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

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

**(Stock Code: 8232)**

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

**Financial Adviser to the Company**

**MESSIS 大有融資**

**Messis Capital Limited**

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



**紅日資本有限公司**

**RED SUN CAPITAL LIMITED**

**Red Sun Capital Limited**

## **PROPOSED SHARE CONSOLIDATION**

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares of HK\$0.01 each will be consolidated into one (1) Consolidated Share of HK\$0.2 each. The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM.

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

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

## **PROPOSED RIGHTS ISSUE**

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

The Company will provisionally allot to the Qualifying Shareholders three (3) Rights Shares in nil-paid form for every two (2) Consolidated Shares in issue and held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be available to the Non-Qualifying Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

The estimated net proceeds from the Rights Issue, if fully subscribed by the Qualifying Shareholders, after deducting all necessary expenses, are estimated to be approximately HK\$12.75 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date). Details of the use of proceeds are set out in the paragraph headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” under the section headed “Proposed Rights Issue” in this announcement. The Rights Issue is conditional upon, among other things, the Share Consolidation and the Increase in Authorised Share Capital having become effective.

## **THE IRREVOCABLE UNDERTAKINGS**

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

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

## **THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT**

The Company will make arrangements to dispose of the Unsubscribed Rights Shares, comprising the Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares, by offering the Unsubscribed Rights Shares to Placees by way of placing by the Placing Agent for the benefit of the relevant No Action Shareholders. On 6 July 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. The placing price of the Unsubscribed Rights Shares shall be not less than the Subscription Price. The final price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions during the process of the Placing.

## **THE UNDERWRITING AGREEMENT**

On 6 July 2023 (after trading hours), the Company entered into the Underwriting Agreement with Wiltshire Global and Peyton Global in relation to the underwriting and respective arrangements in respect of the Rights Issue. Pursuant to the Underwriting Agreement, the Underwriters have conditionally agreed to underwrite the Underwritten Shares of up to an aggregate of 25,249,500 Rights Shares (of which up to 9,546,500 Rights Shares and 15,703,000 Rights Shares will be underwritten by Wiltshire Global and Peyton Global respectively, assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

Subject to the terms and conditions set out in the Underwriting Agreement, if and to the extent that at the Latest Placing Time, there shall be any Unsubscribed Rights Shares which have not been successfully placed out by the Placing Agent under the Compensatory Arrangements, the Underwriters shall subscribe or procure subscription for up to an aggregate of 25,249,500 Rights Shares (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date).

## **GEM LISTING RULES IMPLICATIONS**

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

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

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

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

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

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

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

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

The Independent Financial Adviser 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 Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM.

## **DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS**

The Circular containing, among other things, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the EGM, is expected to be despatched to the Shareholders on or before Tuesday, 25 July 2023 (which is within 15 Business Days from the date of this announcement pursuant to Rule 20.66(11) of the GEM Listing Rules and 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code).

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

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

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

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

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

## **PROPOSED SHARE CONSOLIDATION**

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

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

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

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

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

### **Conditions of the Share Consolidation**

The Share Consolidation is conditional upon the following conditions:

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

As at the date of this announcement, no procedures and requirements under the applicable laws of the Cayman Islands are required to be complied with to give effect to the Share Consolidation. Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Friday, 11 August 2023, being the second Business Day after the fulfilment of the above conditions.

### **Application for listing of the Consolidated Shares**

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

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

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

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

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

## **Exchange of share certificates**

Subject to the Share Consolidation having become effective, Shareholders may, during the period from Friday, 11 August 2023 to Monday, 18 September 2023 (both days inclusive), submit share certificates for Existing Shares to Union Registrars Limited, the Company's branch share registrar and transfer office in Hong Kong, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

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

The existing share certificates will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Thursday, 14 September 2023, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates will continue to be good evidence of title to the Consolidated Shares on the basis of twenty (20) Existing Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in yellow colour in order to distinguish them from the share certificates for the Existing Shares which are in red colour.

## **Other securities of the Company**

As at the date of this announcement, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

## **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company will appoint a designated broker to provide a matching service, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares. Further details in respect of the odd lots matching arrangement will be set out in the Circular to be despatched by the Company to the Shareholders. Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed.

