

25 July 2025

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS
SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD
DATE ON A NON-UNDERWRITTEN BASIS;
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
(3) CONNECTED TRANSACTIONS IN RELATION TO THE POSSIBLE
SUBSCRIPTION AND THE SET-OFF ARRANGEMENT; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

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

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place with the terms set out as follows:

Issue statistic

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date
Subscription Price	:	HK\$0.080 per Rights Share
Number of Shares in issue	:	447,715,799 Shares
Number of Rights Shares	:	Up to 1,343,147,397 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\$13,431,473.97 (assuming no change in the share capital of the Company on or before the Record Date)
Number of Shares as enlarged by the allotment and issue of the Rights Shares	:	Up to 1,790,863,196 Shares (assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued)
Number of Rights Shares being undertaken by Mr. Chen	:	Up to 675,291,879 Rights Shares (the actual amount of Rights Shares to be taken up by Mr. Chen will depend on the level of subscription taken up by the Qualifying Shareholders such that the minimum public float requirement under the Listing Rules is satisfied immediately after completion of the Rights Issue)
Gross proceeds to be raised from the Rights Issue	:	Up to approximately HK\$107.45 million before the expenses and the Set-off Arrangement

As at the Latest Practicable Date, the Company has outstanding Warrants to subscribe for 29,078,947 Shares. Save as aforesaid, the Company does not have 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 Company has no intention to issue or grant any Shares, convertible securities, warranties and/or options on or before the Record Date.

Assuming no change in the number of Shares in issue on or before the Record Date, 1,343,147,397 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 300% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 75% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Non-underwritten basis

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, and the level of subscription of the excess Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There are no statutory requirements regarding minimum subscription levels in respect of the Rights Issue. There is no minimum amount to be raised under the Rights Issue. As the Rights Issue will proceed on a non-underwritten basis, any Shareholder who applies to take up all or part of his/her/its entitlement under the PAL(s) may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules and complying with the minimum public float requirements of the Listing Rules.

As at the Latest Practicable Date, other than the Undertaking, the Board has not received any information or other undertakings from any Shareholders of their intention to take up or not to take up the securities of the Company to be offered to them under the Rights Issue.

The scaling-down of applications for Rights Shares will be conducted in a fair and equitable manner, guided by the following principles: (a) EAF(s) will be scaled down before PAL(s); (b) if the scale-down is necessary due to an exceeding of shareholding by a group of Qualifying Shareholders acting in concert (referred to as the “**Affected Group(s) of Shareholders**”) rather than an individual Qualifying Shareholder, the allocations of EAF(s) and PAL(s) to members of the Affected Group(s) of Shareholders will be determined based on the number of Shares held by the affected applicants on the Record Date on a pro rata basis; and (c) the allocations of EAF(s) and PAL(s) to different Affected Group(s) of Shareholders and/or affected individual Qualifying Shareholders will be made based on the number of Shares held by the affected applicant(s) and/or affected group(s) of applicant(s) on the Record Date on a pro rata basis.

Subscription Price

The Subscription Price is HK\$0.080 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 25.93% to the closing price of HK\$0.1080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 27.93% to the average of the closing prices of approximately HK\$0.1110 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (iii) a discount of approximately 8.05% to the theoretical ex-rights price of HK\$0.0870 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.1080 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 75.91% to the unaudited consolidated net asset value per Share of approximately HK\$0.332 (based on the latest published unaudited consolidated net asset value of approximately HK\$148,654,000 as at 31 December 2024 and the total number of issued Shares as at the Latest Practicable Date). The Directors were aware of the fact that the Subscription Price represents a discount of approximately 75.91% to the latest published unaudited consolidated net asset value of approximately HK\$0.332 per Share as at 31 December 2024. However, the Directors also note that the Shares had been traded on the Stock Exchange at an average trading price of around HK\$0.1644 per Share during the six months immediately preceding the Last Trading Day and at an average trading price of around HK\$0.1568 for the three months immediately preceding the Last Trading Day, representing an average discount of approximately 50.50% and 52.79% to the latest published unaudited consolidated net asset value of approximately HK\$0.332 per Share as at 31 December 2024, respectively. Considering that the Shares had been consistently traded at a substantial discount to the consolidated net asset value per Share in the recent months preceding the Last Trading Day, the Directors were of the view that, when determining the Subscription Price, it would be more appropriate to make reference to the prevailing market price of the Shares which reflected the fair market value of the Shares traded on the Stock Exchange, instead of making reference to the net asset value per Share. Moreover, the Directors also consider that the willingness of the Shareholders to participate in the Rights Issue would be significantly reduced if the Subscription Price was made with reference to the consolidated net asset value per Share, and that would not be favorable to the Company and the Shareholders as a whole; and
- (v) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) of (a) approximately 20.95% on a standalone basis, represented by the theoretical diluted price of approximately HK\$0.088 per Share to the benchmarked price (as defined under Rule 7.27B of the Listing Rules, taking into account of the higher of (i) the closing price of the Share on the Last Trading Day of HK\$0.1080 per Share; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of the Announcement of approximately HK\$0.1110 per Share) of approximately HK\$0.1110 per Share; and (b) approximately 21.06% on an accumulative basis taking into account of the theoretical dilution effect of the loan capitalisation of the Company announced in November 2024.

