investors who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Thursday, 13 June 2024.

Excluded Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), such Overseas Shareholder will become an Excluded Shareholder and will not be entitled to participate in the Rights Issue. The result of the enquiries and the basis of the exclusion, if any, will be included in the Prospectus. As at the Latest Practicable Date, there was one Overseas Shareholder with a registered address situated in the PRC holding 1,000,000 Shares, representing approximately 0.3% of the total issued share capital of the Company.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder with registered address in the PRC.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the the PRC and taking into account the legal advice provided by the PRC legal adviser, the Board is of the view that the relevant overseas legal restrictions and requirements of the regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC from the Rights Issue. Accordingly, the Board has resolved to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and such Overseas Shareholders are considered as Qualifying Shareholders.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send any PAL and EAF to them.

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

The Excluded Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. Nonetheless, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in nil-paid Rights Shares commence and before dealing in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Excluded Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit.

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, will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares and the nil-paid Rights Shares.

Fractional entitlement to the Rights Shares

On the basis of the provisional allotment of two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

Odd lot arrangement

As no odd lots of the Shares are expected to result from the Rights Issue, no odd lot matching services will be provided.

Application for listing

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 Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue, upon the Rights issue becoming effective.

Rights Shares will be eligible for admission into CCASS

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

Stamp duty and other applicable fees and charges

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

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

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

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Tuesday, 23 July 2024. Those entitled, except HKSCC Nominees Limited, and in the case of joint Qualifying Shareholders, the first-named Qualifying Shareholder, will receive one share certificate for all the Rights Shares in fully-paid form, allotted and issued thereto.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 23 July 2024 by ordinary post to the applicants' registered address, at their own risk.

The Rights Issue on a non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) for the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, and the Unsubscribed Rights Shares are not fully placed by the Placing Agent, 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, Shareholder(s) who apply to take up all or part of its entitlement under PAL or applies for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will, pursuant to Rule 7.19(5) of the Listing Rules, provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (except for HKSCC Nominees Limited) for his/her/its entitlement under the PAL or for excess Rights Shares under the EAF will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code.

As at the Latest Practicable Date, the Company has not received any undertaking from any substantial shareholder of the Company of any intention as to whether such Shareholder will take up his/her/its entitlements under the Rights Issue (or otherwise).

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment, non-occurrence or waiver (as appropriate) of each of the following conditions:

(a) the meeting(s) of the board properly and validly convened to approve and implement the Rights Issue;

(b) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;

(c) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other accompanying documents required) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) not later than the Prospectus Posting Date;

(d) to the extent permitted under all applicable laws and regulations and the Company's constitutional documents, the Prospectus being made available on the Company's website and the Stock Exchange's website and the sending of PAL and EAF to the Qualifying Shareholders on the Prospectus Posting Date;

(e) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date and such listings and permission to deal not having been withdrawn or revoked;

(f) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;

(g) the Placing Agreement not being terminated; and

(h) there shall not have occurred and be continuing any of the following:

i. any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the nil-paid rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or

ii. any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company or the Rights Issue; or

iii. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company occurs, whether or not of the same kind with any of the foregoing; or

iv. any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. As of the Latest Practicable Date, save for condition (a), none of the conditions precedent to the Rights Issue have been fulfilled. Save for condition (g), none of the conditions precedents to the Rights Issue shall be waiveable, if any of the conditions above are not fulfilled or waived (as applicable), the Rights Issue will not proceed. In exercising its discretion to waive condition (g), the Company will consider, *inter alia*, the number of acceptances of the provisional allotment and excess applications for the Rights Shares, the number of Unsubscribed Rights Shares subject to the Placing and the market conditions at the relevant time. The Directors consider that retaining the discretion to proceed with the Rights Issue despite the Placing Agreement being terminated, and proceeding with the Rights Issue by waiving condition (g) in circumstances the Directors consider warranted, is in the best interests of the Company and the Shareholders as a whole.

THE PLACING AGREEMENT

On 8 April 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best efforts basis, to subscribe for the Unsubscribed Rights Shares under the Specific Mandate.