## **REASONS FOR THE SHARE CONSOLIDATION**

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

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

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

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

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

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

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

## PROPOSED RIGHTS ISSUE

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

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

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

### Rights Issue Statistics

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

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

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

### **Subscription Price**

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

The Subscription Price represents:

- (i) a discount of approximately 15.0% to the adjusted closing price of approximately HK\$0.50 per Consolidated Share based on the closing price of HK\$0.0250 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation;

- (ii) a discount of approximately 15.0% to the adjusted average closing prices of approximately HK\$0.50 per Consolidated Share based on the average closing price of approximately HK\$0.0250 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iii) a discount of approximately 15.0% to the adjusted average closing prices of approximately HK\$0.50 per Consolidated Share based on the average closing price of approximately HK\$0.0250 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation;
- (iv) a discount of approximately 6.6% to the theoretical ex-entitlement price of approximately HK\$0.456 per Consolidated Share based on the closing price of approximately HK\$0.025 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation;
- (v) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 8.8%, represented by the theoretical diluted price of approximately HK\$0.456 per Consolidated Share to the benchmarked price of approximately HK\$0.50 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the date of this announcement and adjusted for the effect of the Share Consolidation);
- (vi) a discount of approximately 53.3% to the adjusted audited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 31 December 2022 of approximately HK\$0.913 per Consolidated Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$20,359,000 as at 31 December 2022 as set out in the annual report of the Company for the year ended 31 December 2022 by the number of Shares as at the date of this announcement after adjusted for the effect of the Share Consolidation; and
- (vii) a discount of approximately 49.1% to the adjusted unaudited consolidated net asset value per Consolidated Share attributable to the Shareholders as at 31 March 2023 of approximately HK\$0.837 per Consolidated Share, which is calculated by dividing the unaudited consolidated net assets of the Group attributable to the Shareholders of approximately HK\$18,670,671.51 as at 31 March 2023 as set out in the unaudited management accounts of the Company for the three months ended 31 March 2023 by the number of Existing Shares as at the date of this announcement after adjusted for the effect of the Share Consolidation.

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

After taking into account the terms of the Rights Issue and the reasons for the Rights Issue as disclosed in the section headed “Reasons for and Benefits of the Rights Issue and Use of Proceeds” in this announcement, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors (excluding (i) Mr. Wong and Mr. Pong who shall abstain from voting; and (ii) the members of the Independent Board Committee whose opinion will be set forth in the Circular after considering the advice from the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Status of the Rights Shares**

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

### **Qualifying Shareholders**

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

To qualify for the Rights Issue, a Shareholder:

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

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

In order to be registered as members of the Company prior to the close of business on the Record Date so as to qualify for the Rights Issue, any transfer of Shares (together with the relevant share certificates) must be lodged with Union Registrars Limited, the Company’s branch share registrar and transfer office in Hong Kong, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong, for registration no later than 4:00 p.m. on Tuesday, 15 August 2023.

It is expected that the last day of dealing in the Consolidated Shares on a cum-rights basis is Friday, 11 August 2023 and the Consolidated Shares will be dealt with on an ex-rights basis from Monday, 14 August 2023. The Latest Time for Acceptance of and payment for the Rights Shares is expected to be at 4:00 p.m. on Wednesday, 6 September 2023.

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

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

The register of members of the Company will be closed from Thursday, 3 August 2023 to Wednesday, 9 August 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will be closed from Wednesday, 16 August 2023 to Tuesday, 22 August 2023 (both days inclusive) for determining the entitlements to the Rights Issue.

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

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

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

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory body(ies) or stock exchange(s). If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant overseas regulatory body(ies) or stock exchange(s) in such place(s), no provisional allotment of the Nil-Paid Rights or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders (if any) from the Rights Issue will be set out in the Circular and Prospectus to be issued. As at 6 July 2023, there were 4 Overseas Shareholders with registered addresses situated in the PRC.

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

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

#### **Basis of provisional allotments**

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

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

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

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

Subject to fulfilment of the conditions precedent of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Monday, 25 September 2023 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or not becoming unconditional, or if the Rights Issue is otherwise terminated, refund cheques will be posted on or before Monday, 25 September 2023 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

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

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

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

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

## **Taxation**

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

## **Application for listing**

The Company will make an application to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares (in both nil-paid and fully-paid forms) to be issued and allotted pursuant to the Rights Issue. No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange, or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt. Dealings in the Rights Shares (in both their nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy or any other applicable fees and charges in Hong Kong.