The Subscription Price was determined with reference to, among others, (i) the market price of the Shares under the prevailing market conditions and the relevant discount to the closing prices; (ii) the prevailing market conditions of the capital market in Hong Kong taking into consideration the rather cautious investment sentiment of the general public investors in Hong Kong and economic uncertainties; (iii) the latest business performance and financial position of the Group as the Group turnaround from a net profit of approximately HK\$157.22 million for the year ended 31 December 2022 to a net loss of approximately HK\$134.37 million for the twelve months ended 31 December 2024 as well as recorded a net current liability position with a relatively low cash and bank balances as at 31 December 2024, the majority of which has been utilised for day-to-day operations as further elaborated under the section headed “Use of Proceeds” below; and (iv) the reasons for the Rights Issue as discussed in the section headed “Reasons for the Rights Issue, the Placing and the Set-Off Arrangement” in this letter.

Considering the Group’s (i) recent financial performances and latest low cash level as mentioned in the above; (ii) the prevailing market price of the Share which illustrated a downward trend and the ongoing market sentiment including but not limited to, the willingness of investors to conduct market transactions in the capital market in Hong Kong; (iii) low liquidity of the Shares during the six months immediately preceding the Last Trading Day with the average daily trading volume of 4,710,725 Shares, representing approximately 1.05% of the total number of issued Shares as at the Last Trading Day; (iv) it will be more practical and commercially sensible to set a subscription price lower than the prevailing market price in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate in the Rights Issue; (v) the proposed uses of the proceeds from the Rights Issue as detailed in the section headed “Use of Proceeds” which specified that how the funds generated may improve the Group’s operations and that fundraising is imminent and reasonable; and (iv) the amount of the funds required by the Group to, on one hand to improve the Group’s financial position and on another hand, to fulfill the expenses require for improvement of the Group’s operations and that an alternative price/size ratio may either be insufficient to fulfill the Group’s needs in expansion or may result in a potential bigger dilutions impact in case that the Qualifying Shareholders do not take up the Rights Shares, on balance, the Directors consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price which has been set as a discount to the recent closing prices of the Shares with an objective of encouraging existing Shareholders to take up their provisional allotments and to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; and (iii) the proceeds from the Rights Issue can fulfil the funding needs of the Group.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (i) be registered as a member of the Company on the Record Date; and
- (ii) not an Excluded Shareholder.

In order to be registered as members of the Company on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Share Registrar no later than 4:00 p.m. on Tuesday, 5 August 2025.

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

Rights of Overseas Shareholders

The Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders. If, based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send copies of the Prospectus to the Excluded Shareholders for their information only, but will not send the PAL or EAF to them.

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 dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Excluded Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Excluded Shareholders to the Rights Shares, and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares, will be made available for excess applications by the Qualifying Shareholders under the EAF(s).

As at the Latest Practicable Date, there was no Overseas Shareholder.

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

Closure of register of members

The register of members of the Company will be closed from Monday, 18 August 2025 to Friday, 22 August 2025 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

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

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) existing Share in issue and held by the Qualifying Shareholders on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents.

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 Share Registrar on or before the Latest Time for Acceptance.

Fractional entitlements to the Rights Shares

On the basis of provisional allotment of three (3) Rights Shares for every one (1) existing Share held, no fractional entitlement to Rights Shares shall arise.

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall 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 after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on or before Tuesday, 16 September 2025. Those entitled, except HKSCC Nominees Limited, 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, 16 September 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

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) and (ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounces or transferees of nil-paid Rights Shares. (i) and (ii) are 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 full amount payable for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares on a fair and equitable basis. Subject to the requirements of Rule 10.31(3)(b) of the Listing Rules, the Directors will allocate the excess Rights Shares (if any) at their discretion on a fair and equitable basis and on the following principles:

- (i) as far as practicable, in proportion to the number of excess Rights Shares being applied for under each application;
- (ii) no preference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders; and
- (iii) no preference will be given to applications made for topping up odd lot holdings to whole board lot holdings.

If the aggregate number of Rights Shares underlying the Untaken Rights 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. 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.

Mr. Chen has given the Undertaking that he and his associates will not apply for excess Rights Shares.

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 Friday, 15 August 2025.

In the event that the Board notes unusual patterns of excess applications and has reason to believe that any excess application may have been made with the intention to abuse the mechanism, such application(s) for excess Rights Shares may be rejected at the sole discretion of the Board.

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.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue by no later than the Posting Date;
- (ii) the provision to the Stock Exchange for authorization and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents not later than the Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on the Posting Date; and
- (iv) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and the permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the business day prior to the first day of their dealings.

As at the Latest Practicable Date, none of the above condition precedents has been fulfilled. All conditions set out above cannot be waived by any party. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

The Rights Issue and the Placing are not inter-conditional.

The Placing is not a compensatory arrangement under Rule 7.21(1)(b) and Qualifying Shareholders will not receive any return from the Placing. Shareholders who do not entitlement in full under the Rights Issue, their proportionate shareholdings in the Company will be diluted.