Details of the Placing Agreement are summarised as follows:

Date	:	8 April 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	China Demeter Securities Limited was appointed as the Placing Agent to procure, on a best efforts basis, Placees to subscribe for the Unsubscribed Rights Shares. The Placing Agent confirmed that each of it and its ultimate beneficial owner(s) is independent of and not connected with the Company and its connected persons or any of their respective associates.
Placing fee	:	2.5% of the aggregate placing price of the Unsubscribed Rights Shares successfully placed by or on behalf of the Placing Agent.
Placing price	:	The placing price of each of the Unsubscribed Rights Shares shall be not less than the Subscription Price.

Placees	:	The Unsubscribed Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).
Ranking	:	Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
Condition Precedent	:	The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled:

(1) the passing by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares and the grant of the Specific Mandate for the allotment and issue of the Unsubscribed Rights Shares) by no later than the date on which the Prospectus Documents are posted;

(2) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;

(3) 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;

(4) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events; and

(5) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only.

Placing Completion Date : The third Business Day after the Latest Placing Time or such other date as the Company and the Placing Agent may agree in writing.

Termination : If, prior to the Latest Placing Time:

(1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

(a) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing,

the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 9 comparable transactions were conducted on a best effort basis and has compensatory arrangements for rights issue, where the highest placing fee was 3.5% and the lowest was 0.5%; while the other 7 comparable transactions involved excess applications and did not disclose any placing arrangements or applicable placing fees. Since the Company's placing fee is within the abovementioned range, and also taking into account of the adverse impacts on the demand for the Group's Shares including the Group's history of prolonged Trading Suspension Period until December 2023, the recent equity financing activities in March 2024, and the perceived lack of investors' confidence in the Group's prospects arising from the consecutive loss making performance of the Group, the Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement are fair and reasonable and the transactions contemplated under the Placing Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Furthermore, the Directors are of the view that the abovementioned comparable transactions are a fair and representative sample as (i) all the 16 comparable transactions that were identified have been selected without any filtering in order to better represent a true and fair view of the recent market trend of placing fees involved in rights issue transactions; (ii) including comparable transactions with different funding needs and rights issue structure provides a more comprehensive understanding of the overall market conditions; and (iii) despite the comparable transactions involved placing as compensatory arrangements, the placing fees should be comparable given the similar nature of work involved by the placing agents regardless of whether conducted as part of compensatory arrangements or as a separate placing exercise.

The final placing price for the Unsubscribed Rights Shares shall be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement. The net price per Unsubscribed Rights Share placed will be approximately HK$0.146, (assuming a placing price of HK$0.15 per Share). The net proceeds from the Placing will be utilized for the same purposes as described in the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in this circular. In the event the placing price is higher than the Subscription Price, any additional proceeds from the Placing will be allocated with priority towards settlement of prolonged construction costs, unsettled trade and other payables in the manner described in paragraph (a) of the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in this circular.

The Placing Agent shall ensure that the Unsubscribed Rights Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) such that no Placee shall become a substantial shareholder immediately following the Placing; (iii) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable of complying with the Public Float Requirements under the Listing Rules immediately following the Placing. The Company will continue to comply with the Public Float Requirements under Rule 8.08 of the Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

As of the Latest Practicable Date, none of the conditions precedents under the Placing Agreement have been fulfilled. None of the conditions precedents to the Placing Agreement are waiveable.

Given that the Placing Agreement would provide (1) a distribution channel of the Unsubscribed Rights Shares to the Company; and (2) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Placing Agreement is fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming there is no change in the number of Shares in issue from the Latest Practicable Date and up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company immediately before and after the completion of the Rights Issue:

