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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Royal Century Resources Holdings Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to sell, dispose, acquire, purchase or subscribe for any securities of the Company.

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## Royal Century Resources Holdings Limited

仁德資源控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8125)**

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE  
HELD ON THE RECORD DATE;  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



中毅資本有限公司  
Grand Moore Capital Limited

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

A letter from the Board is set out on pages 10 to 33 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 34 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 70 of this circular.

A notice convening the EGM to be held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 1 November 2023 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-3 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Share Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. Monday, 30 October 2023 at 11:00 a.m.) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares and is subject to the fulfilment of conditions set out in the section headed "Letter from the Board – Conditions of the Rights Issue" in this circular. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers. In the event that the Rights Issue is not fully subscribed, the Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placées under the Compensatory Arrangements. The Placing Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue.

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the Share Consolidation and the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Share Consolidation and Rights Issue will be fulfilled:*

<b>Event</b>	<b>2023</b>
Despatch of circular with notice and form of proxy for the EGM . . . . .	Monday, 9 October
Latest time and date for lodging transfers document in order to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Wednesday, 25 October
Closure of register of members of the Company for attending the EGM (both days inclusive) . . . . .	Thursday, 26 October to Wednesday, 1 November
Latest time and date for lodging proxy form for the EGM . . . . .	11:00 a.m. on Monday, 30 October
Record date for determining attendance and voting at the EGM . . . . .	Wednesday, 1 November
EGM . . . . .	11:00 a.m. on Wednesday, 1 November
Announcement of poll results of the EGM . . . . .	Wednesday, 1 November
Register of members of the Company re-opens . . . . .	Thursday, 2 November
<b>The following events are conditional on the fulfilment of the conditions relating to the implementation of the Share Consolidation and the Rights Issue and therefore the dates are tentative only.</b>	
Effective date for the Share Consolidation . . . . .	Friday, 3 November
Commencement of dealing in the Consolidated Shares . . . . .	9:00 a.m. on Friday, 3 November
Original counter for trading in the Existing Shares in board lot of 8,000 Existing Shares (in the form of existing share certificates) temporarily closes . . . . .	Friday, 3 November
Temporary counter for trading in the Consolidated Shares in board lot of 1,600 Consolidated Shares (in the form of existing share certificates) opens . . . . .	Friday, 3 November

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## EXPECTED TIMETABLE

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Event	2023
First day of free exchange of existing share certificates for new share certificate for Consolidated Shares commences . . . . .	Friday, 3 November
Last day of dealing in the Consolidated Shares on a cum-right basis . . . . .	Friday, 3 November
First day of dealing in the Consolidated Shares on an ex-right basis . . . . .	Monday, 6 November
Latest time for the Shareholders to lodge transfer of Shares in order to qualify for the Rights Issue . . . . .	4:30 p.m. on Tuesday, 7 November
Closure of register of members of the Company for the Rights Issue (both dates inclusive) . . . . .	Wednesday, 8 November to Tuesday, 14 November
Record Date for determining entitlements to the Rights Issue . . . . .	Tuesday, 14 November
Register of members of the Company re-opens . . . . .	Wednesday, 15 November
Despatch of Prospectus Documents . . . . .	Wednesday, 15 November
First day of dealings in nil-paid Rights Shares . . . . .	Friday, 17 November
Original counter for trading in the Consolidated Shares in board lot of 8,000 Consolidated Shares (in the form of new share certificates) re-opens . . . . .	9:00 a.m. on Friday, 17 November
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) commences . . . . .	9:00 a.m. on Friday, 17 November
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, 17 November
Latest time for splitting nil-paid Rights Shares . . . . .	4:30 p.m. on Tuesday, 21 November
Last day of dealings in nil-paid Rights Shares . . . . .	Friday, 24 November
Latest time for acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Wednesday, 29 November

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## EXPECTED TIMETABLE

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Event	2023
Announcement of the number of the Placing Shares subject to the Compensatory Arrangements . . . . .	Monday, 4 December
Commencement of placing of the Placing Shares by the Placing Agent . . . . .	Tuesday, 5 December
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares . . . . .	4:00 p.m. on Thursday, 7 December
Temporary counter for trading in the Consolidated Shares in board lots of 1,600 Consolidated Shares (in the form of existing share certificates) closes . . . . .	4:10 p.m. on Thursday, 7 December
Parallel trading in the Consolidated Shares (in the form of new share certificates and existing share certificates) ends . . . . .	4:10 p.m. on Thursday, 7 December
Last day for free exchange of existing share certificates of Existing Shares for new share certificates of Consolidated Shares . . . . .	Monday, 11 December
Latest time of placing of the Placing Shares by the Placing Agent . . . . .	6:00 p.m. on Tuesday, 12 December
Last day for the Rights Issue and placing of the Placing Shares to become unconditional . . . . .	Tuesday, 12 December
Announcement of results of the Rights Issue (including results of the placing of the Placing Shares and the amount of the Net Gain per Placing Share under the Compensatory Arrangements) . . . . .	Wednesday, 13 December
Refund cheques to be despatched (if the Rights Issue does not proceed) . . . . .	Thursday, 14 December
Certificates for fully-paid Rights Shares to be despatched . . . . .	Thursday, 14 December
Expected commencement of dealings in fully-paid Rights Shares . . . . .	9:00 a.m. on Friday, 15 December