THE PLACING AGREEMENT

On 16 April 2025 (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 Placing Shares (i.e. unsubscribed Rights Shares) under the Specific Mandate.

Details of the Placing Agreement are summarised as follows:

Date : 16 April 2025 (after trading hours)

Issuer : The Company

Placing Agent : MoneyMore Securities Limited

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

Placing Period : a period commencing from the next Business Day after the date of announcement of the number of Placing Shares, which is expected to be Tuesday, 16 September 2025, and ending at 6:00 p.m. on Wednesday, 24 September 2025

Placing fee : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong dollars, of 2.0% of the amount which is equal to the placing price multiplied by the number of Placing Shares that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement.

For the avoidance of doubt, the Placing Agent will not be entitled to any placing commission pursuant to the Placing Shares placed to Mr. Chen.

Placing price of the : HK\$0.080 per Placing Share, equivalent to the
Unsubscribed Rights Shares Subscription Price.

Placees : The Placing Shares are expected to be placed to
placee(s), who and whose ultimate beneficial owner(s)
shall be Independent Third Party(ies) (other than Mr.
Chen (when applicable)).

The Placing Agent shall ensure that the Placing Shares
are placed (i) to investors who and whose ultimate
beneficial owners shall be Independent Third Parties
(other than Mr. Chen (when applicable)); (ii) such that
no placee shall become a substantial shareholder
immediately following the Placing (other than Mr.
Chen (when applicable)); (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.

Placing Shares : being the number of the unsubscribed Rights Shares (if
any).

For the avoidance of doubt, if all the Rights Shares are
fully subscribed under the Rights Issue, the Placing
will not proceed.

Subject to the situation that the Placing may result in a
notable dilution on Mr. Chen's shareholding's
percentage to under 50.28% in the Company, Mr.
Chen will also be able to subscribe for and be allotted
a maximum of 233,589,172 Placing Shares so that Mr.
Chen will retain and be interested in up to 900,389,172
Shares, representing approximately 50.28% of the
enlarged issued Shares upon the completions of the
Rights Issue and the Placing assuming none of the
Warrants will be exercised.

- Ranking of the Placing Shares : The Placing Shares (when allotted, issued and fully paid, if any) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of completion of the Placing.
- Conditions of the Placing Agreement : The Placing is conditional upon the fulfillment of the following conditions:
- (i) the passing by the Independent Shareholders 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 Placing Shares) by no later than the date on which the Prospectus Documents are posted;
 - (ii) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares and the Placing Shares;
 - (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion;
 - (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof; and
 - (v) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospects to the Excluded Shareholders for information purpose only

As at the Latest Practicable Date, none of the above condition precedents has been fulfilled. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the conditions (other than those set out in paragraphs (i), (ii) and (v) above) by notice in writing to the Company.

The Rights Issue and the Placing are not inter-conditional.

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

Termination of the Placing
Agreement:

The Placing Arrangement shall end on the Latest Placing Time. If any of the following events occur at any time prior to the Latest Placing Time, the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time on or prior to the Latest Placing Time, terminate the Placing Agreement without liability to the other parties hereto and, subject to the clauses stated on the Placing Agreement which shall continue, the Placing Agreement shall thereupon cease to have effect and none of the parties hereto shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

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

The net proceeds from the Placing will be utilized for the same purposes as described in the section headed “Use of Proceeds” in this letter. The Company will continue to comply with 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.

Application for listing of the Rights Shares and the Placing Shares

The Company will apply to the Listing Committee for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms, and the Placing Shares.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and the Placing Shares 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 and the Placing Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms and the Placing Shares or such other dates as may be 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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms and the Placing Shares which are registered in the register of members of the Company in Hong Kong will be in the board lots of 12,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy or any other applicable fees and charges in Hong Kong.

There will be no odd lot matching arrangement for the Rights Shares in their nil-paid or fully paid form and the Placing Shares. Having considered that (i) on the basis that the provisional allotment of three (3) Rights Shares for every one (1) existing Share held on the Record Date, no fractional entitlements to the Rights Share shall arise under the Rights Issue; and (ii) the absence of odd lot matching arrangement will not affect the Placing but may save additional expenses for the Group, the Board considers that such arrangement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 the Placing Shares and, regarding Excluded Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

THE UNDERTAKING

Rights Issue

As at the Latest Practicable Date, Mr. Chen is beneficially interested in an aggregate of 225,097,293 Shares, representing approximately 50.28% of the issued share capital of the Company. On 16 April 2025, Mr. Chen has given the Undertaking in favour of the Company, that (i) he will not dispose of any of the 225,097,293 Shares comprising the current shareholding in the Company owned by himself, and such Shares will remain beneficially owned by him up to and including the Record Date; (ii) he will lodge his acceptance of the 675,291,879 Rights Shares, which will be the number of Rights Shares provisionally allotted to him nil-paid under the Rights Issue, with the Share Registrar or the Company, with payment in full therefor, by no later than the Latest Time for Acceptance or otherwise in accordance with the instructions set out in the Prospectus Documents and will not apply for excess Rights Shares; and (iii) he consents that, in the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to himself such that the minimum public float requirement under the Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.