	As at the Latest Practicable Date		**Immediately after completion of the Rights Issue assuming all Shareholders take up their respective entitlements to the Rights Shares in full**		**Immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares with all the Unsubscribed Rights Shares placed to Independent Third Parties under the Placing**	
	Number of Shares held	*Approximate %*	*Number of Shares held*	*Approximate %*	*Number of Shares held*	*Approximate %*
Ming Hung Fung Company Limited *(Note 1)*	72,000,000	23.58%	216,000,000	23.58%	72,000,000	7.86%
Placees *(Note 2)*	–	–	–	–	610,714,104	66.67%
Other Public Shareholders	233,357,052	76.42%	700,071,156	76.42%	233,357,052	25.47%
Total	305,357,052	100.00%	916,071,156	100.00%	916,071,156	100.00%

Notes:

1. These Shares are held by Ming Hung Fung Company Limited, which is 100% owned by Mr. Liu Dong. By virtue of the SFO, Mr. Liu Dong is deemed to be interested in the Shares held by Ming Hung Fung Company Limited.

2. Pursuant to the terms of the Placing Agreement, the Unsubscribed Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies). None of the placees will become a substantial shareholder of the Company immediately following the Placing and will not trigger any GO Obligation.

3. The above percentage figures are subject to rounding adjustments.

REASONS FOR THE RIGHTS ISSUE, THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. The principal activities of the Group are (i) property development and investment; and (ii) trading of raw sugar.

The estimated net proceeds of the Rights Issue and the Placing (after deduction of expenses) if the Rights Issue is subscribed in full is expected to amount to approximately HK$89.2 million (assuming no change in the number of Shares in issue on or before the Record Date).

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK$89.2 million as follows:

(a) Approximately HK$46,200,000 (being approximately 51.79% of the net proceeds) is intended to be used for the settlement of prolonged construction costs, the trade and other payables to the main contractor and other contract liabilities for the Second Maoming Project in 2024 and beyond. The Group has been developing and operating two property development projects located in Maoming City, Guangdong Province, the PRC. The first Maoming project has been developed into a composite of residential and commercial properties in three phases (the "**First Maoming Project**"). Majority of the commercial and residential properties of the First Maoming Project had been delivered in 2019 and most of the proceeds from sales of the First Maoming Project has been used in the development of the second Maoming Project situated at Maoming Jixiang District*（茂名市吉祥小區）(the "**Second Maoming Project**").

On 27 November 2019, Maoming Shang Cheng Real Estate Company Limited*（茂名上誠置業有限公司）(the "**Maoming Shang Cheng Real Estate**"), an indirect non-wholly owned subsidiary of the Group, successfully won the bid for land use rights of the Second Maoming Project situated at Maoming Jixiang District*（茂名市吉祥小區）with a total site area of approximately 29,274.16 square meters at a consideration of approximately RMB241,512,000. When the land acquisition transaction by Maoming Shang Cheng Real Estate was completed in 2020, the Second Maoming Project was planned to be developed into a composite of residential and commercial properties with the following approximate planned areas:

Land site area	29,000 m^2
Gross saleable area	84,000 m^2
Residential areas	59,000 m^2
Commercial areas	25,000 m^2
Carpark spaces	1,000 units

During the pandemic, construction and development of Second Maoming Project had been severely delayed, so as to the pre-sales plan. As at 31 December 2023, approximately 60% of the construction had been completed, including the basement, kindergarten and first 2 blocks of residential buildings. Pre-sales of the residential blocks started in June 2022, and pre-sales of the other parts of the project was rescheduled as follows:

Pre-sales of residential properties	Second half of 2024
Pre-sales of apartment properties	Second half of 2024
Pre-sales of commercial properties	Second half of 2024
Pre-sales of car parks and shops	Second half of 2024
Completion and delivery	First half of 2025

Since the onset of the pandemic and up until recently, the Group has faced significant financial challenges resulting from the prolonged construction process of its properties. The primary challenges stem from the construction expenses incurred and the unsettled trade and other payables owed to the relevant contractors involved. As of 31 December 2023, the outstanding amount of trade and other payables which was mainly related to this project amounted to approximately RMB132.3 million.