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## EXPECTED TIMETABLE

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<b>Event</b>	<b>2023</b>
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Payment of Net Gain to relevant No Action Shareholders or Excluded Shareholders . . . . .	Friday, 29 December
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All times and dates in this circular refer to Hong Kong local times and dates.

Dates or deadlines specified in the expected timetable above or in other parts of this circular are indicative only and may be extended or varied by the Company. Any change to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

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## EXPECTED TIMETABLE

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

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or “extreme conditions” caused by super typhoons announced by the government of Hong Kong or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 29 November 2023. Instead the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same business day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 29 November 2023. Instead the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

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



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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the meanings as set out below:*

“Board”	the board of Directors
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“ChaoShang”	Hong Kong ChaoShang Group Limited, a shareholder of the Company
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Royal Century Resources Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on GEM of the Stock Exchange
“Compensatory Arrangements”	placing of the Placing Shares by the Placing Agent
“Consolidated Shares”	ordinary shares of the Company immediately after the Share Consolidation becoming effective
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 1 November 2023 at 11:00 a.m. (or any adjournment thereof) to consider and approve the Share Consolidation and the Rights Issue
“ES Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form that have not been sold by the Company
“Excluded Shareholders”	those Overseas Shareholders whom the Rights Shares are not offered
“Existing Shares”	ordinary shares of the Company before the Share Consolidation becoming effective
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors and is established to advise the Independent Shareholders in respect of the the Rights Issue
“Independent Financial Adviser”	Grand Moore Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM
“Independent Third Parties”	third parties independent of and not connected with the Company and its connected persons
“Last Trading Day”	15 September 2023, being the last full trading day before the publication of the announcement in respect of the Rights Issue
“Latest Practicable Date”	5 October 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 29 November 2023, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Net Gain”	any premiums paid by the Placees over the Subscription Price for the Placing Shares placed by the Placing Agent
“Nil Paid Rights”	rights to subscribe for Rights Shares before the Subscription Price is paid

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## DEFINITIONS

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“No Action Shareholders”	Qualifying Shareholders or their renounees who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or such persons who are holders of Nil Paid Rights at the time such Nil Paid Rights lapse
“Overseas Shareholders”	the Shareholders (whose names appears on the register of members of the Company at the close of business on the Record Date) with registered addresses outside Hong Kong
“PALs”	the provisional allotment letters to be issued to the Qualifying Shareholders
“Placees”	individuals, corporate, institutional investors or other investors, procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares
“Placing Agent”	SBI E2-Capital Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place the Placing Shares under the Compensation Arrangements
“Placing Agreement”	the placing agreement dated 15 September 2023 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing Shares”	the Unsubscribed Rights Shares and the ES Unsold Right Shares
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issues
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	15 November 2023 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders
“Qualifying Shareholders”	Shareholders, other than the Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date

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## DEFINITIONS

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“Record Date”	14 November 2023 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Rights Issue”	the issue of the Rights Shares by way of rights on the basis of five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date at the Subscription Price
“Rights Shares”	up to 156,780,000 new Consolidated Shares to be allotted and issued pursuant to the Rights Issue
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the Existing Shares and/or Consolidated Shares, as the case may be
“Share Consolidation”	the consolidation of every five issued Existing Shares into one Consolidated Share
“Shareholders”	holders of the Shares
“Share Registrar”	Tricor Investor Services Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.23 per Rights Share under the Rights Issue
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders

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LETTER FROM THE BOARD

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**Royal Century Resources Holdings Limited**

**仁德資源控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8125)**

*Executive Directors:*

Mr. Chan Chi Yuen (*Chairman*)

Mr. Wang Jun

Mr. Yau Yan Yuen

*Registered office:*

Suite 2201, 22/F.

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

*Independent non-executive Directors:*

Mr. Chan Chiu Hung Alex

Mr. Wu Zhao

Mr. Lam Cheok Va

9 October 2023

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED SHARE CONSOLIDATION;  
(2) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
FIVE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE  
HELD ON THE RECORD DATE;  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with, among other things, (i) further details of the Share Consolidation and the Rights Issue; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM.

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## LETTER FROM THE BOARD

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### PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every five issued Existing Shares be consolidated into one Consolidated Share.