Placing

As a result of the situation as mentioned in (iii) pursuant to the Undertaking, the number of Rights Shares to be offered to Mr. Chen may have to be scaled down in order for the Company to maintain the minimum public float requirement under the Listing Rules (immediately after the Rights Issue but before the Placing) resulting that Mr. Chen to be interested in 666,800,000 Shares, representing approximately 74.97% of the enlarged issued Shares, after the completion of the Rights Issue as illustrated in the column/scenario under “*Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement after adjustment to number of Rights Shares offer to Mr. Chen*” in the section headed “Change in the Shareholding Structure of the Company arising from the Rights Issue” in this letter.

Subject to the situation that the Placing may result in a notable dilution on Mr. Chen’s shareholding’s percentage to under 50.28% in the Company, Mr. Chen will also be able to subscribe for and be allotted a maximum of 233,589,172 Placing Shares so that Mr. Chen will retain 50.28% of the enlarged issued Shares upon the completions of the Rights Issue and the Placing assuming none of the Warrants will be exercised as illustrated in the column/scenario under “*Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement and all the Placing Shares have been placed*” in the section headed “Change in the Shareholding Structure of the Company arising from the Rights Issue” in this letter.

Save for the above-mentioned Undertakings, the Company has not received, as at the Latest Practicable Date, any information or irrevocable undertaking from any other Shareholder of any intention to take up the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue.

To better illustrate the above-mentioned scenarios, the following sets out the scenarios of Mr. Chen's shareholding in the Company in respect of the Undertakings (assuming no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) taking into account of the Rights Issue and the Placing,

Scenario A: all the shareholders have taken up their Rights Shares entitlement under the Rights Issue and there will be no Placing

Events	Shares	%
Mr. Chen's shareholding as at the Latest Practicable Date	225,097,293	50.28
Should all shareholders have taken up their Rights Shares under the Rights Issue, pursuant to the Undertaking, Mr. Chen will subscribe for 675,291,879 Rights Shares under the Rights Issue	After the Rights Issue (i) Mr. Chen will be interested in 900,389,172 Shares; and (ii) public Shareholders will be interested in a total of 890,274,024 Shares	50.28 49.71
There will be no Placing arrangement as all the Rights Shares are fully subscribed	—	n/a
Enlarged issued share after the Rights Issue	1,790,863,196 Shares	100%

Scenario B: no shareholder has taken up his/her/its Rights Shares entitlement under the Rights Issue

Events	Shares	%
Mr. Chen's shareholding as at the Latest Practicable Date	225,097,293	50.28
Should no shareholder has taken up his/her/its Rights Shares under the Rights Issue, pursuant to the Undertaking, Mr. Chen can only subscribe for a maximum of 441,702,707 Rights Shares under the Rights Issue so that the Company can maintain a minimum of 25% public float	After the Rights Issue (i) Mr. Chen will be interested in 666,800,000 Shares; and (ii) shareholdings of the public Shareholders will not change with 222,568,506 Shares	74.97 25.02

Events	Shares	%
There will be Placing arrangement with a maximum of 901,444,690 Placing Shares available as Placing Shares, among which, 667,855,518 Placing Shares are available for independent placees and up to 233,589,172 Placing Shares are entitled to Mr. Chen (as he forfeited a portion of his entitlement of Rights Shares under the Rights Issue pursuant to the Undertaking) under the Placing to retain his shareholding in the Company prior to the Rights Issue	Subject to the results of the Placing, Mr. Chen will be able to apply for up to 233,589,172 Placing Shares Mr. Chen will be interested from 666,800,000 Shares to 900,389,172 Shares	50.28 to 74.97
(a) if no Placing Shares be placed, Mr. Chen's shareholding and the then total enlarged issued share capital of the Company will be, respectively	666,800,000 Shares and 889,418,506 Shares	74.97 and 100
(b) if all Placing Shares can be placed, Mr. Chen can subscribe for up to 233,589,172 Placing Shares and the total enlarged issue share capital of the Company will be, respectively	900,389,172 Shares and 1,790,863,196 Shares	50.28 and 100

THE SET-OFF ARRANGEMENT

The Shareholder's Loans have been provided by Mr. Chen to the Group from time to time since September 2023 pursuant to the Master Loan Agreement entered into between the Company and Mr. Chen, pursuant to which Mr. Chen agreed to provide loans to the Group from time to time for the purpose of financing its general working capital requirement such as selling and distribution expenses, office administrative overheads and salaries, subject to a limit of HK\$100,000,000, with the maturity date being 31 March 2026. The Shareholder's Loans are unsecured and bear interest of 2.75% per annum. Having considered that (i) the Group was not required to provide any collateral for the Shareholder's Loans, and (ii) the interest rate of the Shareholder's Loans is significantly lower as compared to the interest rates offered by banks in Hong Kong which range between approximately 7.625% to 8.625% per annum, the Directors consider the terms of the Shareholder's Loans to be on normal commercial terms or better to the Company. As at the Latest Practicable Date, the Company was indebted to Mr. Chen an aggregate amount of approximately HK\$54.96 million in outstanding principal amount and accrued interest under the Shareholder's Loans.