Typically, the Group relies on pre-sale deposits from property purchasers (recorded in terms of contract liabilities position of the Group) to cover the ongoing construction costs for the subsequent stages of the property project; however, the prolonged construction work and delays in pre-sales have depleted the Group's resources and had a detrimental impact on its liquidity. This was evident from the relatively low cash level of the Group of approximately RMB17.2 million as of 31 December 2023.

However, with reference to the Group's net asset position of approximately RMB148.1 million as at 31 December 2023, the Group was able to and has been utilising most of its financing resources and working capitals from the development of other segments and/or property projects, was to settle its significant liquidity needs resulting from the construction work. The Directors are of the view that additional funding is not only intended to ease out the cash flow liquidity pressure and to sustain operations of the on-going projects, but also to fulfil the associated upfront payment obligations to support the development of potential property projects ahead, contingent upon more favourable conditions in the property market. In the event that the liquidity mismatch persists without securing additional funding through equity financing, or in the event of an undersubscription of the Rights Issue and the pro-rata proceeds and the cash balance are insufficient to cover the required amount, the Group would heavily depend on debt financing activities, such as bank overdrafts and other facilities, to meet its obligations and such debt pressure would continue until the pre-sales of upcoming properties are realized. Meanwhile, the Group's overall profitability would be adversely affected with relatively high interest charges, thereby impeding its capacity to allocate financial resources towards the development of other segments or potential property projects.

The net proceeds from the Rights Issue (whether fully subscribed or not) are intended to serve as equity resources to alleviate ongoing liquidity pressures. However, it should be noted that these proceeds are not intended to be the sole source for covering the outstanding trade and other payables recorded as of 31 December 2023 as the Group is expected to gradually generate cash inflow from the sales of properties held for sales, which amounted to approximately RMB152.9 million as at 31 December 2023. On top of that, among the properties under development which amounted to approximately RMB383.8 million as at 31 December 2023, as the Company incurs further expense of approximately RMB35,000,000 for completion of two residential buildings, it estimates that it will be able to collect over RMB100 million in the next 18 months from sales from the two residential buildings, depending on the market conditions at that time. The payments to be made with main contractors of the Group typically adhere to credit terms and are repaid through installment payments.

(b) Approximately HK$23,000,000 (being approximately 25.78% of the net proceeds) is intended to be used to repay the borrowing liabilities of the Group. The Group had several interest bearing borrowings amounting to approximately RMB30.0 million in aggregate as at 31 December 2023, which includes a secured loan with outstanding principal of approximately HK$23,000,000 from a finance company and is secured by the leasehold land and building of the Group, interest-bearing at 13% per annum and repayable on or before 15 November 2024. The Directors believes that repaying such liabilities will enable the Group to release its pledge on the relevant collateral and improve its gearing ratio. By doing so, the Group can potentially negotiate better terms with banks and other financial institutions. This strategic move aims to improve the Group's financial position and provide opportunities for more favourable financing arrangements.

(c) Approximately HK$12,000,000 (being approximately 13.45% of the net proceeds) is intended to be used as deposit for trading of raw cane sugar and as investment in the food supply chain to support the trading of raw cane sugar. The Group has been engaged in trading of raw cane sugar since 2014, where the revenue generated from trading of raw cane sugar amounted to approximately RMB27,663,000 for the year ended 31 December 2020. In response to the volatile and challenging market conditions caused by the COVID-19 pandemic, the Group had chosen to temporarily suspend its trading of raw cane sugar from 2021 to 2023. This decision was made due to the significant fluctuations in the global market for raw cane sugar, which have made it increasingly difficult to achieve profitable returns from trading activities.

As the global economy gradually recovers from the pandemic, different industries are experiencing varying rates of recovery. In 2024, the demand for domestic raw cane sugar is being influenced by several factors, including the improved pandemic situation in the PRC, adjustments to prevention and control policies, and the lifting of border restrictions between countries. According to OECD-FAO Agricultural Outlook 2023-2032, world sugar consumption is seen increasing for a third successive season in 2022/23. However, the growth of global sugar consumption is anticipated to be moderate due to the projected deceleration in global economic growth in 2022/2023. In Asia, it is anticipated that imports will continue to represent 42% of consumption and the share of imported raw sugar for industrial use will continue to increase, mainly driven by key buyers, China and Indonesia. By 2032, Asia is estimated to account for 59% of global imports. In the PRC, consumption is emerging from a period of no real growth that started in 2016 with a period of high prices, followed by a three-year zero-Covid policy. With the reopening of the markets, consumption is expected to rise again over the next ten years.