### **The Irrevocable Undertakings**

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

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

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

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

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to Placees on a best effort basis, and any Net Gain will be paid to the No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 14 September 2023, Placee(s), to subscribe for the Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded to the nearest cent) will be paid to the No Action Shareholders as set out below on pro-rata basis:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

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

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

## THE PLACING AGREEMENT

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

Date: 6 July 2023 (after trading hours)

Placing Agent: Aristo Securities Limited

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

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

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

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

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

Ranking of Unsubscribed Rights Shares: The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Consolidated Shares then in issue.

Placing condition: The Placing is conditional upon the fulfillment of the following conditions on or before the Latest Time for Termination (or such later date as may be agreed in writing between the Placing Agent and the Company): (i) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares; and (ii) all necessary consents and approvals to be obtained by the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained.

Placing Period: The period from Tuesday, 12 September 2023 up to 4:00 p.m. on Thursday, 14 September 2023, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements.

### **Termination of the Placing Agreement**

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

- (i) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (ii) the imposition of any moratorium, suspension (for more than ten (10) trading days) or restriction on trading in the securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise and which in the Placing Agent's reasonable opinion, would materially and adversely affect the success of the Placing, excluding any suspension in connection with the clearance of this announcement or the Prospectus Documents or other announcements and circulars of the Company in connection with the Rights Issue; or
- (iii) any new law or regulation or change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong or any other jurisdiction relevant to the Group and if in the Placing Agent's reasonable opinion any such new law or change may materially and adversely affect the business or financial prospects of the Group and/or the success of the Placing; or
- (iv) any litigation or claim being instigated against any member of the Group, which has or may have a material adverse effect on the business or financial position of the Group and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or

- (v) any material adverse change in the business or in the financial or trading position or prospects of the Group as a whole; or
- (vi) any breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of despatch of share certificates for fully-paid Rights Shares and refund cheques (if any), which if had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect or there has been a breach by the Company of any other provision of the Placing Agreement.

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

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

The terms of the Placing Agreement (including the Placing commission) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors (excluding (i) Mr. Wong and Mr. Pong who shall abstain from voting; and (ii) the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders and protect the interest of the Independent Shareholders, the Directors (excluding (i) Mr. Wong and Mr. Pong who shall abstain from voting; and (ii) the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the Compensatory Arrangements are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

The Company has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to Placees on a best effort basis, and any Net Gain will be paid to the No Action Shareholders in a manner set out above. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Thursday, 14 September 2023, Placee(s), to subscribe for the Unsubscribed Rights Shares at a price not less than the Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

## **THE UNDERWRITING AGREEMENT**

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

### **Underwriting Agreement**

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

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

The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriters by reference to the historical trend of the Shares' trading price, financial position of the Group, the size of the Rights Issue and the current and expected market condition. The Directors (excluding (i) Mr. Wong and Mr. Pong who shall abstain from voting; and (ii) the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the terms of the Underwriting Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **Information on the Underwriters**

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

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

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

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

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

As such, each of Wiltshire Global and Peyton Global is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

## **Termination of the Underwriting Agreement**

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

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

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

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

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

## Conditions precedent of the Rights Issue

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

- (i) (a) the passing by the Shareholders at the EGM of ordinary resolutions to approve the Share Consolidation and the Increase in Authorised Share Capital; and (b) the passing by the Independent Shareholders at the EGM of (1) ordinary resolutions to approve the Rights Issue, the Underwriting Agreement, the Placing Agreement and the transactions contemplated thereunder (more than 50% of the Independent Shareholders at the EGM by way of poll); and (2) a special resolution to approve the Whitewash Waiver (at least 75% of the Independent Shareholders at the EGM by way of poll) in accordance with the GEM Listing Rules and the Takeovers Code by no later than the Prospectus Posting Date;
- (ii) the delivery to the Stock Exchange for authorisation and the registration with the Companies Registry in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) not later than the Prospectus Posting Date;
- (iii) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (iv) the GEM Listing Committee granting and not having revoked, the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Underwriters accept and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date, and such listing and permission to deal not having been withdrawn or revoked;
- (v) the Underwriting Agreement not having been terminated in accordance with its terms;
- (vi) the Company having complied with and performed all undertakings and obligations, and representations and warranties of the Company under the Underwriting Agreement;
- (vii) the Company having complied with the requirements under all applicable laws and regulations;
- (viii) the Company and the Underwriters having obtained all necessary board approval for entering into the Underwriting Agreement or the transactions contemplated therein;
- (ix) the Executive granting the Whitewash Waiver to the Underwriters and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (x) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect;