Pursuant to the Undertaking, Mr. Chen conditionally agreed to the Set-off whereby approximately HK\$54.02 million required to be paid by Mr. Chen for the subscription of 675,291,879 Rights Shares provisionally allotted to him pursuant to the Rights Issue (and pursuant to the Placing Agreement, when applicable) would be set-off against the Shareholder's Loans of approximately HK\$54.96 million on a dollar-for-dollar basis.

The Set-off Arrangement will be subject to the completion of the Rights Issue but is not inter-conditional with the Rights Issue or the Placing. In the event that the resolution in respect of the Set-off Arrangement is vetoed in the EGM, Mr. Chen is expected to settle the subscription of the Rights Shares and Placing Shares (if any) with his own financial resources.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date); and (iii) when applicable, immediately after the completions of the Rights Issue and the Placing Agreement:

	As at the Latest Practicable Date		Assuming all Qualifying Shareholders have taken up the Rights Shares		Immediately after completion of the Rights Issue				Immediately after completions of the Rights Issue and the Placing Agreement	
					Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement but before adjustments to number of Rights Shares offered to Mr. Chen (for illustration purpose)		Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement after adjustment to number of Rights Shares offered to Mr. Chen (Note 1)		Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement and all the Placing Shares have been placed (Note 2)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Chen	225,097,293	50.28	900,389,172	50.28	900,389,172	80.18	666,800,000	74.97	900,389,172	50.28
Ms. Chiu Lai Kuen Susanna	50,000	0.01	200,000	0.01	50,000	0.00	50,000	0.01	50,000	0.00
Independent Shareholders	222,568,506	49.71	890,274,024	49.71	222,568,506	19.82	222,568,506	25.02	222,568,506	12.43
Independent placees	-	-	-	-	-	-	-	-	667,855,518	37.29
Total	447,715,799	100.00	1,790,863,196	100.00	1,123,007,678	100.00	889,418,506	100.00	1,790,863,196	100.00

Notes:

1. In the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to Mr. Chen such that the minimum public float requirement under the Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.
2. Pursuant to the Placing Agreement, Mr. Chen can subscribe for the number of Placing Shares so that his shareholding's percentage in the Company immediately upon completion of the Rights Issue and the Placing will not be less than his shareholding's percentage in the Company on the date of the Placing Agreement.
3. The Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 of the Listing Rules upon completion of the Rights Issue and the Placing.

Scenario assuming full exercise of all Warrants

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Rights Issue (assuming new Shares are issued on or before the Record Date); and (iii) when applicable, immediately after the completions of the Rights Issue and the Placing Agreement:

	As at the Latest Practicable Date		Assuming all Qualifying Shareholders have taken up the Rights Shares		Immediately after completion of the Rights Issue				Immediately after completions of the Rights Issue and the Placing Agreement	
					Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement but before adjustments to number of Rights Shares offered to Mr. Chen (for illustration purpose)		Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement after adjustment to number of Rights Shares offered to Mr. Chen (Note 1)		Assuming no Qualifying Shareholders (except Mr. Chen pursuant to the Undertaking) had taken up their Rights Shares entitlement and all the Placing Shares have been placed (Note 2)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Chen	225,097,293	47.21	900,389,172	47.21	900,389,172	78.15	754,000,000	74.97	900,389,172	47.21
Ms. Chiu Lai Kuen Susanna	50,000	0.01	200,000	0.01	50,000	0.00	50,000	0.01	50,000	0.00
Independent Shareholders	251,647,453	52.78	1,006,589,812	52.78	251,647,453	21.85	251,697,453	25.02	251,647,453	13.20
Independent placees	-	-	-	-	-	-	-	-	755,092,359	39.59
Total	<u>476,794,746</u>	<u>100.00</u>	<u>1,907,178,984</u>	<u>100.00</u>	<u>1,152,086,625</u>	<u>100.00</u>	<u>1,005,697,453</u>	<u>100.00</u>	<u>1,907,178,984</u>	<u>100.00</u>

Notes:

1. In the event of an under-subscription of the Rights Issue, the Company has power and authority to apply adjustments to such number of Rights Shares to be offered to Mr. Chen such that the minimum public float requirement under the Listing Rules, i.e. at least 25% of the Shares are held by the public at all times, is satisfied immediately after completion of the Rights Issue.
2. Pursuant to the Placing Agreement, Mr. Chen can subscribe for the number of Placing Shares so that his shareholding's percentage in the Company immediately upon completion of the Rights Issue and the Placing will not be less than his shareholding's percentage in the Company on the date of the Placing Agreement.
3. The Company will ensure that it will continue to comply at all times with the public float requirement under Rule 8.08 of the Listing Rules upon completion of the Rights Issue and the Placing.