#### Effects of the Share Consolidation

As at the Latest Practicable Date, there are 156,780,000 Existing Shares in issue. Assuming there will be no change in the number of issued Existing Shares from the Latest Practicable Date up to the effective date of the Share Consolidation, there will be 31,356,000 Consolidated Shares in issue.

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

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

#### Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of the resolution by the Shareholders to approve the Share Consolidation at the EGM;
- (ii) the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- (iii) the compliance with the relevant procedures and requirements under the Hong Kong laws (where applicable) and the GEM Listing Rules to effect the Share Consolidation.

#### Listing application

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.

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## LETTER FROM THE BOARD

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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 the HKSCC, the Consolidated Shares will be accepted as eligible securities by the 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 the HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any 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.

### **OTHER ARRANGEMENTS**

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

Fractional Consolidated Shares, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares 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 share certificates held by such holder.

Shareholders who are concerned about losing out on any fractional entitlement are recommended to consult their licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser and may wish to consider the possibility of buying or selling Existing Shares in a number sufficient to make up an entitlement to receive a whole number of Consolidated Shares.

#### **Odd lots trading arrangement**

To facilitate the trading of odd lots of the Consolidated Shares, the Company has appointed Ceba Alliance Securities Limited as an agent to provide 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 during the period from 9:00 a.m. on Friday, 17 November 2023 to 4:00 p.m. on Thursday, 7 December 2023. Shareholders who wish to take advantage of this facility should contact Mr. Paul Kwan of Ceba Alliance Securities Limited at Flat B, 19/F, Guangdong Investment Building, 148 Connaught Road Central, Sheung Wan, Hong Kong (telephone number: 3102 4100) during office hours of such period.

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## LETTER FROM THE BOARD

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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. Shareholders who are in any doubt about the odd lots trading arrangement are recommended to consult their own professional advisers.

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

### **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, which is currently expected to be on 3 November 2023, Shareholders may, on or after 3 November 2023 and until 11 December 2023 (both days inclusive) and during business hours, submit their existing share certificates in yellow colour for the Existing Shares to the Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong in exchange for new share certificates in gold colour for the Consolidated Shares at the expenses of the Company.

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

After 4:10 p.m. on Thursday, 7 December 2023, trading will only be in Consolidated Shares and existing share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares on the basis of five Existing Shares for one Consolidated Share at any time but will cease to be valid for delivery, trading, registration and settlement purposes.

### **NO CHANGE IN BOARD LOT SIZE**

The existing board lot of 8,000 Shares will remain unchanged upon the Share Consolidation becoming effective. The value of the current board lot, based on the closing price of HK\$0.057 per Existing Share was HK\$456 as at the Last Trading Day. Upon the Share Consolidation becoming effective, the expected value of each board lot of 8,000 Consolidated Shares, based solely on the closing price of HK\$0.057 per Existing Share (equivalent to the theoretical closing price of HK\$0.285 per Consolidated Share) as at the Last Trading Day, is expected to be HK\$2,280.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF 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 a 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 on 28 November 2008 (and updated on 1 October 2020) has further stated that (i) 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.

Over the past 12 months, the existing board lot value of the Company has been less than HK\$2,000 and the Existing Shares has been trading at a closing price below HK\$0.1 since 1 January 2023. The Board considers that the proposed Share Consolidation, resulting in a theoretical value of HK\$0.285 per Consolidated Share (based on the closing price of HK\$0.057 per Existing Share as at the Last Trading Day), would enable the Company to avoid non-compliance with the trading requirements under the GEM Listing Rules. In addition, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but would also attract more investors and hence broaden the shareholder base of the Company.

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

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

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## LETTER FROM THE BOARD

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### Other corporate actions and fundraising activities in the next twelve months

As at the Latest Practicable Date, save for the proposed Rights Issue, (i) the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation; and (ii) the Company currently does not have any plan to conduct any equity fund-raising activities in the next 12 months after completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances and existing business plans and that the net proceeds from the Rights Issue may not satisfy such upcoming financing needs, the Board does not rule out the possibility that the Company may conduct further equity fund-raising exercises to support such future developments of the Group. The Company will make further announcements in this regard in accordance with the GEM Listing Rules as and when appropriate.