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2022, the Group's total audited revenue was approximately HK\$37.5 million, including revenue from continuing operations of HK\$37.5 million and no revenue was recorded for discontinued operation, while for the year ended 31 December 2021, the Group's total audited turnover was approximately HK\$76.1 million, including revenue from continuing operations of HK\$59.9 million and revenue from discontinued operation of HK\$16.2 million, representing a decrease of approximately 50.7% as compared with the year ended 31 December 2021. The decrease in revenue for the year ended 31 December 2022 was mainly due to the closure of "The Pawn" in September 2021 and two "Classified" restaurants in February 2022 and July 2022, respectively, the outbreak of the fifth waves of the COVID-19 and the adverse impacts of anti-pandemic measures imposed by the Hong Kong Government. Total loss attributable to owners of the Company was approximately HK\$20.4 million for the year ended 31 December 2022, representing an increase of approximately HK\$3.8 million or 22.89% as compared to the Group's total loss of approximately HK\$16.6 million for the year ended 31 December 2021. The increase in loss attributable to owners of the Company was mainly due to the (i) decrease in revenue from existing restaurants as affected by repeated sporadic outbreak of COVID-19 which had a greater adverse impact than the previous year; (ii) impairment loss of certain property, plant and right-of-use assets associated to the restaurants; (iii) write-down of the inventories to net realisable values; and (iv) decrease in profit due to discontinued operation.

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

The management considers it is imperative to conduct the Rights Issue in order to repay the Shareholders' Loans and enhance the Group's working capital. The Shareholders' Loans (which were interest free and repayable on demand) were provided by both Mr. Wong and Mr. Pong to the Group in order to mitigate short-term financial difficulties and both Mr. Wong and Mr. Pong have expressed their intention to require the Group to repay the Shareholders' Loan as soon as practicable. As at 31 December 2022, since (i) the Group's bank balances and cash of approximately HK\$1.7 million; and (ii) the Group's inventory of approximately HK\$31.2 million, as well as trade and other receivables, deposits and prepayments of approximately HK\$3.9 million, cannot be considered as acceptable collateral by financial institutions to lend additional cash to the Group, the Group does not have sufficient financial resources to repay the Shareholders' Loans. In light of both Mr. Wong and Mr. Pong have expressed their intention to require the Group to repay the Shareholders' Loans as soon as practicable, there is an uncertainty that the Group may receive demand notes from Mr. Wong and Mr. Pong in relation to the immediate repayment of the Shareholders' Loans. As such, the management considers it is in the interest of the Group to operate and maintain its restaurants at the minimum scale, which is currently restricting the Group's business development.

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

As mentioned above, the management does not consider that expansion of the Group's current restaurant portfolio to be realistic at the moment as it involves substantial investment and such expansion would place the Group in a risky position before settlement of Shareholders' Loans and improvement of the working capital and profitability of the Group. In addition, since the settlement of Shareholders' Loans is important to the Group for its business development, the Company invited Mr. Wong and Mr. Pong to act as the Underwriters in relation to the Rights Issue for the potential conversion of the Shareholders' Loans into the Shares at the Subscription Price in the event that any Unsubscribed Rights Shares were not taken up by any Shareholders and/or other potential investors. Mr. Wong and Mr. Pong have agreed to commit HK\$9.15 million in total in cash for the Rights Issue after deducting the repayment of Shareholders Loans to act as the Underwriters. In that case, assuming no Rights Shares are taken up by the Qualifying Shareholders (other than Wiltshire Global and Peyton Global pursuant to the Irrevocable Undertakings),