USE OF PROCEEDS

Assuming full subscription under the Rights Issue (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date to the Record Date given the Warrants are far out of money), the gross proceeds from the Rights Issue will be approximately HK\$107.5 million and the estimated net proceeds of the Rights Issue after the Set-off Arrangement and deducting the related expenses will be approximately HK\$52 million. The Company intends to use the net proceeds from the Rights Issue for the followings:

- (a) as to approximately HK\$20 million will be used for repayment of indebtedness which are due in the period to September 2025, comprising of bonds of the Company in the amount of HK\$15 million with annual interest of 9% and a loan of HK\$5 million carrying annual interest of 23.4% obtained from a financial institution.

With reference to the Company's announcement dated 2 August 2021, on 2 August 2021, the Company engaged a placing agent to procure placees who are independent third parties to the Company to subscribe in cash for the bonds of the Company with an aggregate principal amount of up to HK\$50 million with a 9% per annum interest on a best effort basis (the "**Bond Placing**"). Although the bonds issued by the Company under the Bond Placing had a maturity date of 2 years, some of the respective holders of the bonds had agreed on rollover arrangements with the Company and the Company has yet to settle the principal amount of these bonds. As at the Latest Practicable Date, the Company still has an aggregated of HK\$27 million of bond payables in relation to the Bond Placing. Considering that certain bonds with the aggregate principal amount of HK\$15 million are expected to be matured and will be due in the period to September 2025, the Company is intended to settle the repayment of these bonds from the proceeds of the Rights Issue.

- (b) as to approximately HK\$18 million will be allocated to upgrade its existing cross border e-Commerce platform HKMALL, which will facilitate the retail and wholesale of the Group's beauty, healthcare and lifestyle products across international markets, enhancing the Group's global reach. The Group, as one of the leading e-commerce platform and beauty retail group in Hong Kong, is committed to continue to exploit digital application development by devoting resources to develop system integration, including the addition of various intelligent technologies to make the HKMall more streamline and diversified. To maintain ahead of industry trends and meet the evolving needs of its customers, the Company is intended to allocate (i) up to HK\$8 million to strengthen on consumer behaviors analysis by developing and adopting AI solutions that can help breakdown in details of the current and upcoming market trends, these solutions including but not limited to, building large language models and predictive models emphasizing on consumer behaviors and optimizing search behaviors to enrich its customer relationship management; (ii) up to HK\$5 million to develop enhancing user experience related solutions involving the uses of AI-powered features including but not limited to, intelligent chatbot, automated tools as well as upgrading HKMall's cyber security to reduce the relevant risks in e-transactions and data transferring over the internet and across e-Commerce platforms; and (iii) up to HK\$5 million to increase oversea marketing efforts, placing advertisements at seller's countries and offering promotional campaigns on social medias in the PRC such as Rednote and WeChat applications, to attract business-to-business sellers to enter into and commence businesses in the PRC market.

The upgrade of HKMall marks a significant leap forward in enhancing the platform's capabilities, user experience, and global reach. Several of the key advancements is the improvement of user experience with new AI-powered features, intelligent chatbot, automated tools, as well as AI marketing creative tools etc to make the platform more efficient and user friendly for everyone. To facilitate global expansion, HKMall will broaden its reach to include merchants from more countries, particularly targeting B2B sellers looking to enter the lucrative Chinese market, with localized support for cross-border logistics, payments, and compliance. Furthermore, the platform is developing overseas warehouses to help merchants reduce shipping times and costs, enabling smoother inventory management and faster delivery to international customers. These upgrades collectively position HKMall as a more intelligent, efficient, and globally accessible e-commerce solution.

- (c) as to approximately HK\$8 million will be used for investment in enhancing the Group's business model of products wholesaling, encompassing strategic partnerships in bonded warehousing, O2O (online-to-offline) commerce, and enhanced supply chain operations. A significant portion will be directed toward strategic partnerships in bonded warehousing, which will include (i) a budget of around HK\$4.5 million to purchase up to 300 bonded vending machines that is expected to be installed into different areas of the PRC; and (ii) a budget of around HK\$3.5 million to develop systems and software that will be applied to these bonded vending machines to gap between O2O experience providing various features that support the expansion of O2O commerce to improve customer reach and order fulfillment, including input/output transactions, fulfillment operations, promotion and advertisement functions on machines displays and applications. The utilization of these machines is expected to allow the Company to enable cost-efficient storage, streamline customs clearance, and smoothen cross-border trade. The incorporations of these initiatives shall improve the operation efficiencies of the Group's warehouse management system, order management system and inventory logistic for bonded warehouse operations and will solidify the Group's competitive edge in wholesale distribution, ensuring scalability, agility, and a seamless omnichannel experience for both B2B and B2C customers.

The Board is aware that the behaviors of the retail consumers have been shifting towards purchasing and ordering from the internet and with smart solutions along with the rapid adaptation of innovative technology changes. The Group's strategy to terminate its physical stores and traditional operation methods and to integrate new initiatives in its operations such as the development and uses of AI, e-commerce platforms, behavior tracking, automation inventory and modern social media marketing will facilitate the Group's transition and is considered critical to future competitiveness. The above-mentioned upgrades and initiatives in (b) and (c) require upfront expenditures from the Group, but after successfully implemented, are expected to better resilience to market changes and add values to the existing business models of the Group which enhance and facilitate operations. The Board therefore believes that it is critical and imminent for the Company to facilitate its transition as quickly as possible through embracing technological advancements that adapts to market changes so that the Company will be better positioned to increase its market shares, achieve efficient operation models, avoid eliminations by peers and ultimately become one of the leaders in the industry. Currently, representatives of the Group have been in discussions with different service providers for potential solutions and the costs required to materialize the above plans.