In light of these market conditions, the Group has conducted a thorough assessment of the raw cane sugar market. The Group has actively collaborated with different business vendors to establish a supply chain platform that enhances its procurement capabilities from upstream suppliers of raw cane sugar. The Group aims to leverage the expertise and resources of various partners in the commodities, logistics and energy sectors, as to create a robust network of reliable supply chain to optimize the Group's procurement of raw cane sugar to fulfil the demand in the PRC market. Leveraging the expertise of its management team, the Group has been resuming its business operations and actively soliciting raw cane sugar orders. To support these efforts and the business requirement to place up to full upfront deposit to obtain letters of credit from banks to secure a stable supply of raw cane sugar from upstream suppliers. Once a stable supply is secured, the Group will take on orders and make arrangements for delivery to customers. The remaining portion of proceeds is expected to be used as an initial investment in connection with a processing plant and/or storage facility for the raw cane sugar business. As at the Latest Practicable Date, the terms of the investment remain under negotiation and have not been finalised. The Directors are of the view that upon the resumption of the Group's trading of raw cane sugar business and establishment of entrusted business relationship with suppliers, the Group will be able to negotiate better prices and credit terms to gradually reduce liquidity pressure from placing deposits with these upstream suppliers.

(d) Approximately HK$8,000,000 (being approximately 8.97% of the net proceeds) is intended to be used for the general working capital of the Group. The intended primary use of these funds is for business operation and development, encompassing various aspects. Specifically, HK$5,000,000 will be allocated towards staff costs. Additionally, HK$1,500,000 will be designated for sales and marketing fees and HK$1,500,000 will be set aside for relevant legal and professional fees. This allocation aims to support the overall growth and functioning of the Company.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

Apart from the Rights Issue, the Directors have also explored other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that the credit lines provided by bank borrowings is very limited and requires collateral. As at 31 December 2023, the Group had a loan with an outstanding principal amount of approximately HK$23,000,000 from a finance company secured by the leasehold land and building of the Group, and the Directors have also evaluated other assets of the Group, including the value of properties held for sale and properties under development in the PRC as of 31 December 2023. However, it is determined that pre-sales value of these assets were not viewed and evaluated favorably by banks or financial institutions until they are completed and sold in the market, which consequently hindered the Group's ability to negotiate favorable credit terms. If available, the expected size of bank borrowing required by the Group will likely carry additional interest costs and create further pressure to the liquidity and profitability of the Group. As set out in the annual report of the Company for the year ended 31 December 2023, the Company recorded total borrowings of approximately RMB30.0 million, and the Group's gearing ratio was approximately 20%. If the Company decided to meet the funding needs by debt financing, the Company's hypothetical gearing ratio would have been approximately 82% as at 31 December 2023 (assuming all the gross proceeds could be raised by debt financing). In regards to equity fundraising methods available to the Company, the Directors considered the placing of new Shares, and noted that the Company had recently completed a placement of new Shares under the Company's general mandate of 20% of the number of issued Shares on 6 March 2024, raising approximately HK$6.88 million in net proceeds, which is far from the amount required for its current plans. The Directors also noted that whether under a refreshed general mandate or a specific mandate, a further placing of new Shares will inevitably and immediately dilute the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables Shareholders to sell their Nil-Paid Rights Shares in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Having considered the above alternatives, the Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole and that the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Despite the above, the management of the Group had still attempted to explore the possibility of obtaining bank borrowings, placing of new Shares or open offer of comparable size to the Rights Issue with the Group's principal banker and a securities brokerage firm in Hong Kong. After exploring the idea with the Group's principal banker in Hong Kong and one securities brokerage firm, the Group considered that these financing alternatives were not feasible as (i) the Group failed to receive any positive response from its principal banker in Hong Kong likely due to the proposed size of the debt financing and that the Group is unable to provide acceptable collateral in favour of the bank; (ii) the proposed size of the fund raising is significant compared to the Company's market capitalization of roughly HK$67 million (based on the closing price on the Last Trading Day); and (iii) for a securities brokerage firm to be willing to act as placing agent for equity fund raising of such size, the placing commission would be 3.5%, which is well above that as stated in the Placing Agreement of 2.5%.