the Company believes that given (i) the gross proceeds of approximately HK\$14.25 million before expenses (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date); and (ii) the level of cash committed from Mr. Wong and Mr. Pong for the Rights Issue regarding their obligations under both the Irrevocable Undertakings and Underwriting Agreement, 40% of the net proceeds of HK\$12.75 million (assuming no other change in the number of Shares in issue save for the Share Consolidation on or before the Record Date), being HK\$5.10 million, is the amount to be allocated for the repayment of the Shareholders Loans. Unless Mr. Wong and Mr. Pong agree to further commit capital, the Company would not be able to proceed with the Rights Issue if the Company intends to allocate less net proceeds for repayment of Shareholders' Loans and allocate more net proceeds for the working capital. Therefore, based on the above, the Company considers that the allocation of the use of proceeds under the Rights Issue is the best available option for the Group to enhance its working capital and strengthen its financial position.

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

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

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

- (i) approximately 40% (being approximately HK\$5.10 million) for repayment of the outstanding Shareholders' Loans;
- (ii) approximately 60% (being approximately HK\$7.65 million) as general working capital of the Group, of which:
  - (a) approximately 19% (being approximately HK\$2.4225 million) for payment for purchase of raw materials from suppliers for enhancing signature dishes in order to promote the brand name of restaurants;

- (b) approximately 30% (being approximately HK\$3.825 million) for payment of future payroll and/or training of existing and additional staff; and
- (c) approximately 11% (being approximately HK\$1.4025 million) for enhancement and upgrade of restaurant facilities.

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

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

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

The Board has considered other fund-raising alternatives before resolving to the proposed Rights Issue, including but not limited to debt financing, placing and open offer. As debt financing would result in additional interest burden particularly in an ever interest rising environment and subject the Group to repayment obligations, the Board does not consider it to be beneficial to the Group. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, taking into account that (i) it is relatively smaller in scale as compared to fund raising through rights issue; (ii) the engagement of a placing agent which would incur additional costs and expenses on the part of the Company; (iii) it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company, it was not considered by the Board to be the most suitable fund-raising method for the Company. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil paid rights attaching thereto.

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

Having considered the above, the Directors (excluding (i) Mr. Wong and Mr. Pong who shall abstain from voting; and (ii) the members of the Independent Board Committee whose opinion will be set forth in the Circular after having been advised by the Independent Financial Adviser) consider that the Underwriters, who are willing to support the continuing growth of the Group, being the underwriters for the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole, and that the terms of the Underwriting Agreement are fair and reasonable and the transactions contemplated under the Underwriting Agreement are on normal commercial terms and in the interests of the Company and the Independent Shareholders as a whole.

## EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

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

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

### Notes:

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

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

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

The Company has not conducted any equity fund raising activities in the past 12 months immediately before the date of this announcement.

## SUFFICIENCY OF WORKING CAPITAL

The Directors, having considered the cash balance of the Company and the net proceeds from the Rights Issue, confirm that after the completion of the Rights Issue, the Company will have sufficient working capital for the next twelve months from the date of this announcement.

## EXPECTED TIMETABLE

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

<b>Event</b>	<b>Time and Date (Hong Kong time)</b>
Publication of this announcement .....	Thursday, 6 July 2023
Date of despatch of the Circular together with the notice of the EGM and proxy form for the EGM. ....	Tuesday, 25 July 2023
Latest time for lodging transfer of Shares in order to qualify for attending and voting at the EGM .....	4:00 p.m. on Wednesday, 2 August 2023
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive) .....	Thursday, 3 August 2023 to Wednesday, 9 August 2023
Latest time for lodging proxy forms for the EGM. ....	9:30 a.m. on Monday, 7 August 2023
Record date for attendance and voting at the EGM. ....	Wednesday, 9 August 2023
Date and time of the EGM. ....	9:30 a.m. on Wednesday, 9 August 2023
Announcement of the poll results of the EGM .....	Wednesday, 9 August 2023