### PROPOSED RIGHTS ISSUE

The Company proposes the Rights Issue, details of which are summarised below:

#### Issue statistics

Assuming no further change in the number of issued Existing Shares on or before the effective date of the Share Consolidation and the Record Date:

Basis of Rights Issue	:	Five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.23 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	156,780,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	31,356,000 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 156,780,000 Rights Shares
Number of Consolidated Shares in issue immediately upon completion of the Rights Issue	:	Up to 188,136,000 Consolidated Shares

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## LETTER FROM THE BOARD

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Maximum funds raised before : Up to HK\$36.1 million (assuming all the Rights expenses Shares will be taken up)

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. The 156,780,000 Rights Shares to be issued under the Rights Issue represent (i) 500% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) 83.3% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

### **Non-underwritten basis**

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

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

### **Undertaking**

As at the Latest Practicable Date, ChaoShang is interested in 46,221,600 Existing Shares (or 9,244,320 Consolidated Shares upon the Share Consolidation becoming effective, representing 29.5% of the issued Shares). ChaoShang has irrevocably undertaken to the Company that it

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

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## LETTER FROM THE BOARD

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- (ii) will accept and subscribe in full for all the Rights Shares in which it beneficially entitles under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of the Rights Shares to be subscribed by it under the Rights Issue will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code in accordance with Rule 10.26(2) of the GEM Listing Rules.

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

### **Subscription Price**

The Subscription Price of HK\$0.23 per Rights Share is payable in full when the Qualifying Shareholders accept the relevant provisional allotment of Rights Shares or when transferees of nil-paid Rights Shares accept the provisional allotment of the relevant Rights Shares. Assuming that all the Rights Shares are fully subscribed, the net price per Rights Share is estimated to be HK\$0.22.

The Subscription Price represents:

- (i) a discount of 19.3% to the theoretical closing price of HK\$0.285 per Consolidated Share based on the closing price of HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 17.9% to the theoretical average closing price of HK\$0.28 per Consolidated Share based on the average closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of 3.8% to the theoretical ex-rights price of HK\$0.239 per Consolidated Share based on the closing price of HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of 30.3% to the theoretical closing price of HK\$0.33 per Consolidated Share based on the closing price of HK\$0.066 per Existing Share as quoted on the Stock Exchange on the Last Practicable Date;

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## LETTER FROM THE BOARD

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- (v) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of 16.1% represented by the theoretical diluted price of HK\$0.239 to the benchmarked price of HK\$0.285 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.057 and the average closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day); and
- (vi) a discount of 85.0% over the audited net asset value per Consolidated Share of HK\$1.53 (based on the unaudited consolidated net asset value of the Group of HK\$48 million as at 31 March 2023 and 31,356,000 Consolidated Shares in issue upon the Share Consolidation becoming effective).

The Subscription Price was determined with reference to (i) the market price of the Existing Shares under the prevailing market conditions and the impact of the Share Consolidation; (ii) the prevailing market conditions of the capital market in Hong Kong which has been volatile and on a downward trend since the beginning of this year; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as detailed in this circular. The Board is of the view that (i) as the Shares have been trading substantially below the net asset value of the Company, it is necessary to set the Subscription Price with reference to its market price instead of its net asset value; (ii) as it is a common practice for listed companies to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue, it is beneficial to the Company to follow the market practice to set the Subscription Price at a discount to the prevailing market price of the Shares to encourage the Shareholders to participate in the future growth of the Group; and (iii) as the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, it is reasonable to set the Subscription Price at a discount to the recent market price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Given the above, the Board considers 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.

### **Basis of provisional allotment**

The basis of the provisional allotment shall be five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date. The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Share Registrar on or before the Latest Time for Acceptance.

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## LETTER FROM THE BOARD

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### **Qualifying Shareholders**

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be an Excluded Shareholder on the Record Date. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant documents for transfer of Shares (with the relevant share certificates) with the Share Registrar at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 7 November 2023.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. For Shareholders whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Share Registrar for registration no later than 4:30 p.m. on Tuesday, 7 November 2023.

The last day of dealings in the Consolidated Shares on a cum-rights basis is Friday, 3 November 2023. The Consolidated Shares will be dealt with on an ex-rights basis from Monday, 6 November 2023. If a Qualifying Shareholder does not take up his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

### **Rights of Overseas Shareholders**

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

Based on the register of members of the Company, there is no Overseas Shareholder as at the Latest Practicable Date. If there is any Overseas Shareholder on the Record Date, the Company will make enquiries pursuant to Rule 17.41(1) of the GEM Listing Rules regarding the feasibility of extending the Rights Issue to the Overseas Shareholders under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If it is in the opinion of the Board that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholders from the Rights Issue, no Rights Share (whether in nil paid or fully-paid form) will be offered to such Overseas Shareholders. The basis for excluding the Excluded Shareholders from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus to the Excluded Shareholders for their information only but will not send any PAL to them. The Company reserves the right to treat as invalid any acceptance of or application 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, Excluded Shareholders should exercise caution when dealing in the Shares.

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## LETTER FROM THE BOARD

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Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in their nil-paid form to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholders in Hong Kong dollars. In view of the administrative costs, the Company will retain individual amounts of less than HK\$100 for its own benefit.

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

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

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the Rights Shares.

### **Fractional entitlement to the Rights Shares**

On the basis of provisional allotment of five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders on the Record Date, no fractional entitlement to the Rights Shares will arise under the Rights Issue.