Subject to the size of the funds raised from the Rights Issue, the Board is expected to commence the said development upon completion of the Rights Issue, i.e. which is expected to be around during the third and fourth quarters of 2025 with a known budget, and then proceed to engage suitable service providers to collaborate with the Group to commence the upgrading of its HKMall operations and O2O business as stated in the above.

- (d) as to the remaining of approximately HK\$6 million will be used as general working capital of the Group, including day-to-day salaries, office administrative overheads and selling and distribution expenses.

As disclosed in the second interim results announcement for the twelve months ended 31 December 2024, the Group recorded a net loss attributable to owners of the Company of approximately HK\$134 million and net current liabilities of approximately HK\$134 million for the 12 months ended 31 December 2024 respectively. As at 30 June 2024 and 31 December 2024, the Group had bank and cash balances of approximately HK\$6 million and HK\$6.4 million, respectively, of which majority of the cash outflow has been utilised for day-to-day operations such as salaries and other administrative expenses. As such, taking into account (i) the current financial position of the Group; and (ii) the intended use of proceeds for the future development of the Group set out above, the Directors considered that the Group has an urgent funding need in raising additional cash and strengthen the financial position as well as liquidity of the Group through the Rights Issue. For other factors considered by the Directors in other fund raising alternatives, please refer to the “Reasons for the Rights Issue, the Placing and the Set-off Arrangement” below.

In the event that there is an under-subscription of the Rights Issue other than those under the Undertakings and after adjustments to number of Rights Shares offered to Mr. Chen, after the Set-off Arrangement there will be no proceeds from the Rights Issue.

REASONS FOR THE RIGHTS ISSUE, THE PLACING AND THE SET-OFF ARRANGEMENT

The Company is an investment holding company and the Group is principally engaged in the retail and wholesale of beauty, health-care and lifestyle products in Hong Kong, Macau and the PRC, and through the e-Commerce platform HKMALL.

The Directors are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its financial position without any ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlements under the Rights Issue in full.

Assuming full subscription under the Rights Issue and the implementation of Set-off Arrangement, the net proceeds from the Rights Issue after the Set-off Arrangement and deducting the related expenses, are estimated to be approximately HK\$52 million.

Taking into account the financial resources of the Group, including its cash and cash equivalents balance of approximately HK\$6.45 million as at 31 December 2024, the existing facilities available to the Group (as mentioned in section “3. Working Capital Statement” in Appendix I of this circular) and the estimated net proceeds of the Rights Issue, the Directors are of the opinion that the Group has sufficient working capital for at least the next 12 months after the completion of the Rights Issue.

The Directors have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as sole placement of the Shares and open offer. The Directors are of the view that while additional debt financing will increase the Group’s gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company.

As for equity fund raising, such as sole placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. In addition, to raise fund from placing, substantial amount of securities must be issued and usually the subscriber(s) may ask for a relatively deeper discount to the trading price of the Shares in view of the substantial amount of securities involved. Given that (i) the Placing will be only for the Placing Shares, i.e. Rights Shares that are not subscribed by the Qualifying Shareholders (and after excess applications) under the Rights Issue; (ii) in case the Rights Issue is undersubscribed, Mr. Chen, being the controlling Shareholder will be able to retain his shareholding in the Company back to before the Rights Issue is in place under the Placing so that the interests of the Company and Mr. Chen are realigned; and (iii) the Placing Agreement would provide (1) a distribution channel of the Placing Shares to the Company; and (2) channel of participation in the Rights Issue for independent investors, the Board considered that the Placing Agreement is fair and reasonable and would provide adequate safeguard to protect the interests of the Shareholders.

As for open offer, similar to a rights issue, it also offers qualifying shareholders to participate in, but it does not allow the trading of rights entitlements in the open market.

Despite the above, the Board had still attempted to explore the possibility of obtaining bank borrowings and/or other alternatives of comparable size to the Rights Issue. Apart from the Placing Agent, the Group approached two other financial institutions and brokerage firms and did not receive positive responses which may likely due to, among other reasons, (i) the current net liabilities position of the Group as at 31 December 2024 and the relatively slow recovery of the retailing market in Hong Kong; (ii) the proposed size of the fund raising is significant compared to the Company's market capitalization of roughly HK\$48.35 million (based on the closing price on the Last Trading day); and (iii) absence of acceptable collaterals can be offered by the Group that will be sufficient to raise funds of the size comparable to the Rights Issue.

In light of the above circumstances, in particular that (i) the Group has an urgent funding need in raising additional cash and strengthen the financial position as well as liquidity of the Group; (ii) the Company could not obtain favorable terms from debt financing of a size comparable to the Rights Issue; (iii) debt financing will incur additional interest expenses and worsen the net liabilities position of the Group; and (iv) the Rights Issue will offer existing Shareholders an opportunity to participate in the development of the Group while the Placing, which will be only for the Placing Shares, provides another channel for other independent investors to support the Group's development, the Board considers that Rights Issue and the Placing are more favourable than debt financing despite of the underlying dilutions effects.