The Company has considered and approached the substantial shareholder of the Company and underwriters licensed under the SFO to conduct type 1 regulated activities to underwrite the Rights Issue. However, neither the substantial shareholder of the Company nor the underwriters showed any interest to underwrite the Rights Issue. As such, the Company conducts the Rights Issue on a non-underwritten basis.

The Company has no present intention to conduct further fundraising activities at this stage, and the management of the Company intends to evaluate the results of Rights Issue, before determining whether any further fundraising activities are required.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is a summary of the fundraising activities conducted by the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Fund-raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
6 March 2024	Placing of new Shares under general mandate	HK$6.88 million	Repayment of outstanding liabilities and general working capital of the Group, which shall be applied on, including, staff cost, professional fees, rental payments and general administrative and operating expenses of the Group.	The net proceeds have been fully utilized as intended.

Save for the above, the Company has not conducted any other fundraising exercise in the past twelve months immediately prior to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their associates or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company, and their respective associates shall abstain from voting in favour of the Rights Issue. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules. Given that the Company has put in place the excess application arrangements as required by Rule 7.21(1)(a) of the Listing Rules, the Directors have determined that there will be no compensatory arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(b) of the Listing Rules. The Directors believe that the introduction of excess application arrangements aims to incentivise existing Shareholders to increase their investment in the Group. This initiative is intended to cultivate a stronger and more resilient shareholder base that demonstrates trust in and actively supports the Group's future growth. The Placing of the Unsubscribed Rights Shares will not be conducted for the benefit of the Shareholders to whom the rights were offered, and will instead be utilized to pay the Company's debts and fund the business expansion plans as described in the section "Reasons for the Rights Issue, the Placing and Use of Proceeds" above.

The Placing will be subject to Shareholders' approval. The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Placing Agreement and the transactions contemplated thereunder and the Specific Mandate to allot and issue the Unsubscribed Rights Shares.

To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Rights Issue, the Placing and the Specific Mandate.

As at the Latest Practicable Date, the Company has no controlling shareholder. As such, 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 proposed resolution approving the Rights Issue in accordance with Rule 7.27A of the Listing Rules. No Directors or chief executive of the Company, nor any of their respective associates that have an interest in any Shares as at the Latest Practicable Date.

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

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 and the Independent Financial Adviser

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Yau Sze Yeung, Mr. Chen Weijiang, and Mr. Lee Chun Tung, 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 on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM, taking into account the recommendations of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed by the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM.

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

The Rights Issue is conditional upon the fulfilment of certain conditions, including, 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 "Proposed Rights Issue – Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. If there is an undersubscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, and the Unsubscribed Rights Shares are not fully placed by the Placing Agent, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

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

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 resolution. Grand Moore 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 40 to 41 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 42 to 96 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue 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 resolution to be proposed at the EGM.

EGM

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. A notice convening the EGM of the Company to be held at 11:00 a.m. on Friday, 7 June 2024 at Suite 1501, 15th Floor, Tower 1, Silvercord 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM (i.e. 11:00 a.m. on Wednesday, 5 June 2024 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39 of the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the Shareholders. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Rights Issue and Placing Agreement 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 despatched by the Company together with the PAL and EAF on Friday, 21 June 2024. The Prospectus Documents will also be made available on the websites of the Company (www.chinauptown.com.hk) 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 and EAF to them.

ADDITIONAL INFORMATION

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

By order of the Board
China Uptown Group Company Limited

Pang Chung Fai Benny
Chairman