<b>Event</b>	<b>Time and Date (Hong Kong time)</b>
Register of members of the Company re-opens . . . . .	Thursday, 10 August 2023
Effective date of the Share Consolidation . . . . .	Friday, 11 August 2023
Commencement of dealings in the Consolidated Shares . . . . .	9:00 a.m. on Friday, 11 August 2023
Original counter for trading in Existing Shares in the board lot size of 5,000 Existing Shares (in the form of existing share certificates) temporarily closes . . . . .	9:00 a.m. on Friday, 11 August 2023
Temporary counter for trading in the Consolidated Shares in the board lot size of 250 Consolidated Shares (in the form of existing share certificates) opens . . . . .	9:00 a.m. on Friday, 11 August 2023
First day of free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	Friday, 11 August 2023
Last day of dealings in the Consolidated Shares on a cum-rights basis . . . . .	Friday, 11 August 2023
First day of dealings in the Consolidated Shares on an ex-rights basis. . . . .	Monday, 14 August 2023
Latest time for lodging transfer of Consolidated Shares in order to qualify for the Rights Issue . . . . .	4:00 p.m. on Tuesday, 15 August 2023
Register of members of the Company closes for determining entitlements to the Rights Issue (both days inclusive) . . . . .	Wednesday, 16 August 2023 to Tuesday, 22 August 2023
Record Date for determining entitlements to the Rights Issue . . . . .	Tuesday, 22 August 2023
Register of members of the Company re-opens . . . . .	Wednesday, 23 August 2023

<b>Event</b>	<b>Time and Date (Hong Kong time)</b>
Despatch of the Prospectus Documents to the Qualifying Shareholders (in the case of the Non-Qualifying Shareholders, the Prospectus only) . . . . .	Wednesday, 23 August 2023
First day of dealings in nil-paid Rights Shares . . . . .	Friday, 25 August 2023
Original counter for trading in the Consolidated Shares in the board lot size of 5,000 Consolidated Shares (in the form of new share certificates) reopens . . . . .	9:00 a.m. on Friday, 25 August 2023
Parallel trading in the Consolidated Shares (in the form of both existing share certificates and new share certificates) commences . . . . .	9:00 a.m. on Friday, 25 August 2023
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . .	9:00 a.m. on Friday, 25 August 2023
Latest time for splitting of the PAL(s) . . . . .	4:00 p.m. on Tuesday, 29 August 2023
Last day of dealings in nil-paid Rights Shares. . . . .	Friday, 1 September 2023
Latest Time for Acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Wednesday, 6 September 2023
Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain. . . . .	4:00 p.m. on Thursday, 7 September 2023
Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements . . . . .	Monday, 11 September 2023
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent. . . . .	Tuesday, 12 September 2023

<b>Event</b>	<b>Time and Date (Hong Kong time)</b>
Latest time of placing of Unsubscribed Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Thursday, 14 September 2023
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares . . . . .	4:00 p.m. on Thursday, 14 September 2023
Temporary counter for trading in the Consolidated Shares in the board lot size of 250 Consolidated Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Thursday, 14 September 2023
Parallel trading in the Consolidated Shares (represented by both existing share certificates and new share certificates) ends . . . . .	4:10 p.m. on Thursday, 14 September 2023
Latest time to terminate the Underwriting Agreement and for the Rights Issue to become unconditional . . . . .	4:00 p.m. on Friday, 15 September 2023
Latest time for free exchange of existing share certificates for new share certificates for the Consolidated Shares . . . . .	4:00 p.m. on Monday, 18 September 2023
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares by the Placing Agent and the amount of the Net Gain per Unsubscribed Rights Share under the Compensatory Arrangements) . . . . .	Friday, 22 September 2023
Despatch of certificates for fully-paid Rights Shares and refund cheques, if any . . . . .	Monday, 25 September 2023
Commencement of dealings in the fully-paid Rights Shares . . . . .	9:00 a.m. on Tuesday, 26 September 2023
Payment of Net Gain to relevant No Action Shareholders (if any) . . . . .	Wednesday, 11 October 2023

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

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

- (a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same Business Day; or
- (b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on or before 4:00 p.m. on Wednesday, 6 September 2023, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

## **GEM LISTING RULES IMPLICATIONS**

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

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

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

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

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

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

As at the date of this announcement, the Company does not believe that the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular relating to, among others, the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and the transactions contemplated thereunder does not comply with other applicable rules and regulations.

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

As at the date of this announcement, the Underwriters (which are parties acting in concert) and parties acting in concert with any of them:

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

- (vi) have not dealt in any securities of the Company in the 6-month period preceding to and including the date of this announcement; and
- (vii) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the date of this announcement,

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

## **EGM**

The register of members of the Company will be closed from Thursday, 3 August 2023 to Wednesday, 9 August 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM. For the avoidance of doubt, the Non-Qualifying Shareholders are entitled to attend and vote at the EGM.