### **Compensatory Arrangements**

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule to dispose of the Placing Shares by offering the Placing Shares to independent Placees for benefit of the Shareholders to whom they are offered by way of the Rights Issue. There will be no excess application arrangement in relation to the Rights Issue.

The Company has appointed the Placing Agent to place the Placing Shares after the Latest Time for Acceptance of the Rights Shares to independent Placees on a best effort basis. The Placing Agent will, on a best effort basis, procure, by not later than 6:00 p.m., on Tuesday, 12 December 2023, acquirers for all (or as many as possible) of those Placing Shares. Any premium over the Subscription Price and the expenses of procuring such acquirers (including commission and other related expenses/fees) that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. All Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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## LETTER FROM THE BOARD

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

- (i) 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 (unless that person is covered by (iii) below);
- (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 holders of those nil-paid rights in CCASS (unless that they are covered by (iii) below);
- (iii) where the Rights Issue is extended to the Overseas Shareholders and whose entitlements to the Rights Shares were not taken up, to such Overseas Shareholders.

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

### PLACING AGREEMENT

On 15 September 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Places, on a best effort basis, to subscribe for the Placing Shares. Details of the Placing are as follows:

- |               |   |  |
|---------------|---|--|
| Date          | : | 15 September 2023  |
| Parties       | : | (i) the Company, as issuer; and<br>(ii) the Placing Agent  |
| Placing Agent | : | SBI E2-Capital Securities Limited, appointed as the Placing Agent to place the Placing Shares on a best effort basis. The Placing Agent has confirmed that it is an Independent Third Party. |



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## LETTER FROM THE BOARD

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- Fees and expenses : 1% of the amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.
- Placing price of the Placing Shares : The placing price of the Placing Shares shall be at least equal to the Subscription Price. The final price is dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The individuals, corporate, institutional investors or other investors procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares.
- Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Termination : The Placing shall end on Tuesday, 12 December 2023 or any other date by mutual written agreement between the Placing Agent and the Company.
- The engagement of the Placing Agent may be terminated by the Placing Agent in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill their respective duties and responsibilities under the engagement. However, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the sole opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.
- Conditions precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):

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## LETTER FROM THE BOARD

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- (i) the passing by the Shareholders (including the Independent Shareholders) at the EGM of the necessary resolutions to approve the Share Consolidation and the Rights Issue;
- (ii) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares (including the Placing Shares);
- (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the above conditions (other than those set out in paragraphs (i) and (ii) above) by notice in writing to the Company.

Completion : Placing completion shall take place on 15 December 2023 or such other date as the Company and the Placing Agent may agree in writing.

The Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) such that no Placee shall become a substantial Shareholder immediately following the Placing; (iii) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable of complying with the public float requirements under the GEM Listing Rules immediately following the Placing. The Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

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## LETTER FROM THE BOARD

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The engagement between the Company and the Placing Agent for the placing of the Placing Shares was determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue and the market conditions. It is noted that the placing commission of the companies listed on the Main Board or GEM of the Stock Exchange having announced rights issue in the past three months ranged from 0.5% to 3.0% with an average of 1.4%. As such, the placing commission of 1% pursuant to the Placing Agreement falls within range and is below the average figure. As the relatively lower placing commission in the Placing Agreement will lead to lower costs of the Rights Issue which is in the interest of the Company and its shareholders, the Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal commercial terms.

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

### **Application for listing**

The Company will apply 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. The nil-paid and fully-paid Rights Shares shall have the same board lot size as the Shares, i.e. 8,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

### **Eligibility for admission into CCASS**

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms 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 dealers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

### **Stamp duty and other applicable fees**

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

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## LETTER FROM THE BOARD

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### **Taxation**

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposal of, or dealing in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders as regards to their receipt of the net proceeds of sale of the 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 should be noted 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, dealing in or exercising any right in relation to the Shares or the Rights Shares.

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

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for all fully paid Rights Shares and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Thursday, 14 December 2023.

### **Conditions of the Rights Issue**

The Rights Issue is conditional upon:

- (i) the passing by the Shareholders (including the Independent Shareholders) at the EGM of the resolution to approve the Share Consolidation and the Rights Issue by no later than the Prospectus Posting Date;
- (ii) the Share Consolidation having become effective no later than the Prospectus Posting Date;
- (iii) the GEM Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (iv) the delivery to the Stock Exchange and the filing and registration with the Companies Registry in Hong Kong respectively one duly certified copy of each of the Prospectus and the PAL (and all other documents required to be attached thereto) in compliance with the Companies (WUMP) Ordinance and the GEM Listing Rules by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only by the Prospectus Posting Date; and
- (vi) the Placing Agreement not being terminated.