In considering methods of settlement of the amount owed to Mr. Chen by the Company, the Company also considered loan capitalisation by issuing Shares to Mr. Chen as a form of repayment to Mr. Chen. However, such loan capitalisation would cause an immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. Furthermore, a loan capitalisation would not raise any proceeds for the Group for its business and working capital use while the Rights Issue would enable the Company to raise additional capital. Besides, the Set-off Arrangement would reduce the interest obligation and burden caused on the financial performance and daily cash outflow of the Group in the long run.

Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

FUND-RAISING EXERCISE IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities during the 12 months immediately preceding the the Latest Practicable Date.

Date of announcement	Event	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
12 November 2024	Issue of new Shares under specific mandate	Approximately HK\$33.18 million	Loan capitalisation	Loan capitalization

Save for the above, the Company has not conducted any other equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

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

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Listing Committee granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the paragraph headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this Letter. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed.

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

Subject to the fulfilment and/or waiver (where applicable) 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 and the level of subscription of the excess Rights Shares. Qualifying Shareholders who do not entitlement in full under the Rights Issue, their proportionate shareholdings in the Company will be diluted. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

The Placing is not a compensatory arrangement under Rule 7.21(1)(b) and Qualifying Shareholders will not receive any return from the Placing. Shareholders who do not entitlement in full under the Rights Issue, their proportionate shareholdings in the Company will be diluted.

ADJUSTMENTS TO THE OUTSTANDING WARRANTS

As at the Latest Practicable Date, the Company has outstanding Warrants to subscribe for 29,078,947 Shares. The Company has engaged the Independent Financial Adviser in accordance with the terms of the instrument for Warrants to certify in writing as to the adjustments (if any) required to be made in respect of the Warrants as a result of the Rights Issue. The Company will make further announcements about the adjustments in due course.

LISTING RULES IMPLICATIONS

Rights Issue

Given that the Rights Issue will increase the issued share capital of the Company by more than 50%, under Rules 7.19A and 7.27A of the Listing Rules, the Rights Issue is subject to the approval of the Independent Shareholders by way of poll at the EGM at which any controlling shareholders and their respective 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. As such, the controlling shareholder of the Company, namely Mr. Chen who is interested in approximately 50.28% of the shareholding of the Company as at the Latest Practicable Date, and his associates shall abstain from voting in favour of the resolution(s) to approve the Rights Issue at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own and when aggregated with a specific mandate to issue new Shares within 12 month period immediately preceding the Announcement. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Placing

The Placing will be subject to the granting of the Specific Mandate which will be subject to the Independent Shareholders' approval under the Listing Rules.

Connected transactions in relation to the Placing and the Set-off Arrangement

Mr. Chen is a controlling Shareholder holding 225,097,293 Shares, representing approximately 50.28% of the issued share capital of the Company as at the Latest Practicable Date. As Mr. Chen may be able to subscribe for the Placing Shares under the Placing, the Possible Subscription and the Set-off Arrangement would therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are therefore subject to the reporting and announcement requirements and the approval of the Independent Shareholders at the EGM under the Listing Rules.

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 Placing Shares.

Mr. Chen who is interested in approximately 50.28% of the Company as at the Latest Practicable Date, and his associates will abstain from voting of the Placing, the Possible Subscription and the Set-off Arrangement at the EGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for Mr. Chen, no other Shareholder is required or indicated his intention to abstain from voting on the Placing, the Possible Subscription and the Set-off Arrangement at the EGM.

Establishment of the Independent Board Committee and appointment of the Independent Financial Adviser

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kwok Chi Shing, Mr. Lee Kwun Kwan and Mr. Yan Sherman Chuek-ning has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Placing, the Possible Subscription and the Set-off Arrangement are fair and reasonable and in the interests of the Shareholders and the Company as a whole; and (ii) how to vote on the resolution(s) relating to the Rights Issue, the Placing, the Possible Subscription and the Set-off Arrangement.

In this connection, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Rights Issue, the Placing, the Possible Subscription and the Set-off Arrangement and the respective voting recommendations.

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, the Placing, the Possible Subscription and the Set-off Arrangement 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. SBI China 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 which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, the Placing, the Possible Subscription and the Set-off Arrangement and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Rights Issue, the Placing, the Possible Subscription and the Set-off Arrangement 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 recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing, the Possible Subscription and the Set-off Arrangement. A notice convening the EGM of the Company to be held at 10:00 a.m. on Tuesday, 12 August 2025 at 12/F, Bonjour Tower, 36-50 Wang Wo Tsai Street, Tsuen Wan, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of 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 despatched by the Company together with the PAL and EAF on Monday, 25 August 2025. The Prospectus Documents will also be made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://corp.bonjourhk.com>). 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
Bonjour Holdings Limited



Chen Jianwen
Chairman and Executive Director