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

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

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

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

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

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

The Independent Financial Adviser 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 Underwriting Agreement, the Placing Agreement and the Whitewash Waiver are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM.

## **DESPATCH OF CIRCULAR AND PROSPECTUS DOCUMENTS**

The Circular containing, among other things, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the EGM, will be despatched to the Shareholders in due course. As additional time is required to prepare the aforesaid information to be included in the Circular, the Circular is expected to be despatched to the Shareholders on or before Tuesday, 25 July 2023.

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

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

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

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

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

## **DEFINITIONS**

Terms used in this announcement have the following meanings unless the context otherwise requires:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Circular”	a circular of the Company to be despatched to the Shareholders containing, among other things, (i) further details of the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (ii) a letter of recommendations from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement, the Underwriting Agreement and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the GEM Listing Rules and the Takeovers Code; and (v) a notice convening the EGM

“Company”	Classified Group (Holdings) Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (stock code: 8232)
“Compensatory Arrangements”	the arrangements involving the placing of the Unsubscribed Rights Shares, if any, by the Placing Agent in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected persons”	has the meaning ascribed thereto under the GEM Listing Rules
“Consolidated Shares”	the ordinary share(s) of par value of HK\$0.2 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	the director(s) of the Company for the time being
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Share Consolidation, the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
“Existing Shares”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company before the Share Consolidation becoming effective
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$8,000,000 divided into 800,000,000 Existing Shares to HK\$40,000,000 divided into 4,000,000,000 Existing Shares (or 200,000,000 Consolidated Shares after the Share Consolidation becoming effective)
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors who have no direct or indirect interest in the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver, which will be established to advise the Independent Shareholders on the Rights Issue, the Underwriting Agreement, the Placing Agreement and the Whitewash Waiver
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed by the Securities and Futures Commission to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to the Independent Board Committee and the Independent Shareholders
“Independent Shareholder(s)”	the Shareholder(s) other than: (i) the Underwriters and their respective associates; (ii) any parties acting in concert with each of the Underwriters; (iii) the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates; and (iv) those who are involved in or interested in the Rights Issue, the Placing Agreement, the Underwriting Agreement or the Whitewash Waiver, including but not limited to the Underwriters and parties acting in concert with any of them
“Independent Third Party(ies)”	any individual(s) or company(ies) not being the connected persons (as defined under the GEM Listing Rules) of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associate(s)
“Irrevocable Undertakings”	the irrevocable undertakings executed by Wiltshire Global and Peyton Global in favour of the Company, the principal terms of which are disclosed in the section headed “The Irrevocable Undertakings” in this announcement
“Last Trading Day”	6 July 2023, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement

“Latest Placing Time”	4:00 p.m. on Thursday, 14 September 2023, or such later date and time as the Company may announce, being the latest date and time for the Placing Agent to execute the Compensatory Arrangements
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 6 September 2023 or such later time or date as may be agreed between the Company and the Underwriters in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Friday, 15 September 2023 or such later time or date as may be agreed between the Company and the Underwriters in writing, which shall be the latest time for termination of the Underwriting Agreement
“Mr. Pong”	Mr. Pong Kin Yee, who is an executive Director, and the sole owner Peyton Global as at the date of this announcement
“Mr. Wong”	Mr. Wong Arnold Chi Chiu, who is the chairman of the Board and an executive Director, and the sole owner of Wiltshire Global as at the date of this announcement
“Net Gain”	the aggregate of any premium (being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees)
“Nil-Paid Rights”	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid
“No Action Shareholder(s)”	those Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any Nil-Paid Rights at the time such Nil-Paid Rights are lapsed, or Non-Qualifying Shareholders (as the case may be)
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company