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## LETTER FROM THE BOARD

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The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. As the Rights Issue is subject to the above conditions, it may or may not proceed.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 8 November to Tuesday, 14 November 2023 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

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

The Group is principally engaged in (i) the provision of fitting out and engineering, design and procurement of furnishings and related products services (the “Engineering Business”); (ii) the leasing of construction equipment (the “Leasing Business”); (iii) the sourcing and merchandising of fine and rare wines; and (iv) the provision of financial services comprising securities and money lending businesses.

Assuming all the Rights Shares are taken up or all Placing Shares are placed to Placees, it is estimated that net proceeds of the Rights Issue (after deducting the related expenses) will amount to HK\$35 million, of which the Company intends to apply as to (i) HK\$20 million (representing 57% of the net proceeds) for the development and expansion of the securities business; (ii) HK\$10 million (representing 29% of the net proceeds) as working capital for the Engineering Business and the Leasing Business to accommodate the anticipated increase in demand for these two business segments; and (iii) HK\$5 million (representing 14% of the net proceeds) for general corporate and administrative expenses (e.g. staff costs, professional fees and office rent) for 2024 and 2025. In the event that the Rights Issue is undersubscribed and the Placing Shares are not fully placed, the net proceeds will be reduced and utilised on a pro rata basis as set out above.

The Engineering Business provides design, fitting out and engineering services to contractors in both private and public sectors who are involved in a variety of construction projects such as public housing maintenance and improvement as well as vacant flat refurbishment. As disclosed in the Company’s 2023 annual report, the revenue generated from this business segment recorded an increase of HK\$12.1 million from the previous financial year to HK\$45.9 million for the year ended 31 March 2023. On the other hand, for the same year, income from the Leasing Business dropped by HK\$6.6 million to HK\$6.7 million due to the decrease in the leasing of scaffolding equipment as a result of the delay in construction projects amid the COVID-19 pandemic. The Board believes that as the economic condition in Hong Kong continues to recover from the COVID-19 pandemic, the construction projects in Hong Kong will increase and will thus stimulate the demand for the Engineering Business and the Leasing Business.

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## LETTER FROM THE BOARD

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The Group's securities business is licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities. However, due to the lack of funding for fulfilling the licensing requirements of the SFC and as working capital to expand the business, there are conditions imposed on the regulated activities. As a result, the Group is not able to provide full services under the business (e.g. underwriting, placing, margin financing, portfolio management, etc.) even though the Group has been receiving enquiries for such services from time to time and the business has been operating in one office with limited number of customers. The business presently provides securities advice to clients (solicited through referrals and networks of the management staff of the business) and completes the securities services (e.g. subscription of shares under placing and underwriting) to clients by working with other fully licensed corporations and its income sources are mainly commission income from introducing brokerage services.

According to the Financial Review of the Securities Industry for the years ended 31 December 2018 and 2022 issued by the SFC, the numbers of active cash clients and active margin clients in Hong Kong increased from 0.5 million and 1.4 million in 2018 to 2.2 million and 2.4 million in 2022 while the number of securities dealers and securities margin financiers stayed at a level of around 1,400, indicating substantial upward trend in market demand for securities trading and margin financing services but levelling-off in service provision. On the other hand, the average daily turnover on the Stock Exchange was significantly down by 25% from 2021 to 2022 and the net profit of all securities dealers and securities margin financiers was down much by 65% from 2021 to 2022. It is also noted that in 2020, the stock market in Hong Kong set new trading activity records, in which the trading volumes on both Stock Connect reached new highs. The above market data presented a long term opportunity for the Hong Kong securities market riding on a strong foundation with growth potential but a short term and deep adjustment of the market for the time being.

In August 2023, Hong Kong government established a task force to make improvement proposals to increase the liquidity of the Hong Kong stock market and strengthen Hong Kong's competitiveness as an international financial centre. This task force will holistically review key internal and external factors affecting stock market liquidity (including the listing regime, market structure and trading mechanism) and make recommendations to the government with a view to promoting the sustainable development of Hong Kong's stock market. In addition, in the same month, China Securities Regulatory Commission and the SFC jointly announced block trading arrangements under the Stock Connect arrangement for offshore investors to conduct block trades via Northbound Trading on the Shanghai and Shenzhen stock exchanges and for investors from Mainland China to conduct manual trades via Southbound Trading on the Stock Exchange. This cross-border block trading initiative is intended to provide more trading mechanisms, enhance trading efficiency and promote the mutual development of both capital markets in China and Hong Kong.