“Overseas Shareholder(s)”	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL(s)”	the renounceable provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Peyton Global”	Peyton Global Limited, a company incorporated in the British Virgin Islands, which is legal and beneficial owner of 68,000,000 Existing Shares as at the date of this announcement and is wholly owned by Mr. Pong
“Placee(s)”	professional, institutional or other investor(s), who and whose ultimate beneficial owner(s) shall not be a Shareholder and shall be Independent Third Party(ies) and not acting in concert with the Underwriters and their respective concert parties (including Mr. Wong, Mr. Pong) and/or any of the Company’s connected persons procured by the Placing Agent and/or its sub-placing agent(s) to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares by the Placing Agent to the Placees on the terms and subject to the conditions of the Placing Agreement under the Compensatory Arrangements
“Placing Agent”	Aristo Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 6 July 2023 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus (including any supplementary prospectus, if any) to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) in connection with the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Prospectus Posting Date”	Wednesday, 23 August 2023 or such other date as may be agreed in writing between the Company and the Underwriters, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders (or in case of Non-Qualifying Shareholder(s), the Prospectus only)

“Public Float Requirement”	the public float requirement under Rule 11.23 of the GEM Listing Rules
“Qualifying Shareholder(s)”	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Non-Qualifying Shareholder(s)
“Record Date”	Tuesday, 22 August 2023, or on such other date as the Company may determine, being the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Rights Issue”	the proposed issue of 33,450,000 Rights Shares at the Subscription Price on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held at the close of business on the Record Date payable in full on acceptance
“Rights Shares”	up to 33,450,000 new Consolidated Shares to be allotted and issued under the Rights Issue
“Scale-down PAL Shares”	such number of Rights Shares applied for under the PAL(s) which would, if allotted by the Company, result in the failure to comply with the Public Float Requirement on the part of the Company
“Scaling-down”	the scale-down mechanisms of the Rights Issue as determined by the Company to which any application for the Rights Shares or transferees of the nil-paid Rights shall be subject to ensure that no application for the Rights Shares or the allotment thereof by the Company shall be at such level which may trigger non-compliance with the Public Float Requirement on the part of the Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s) and/or the Consolidated Share(s), as the case may be
“Share Consolidation”	the consolidation of every twenty (20) issued and unissued Existing Shares of HK\$0.01 each into one (1) Consolidated Share of HK\$0.2 each
“Shareholder(s)”	holder(s) of the issued Share(s)

“Shareholders’ Loans”	the amount due from the Group to Mr. Wong and Mr. Pong from time to time, which amounted to approximately HK\$4.9 million and HK\$5.9 million respectively as at the date of this announcement
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.426 per Rights Share
“substantial shareholder(s)”	has the same meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriters”	Wiltshire Global and Peyton Global, each an “Underwriter”
“Underwriting Agreement”	the underwriting agreement dated 6 July 2023 and entered into between the Company, the Underwriters, Mr. Wong and Mr. Pong in relation to the Rights Issue, and as revised, supplemented and/or amended from time to time in accordance with its terms
“Underwritten Shares”	up to an aggregate of 25,249,500 Rights Shares to be underwritten by the Underwriters on fully underwritten basis pursuant to the terms and conditions of the Underwriting Agreement
“Unsubscribed Rights Shares”	those Rights Shares that are not subscribed by the Qualifying Shareholders and the NQS Unsold Rights Shares
“Untaken Rights Shares”	all the Unsubscribed Rights Shares that are not placed by the Placing Agent
“Whitewash Waiver”	a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of the Underwriters to make a mandatory general offer for all the issued Shares not already owned or agreed to be acquired by the Underwriters and parties acting in concert with them any of which would otherwise arise as a result of the taking up the Underwritten Shares
“Wiltshire Global”	Wiltshire Global Limited, a company incorporated in the British Virgin Islands, which is legal and beneficial owner of 41,340,000 Existing Shares as at the date of this announcement and is wholly owned by Mr. Wong
“%”	per cent

For and on behalf of the Board  
**Classified Group (Holdings) Limited**  
**WONG Arnold Chi Chiu**  
*Chairman and Executive Director*

Hong Kong, 6 July 2023

*As at the date of this announcement, the executive directors of the Company are Mr. WONG Arnold Chi Chiu, Mr. PONG Kin Yee and Mr. LI Kai Leung and the independent non-executive directors of the Company are Dr. CHAN Kin Keung Eugene, Mr. NG Chun Fai Frank and Mr. YUE Man Yiu Matthew.*

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

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.*

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the day of its posting. This announcement will also be published on the Company’s website at [www.classifiedgroup.com.hk](http://www.classifiedgroup.com.hk).*