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## LETTER FROM THE BOARD

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The Board believes that both the Hong Kong and Chinese governments are determined and serious in strengthening the competitiveness of the Hong Kong stock market as an international financial centre by taking forward measures in the short, medium and long term. Being reassured by these top down favourable policies of the Hong Kong and Chinese governments, the Board considers it beneficial for the Group to seize this opportunity to expand its securities business to tap on the development opportunities offered by such government initiatives. The Board also noted the increasing enquiries made to the Group (enquires from around 10 existing and new clients in the past couple of months from basically zero enquiry in the 12-month period beforehand) for more securities services (e.g. placing, underwriting and margin financing) in the past couple of months. Although the enquiries are still limited, the Board is much encouraged by this trend because such services, which it is currently not able to provide, have never been actively promoted by the Group and the enquiries were initiated by potential clients. As such, the Board is confident that more businesses will come in when the Group is able to offer full services. The Board understands that the local economy has been suffering mainly due to external and short term factors as evidenced by the market data detailed above, but at the same time, it provides opportunity for the Group to expand the business at much lower costs. Adding further the probable end of the interest rate hike cycle which would ignite recovery of the global economy including China and Hong Kong, the Board believes that it is feasible and practicable and it is now the Company's long-awaited right timing to expand the securities business. The Board, intends to uplift the licensing conditions in order to be able to operate its securities business in full scale. To cope with this business expansion, the Group plans to upgrade the hardware/software of its trading platform and recruit additional personnel in line with the widening of services/product offerings in underwriting, placing and margin financing. Among the funding of HK\$20 million to be used to develop the securities business, the Group intends to apply HK\$12 million for fulfilment of the licensing capital and deposit requirements and margin financing business, HK\$3 million for renovation and hardware upgrade and HK\$5 million for the operating and marketing costs of the business for the first year of operation. Based on the enquiries of the potential clients and the networks of the staff of the securities business, the Group estimates the scale/size of the fund raising amount conducted by it for its clients under full services (including initial public offering and secondary underwriting and placing) to be in the region between HK\$100-250 million (for which the Group will charge underwriting and placing commissions and fees) for the financial year of 2024/25. The Company believes such capital will be sufficient to meet the above-mentioned service targets for the first year of operation. The Group plans to provide portfolio management and investment services in the second year of full-service operation i.e. financial year of 2025/26. As the Group is yet to be able to provide full services and those services are timing-sensitive, the Group has not entered into any agreement with potential clients for full services as at the date of this circular.



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## LETTER FROM THE BOARD

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The Company will make an application to the SFC for uplifting the licensing conditions after completion of the Rights Issue and the Placing. The Group's application, in addition to having a minimum of 2 responsible officers who must meet the Fit and Proper Guidelines issued by the SFC, will mainly comprise a business plan (describing the business activities to be carried out and how those activities are controlled), a compliance manual (setting out policies and procedures for meeting regulatory requirements) and various submissions to address potential areas of regulatory concern. Other than the capital requirements (fulfillment of which is pending completion of the Rights Issue), the Company does not anticipate any other licensing requirement which the Group will be unable to fulfil. The SFC has a service pledge of approximately 4 months to process an application and the precise time will depend on a number of factors. Following approval of the SFC to the Company's proposal, the Company will implement the proposal according to the approval and the specific requirements given by the SFC. It is expected that the Group's securities business will be able to provide full services in the second half of 2024, by which time the overall government initiatives should have been formulated and implemented. As such, taking into account the time required to complete the Rights Issue and the subsequent time required for the Group to submit an application to the SFC, for the SFC to process the application and for the Group to implement the proposal according to the specific requirements given by the SFC, it is vital for the Group to seize the present opportunity to access to funding for implementation of the above business plan now.

The Board has considered other alternative means of fund raising, including debt financing, placing and open offer. However, the Board notes that bank borrowings, even if available, would result in substantial interest burden, higher gearing ratio and greater liquidity pressure of the Company. As for equity fund raising (such as placing), it will be relatively smaller in scale as compared to fund raising through the Rights Issue, not to mention that placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In view of the above, the Board considers that as compared to raising funds by other means, raising funds by way of the Rights Issue, which will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares, is an appropriate fund-raising method and is fair, cost effective, efficient and beneficial to the Company and its shareholders as a whole.



## LETTER FROM THE BOARD

### SHAREHOLDING STRUCTURES

Set out below is the shareholding structure of the Company, assuming there is no further change in the number of issued Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective; (iii) immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders; (iv) immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent; and (v) immediately after the Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders (other than ChaoShang) and all the remaining Placing Shares having been placed by Placing Agent:

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after Share Consolidation becoming effective and upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders		Immediately after Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders (other than ChaoShang) and none of the Placing Shares having been placed by Placing Agent		Immediately after Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders (other than ChaoShang) and all the remaining Placing Shares having been placed by Placing Agent		
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares <i>Note 1</i>	%	Number of Shares	%	
ChaoShang	46,221,600	29.5%	9,244,320	29.5%	55,465,920	29.5%	9,431,372	29.9%	55,465,920	29.5%	
Public Shareholders											
Independent Placees	<i>Note 2</i>	-	-	-	-	-	-	-	110,558,400	58.8%	
Public Shareholders		<u>110,558,400</u>	<u>70.5%</u>	<u>22,111,680</u>	<u>70.5%</u>	<u>132,670,080</u>	<u>70.5%</u>	<u>22,111,680</u>	<u>70.1%</u>	<u>22,111,680</u>	<u>11.7%</u>
		<u>156,780,000</u>	<u>100.0%</u>	<u>31,356,000</u>	<u>100.0%</u>	<u>188,136,000</u>	<u>100.0%</u>	<u>31,543,052</u>	<u>100.0%</u>	<u>188,136,000</u>	<u>100.0%</u>

**Notes:**

- The total number of Rights Shares to be subscribed by ChaoShang will be scaled down to such extent that the number of Shares held by it and its associates after completion of the Rights Issue will be only up to 9,431,372 Shares (or 29.9%) and will not trigger a general offer obligation under the Takeovers Code.
- As it is not expected that any of the individual Placees will become a substantial Shareholder immediately after completion of the Placing, the Placing Shares will form part of the public float of the Company.

### EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately before the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### GEM LISTING RULES IMPLICATIONS

The Share Consolidation is conditional upon approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Shareholder or its associates has any interest in the Share Consolidation, no Shareholder will be required to abstain from voting in favour of the resolution approving the Share Consolidation at the EGM.

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue. As at the date of Latest Practicable Date, the Company has no controlling Shareholder and none of the Directors and their respective associates hold any Share. Accordingly, no Shareholder is required to abstain from voting in favour of the proposed resolution approving the Rights Issue at the EGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus Documents containing further information the Rights Issue are expected to be despatched to the Qualifying Shareholders on 15 November 2023.

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

Shareholders and potential investors of the Company should note that the Rights Issue is subject to fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Any dealing in the Shares from the date of this circular up to the date on which all the conditions of the Rights Issue are fulfilled, and any Shareholder dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders or other persons contemplating any dealing in the Shares and/or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

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## LETTER FROM THE BOARD

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### **EGM**

A notice convening the EGM to be held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 1 November 2023 at 11:00 a.m. at which ordinary resolutions will be proposed to consider and approve the Share Consolidation and the Rights Issue is set out on pages EGM-1 to EGM-3 of this circular. All the resolutions to be proposed at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company after the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon in any event no later than Monday, 30 October 2023 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

### **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Thursday, 26 October 2023 to Wednesday, 1 November 2023 (both days inclusive) for determining the entitlement for attendance and voting at the EGM. No transfer of Shares will be registered during the above book closure periods.

### **RECOMMENDATION**

The Directors consider that the Share Consolidation and the Rights Issue are on normal commercial terms, and are fair and reasonable so far as the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolutions approving, the Share Consolidation and the Rights Issue to be proposed at the EGM.

Shareholders are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolutions to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of the Board  
**Royal Century Resources Holdings Limited**  
**Chan Chi Yuen**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholder in respect of the Rights Issue.*



### **Royal Century Resources Holdings Limited**

**仁德資源控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8125)**

9 October 2023

*To the Independent Shareholders*

Dear Sir or Madam,

#### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 9 October 2023 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed by the Board as the members of the Independent Board Committee, to advise the Independent Shareholders as to whether the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

The Independent Financial Adviser has been appointed to advise us and Independent Shareholders in respect of the terms of the Rights Issue.

Having considered the terms of the Rights Issue and the advice of the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,  
For and on behalf of  
the Independent Board Committee  
**Royal Century Resources Holdings Limited**

**Mr. Chan Chiu Hung Alex**

**Mr. Wu Zhao**

**Mr. Lam Cheok Va**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, and prepared for the purpose of incorporation into this circular.*



中毅資本有限公司  
Grand Moore Capital Limited

Unit 1401, 14/F, Lippo Sun Plaza, 28 Canton Road  
Tsim Sha Tsui, Kowloon, Hong Kong

9 October 2023

*To the Independent Board Committee and  
the Independent Shareholders of  
Royal Century Resources Holdings Limited*

Dear Sirs,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE CONSOLIDATED SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned; (ii) give our recommendation as to whether the Rights Issue is in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the Rights Issue are set forth in the “Letter from the Board” (the “**Board Letter**”) contained in the circular (the “**Circular**”) issued by the Company to the Shareholders dated 9 October 2023, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

#### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheok Va, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. We, Grand Moore Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we were not connected with the Company or any of its respective substantial Shareholders, Directors or chief executives, or any of their respective associates and accordingly, are considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue.

In the past two years, we have not acted in any financial adviser role to the Company. Save for the appointment as the Independent Financial Adviser, there was no other relationship and/or engagement between the Company and us in the past two years.

With regards to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling Shareholders that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid or to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Rights Issue pursuant to Rule 17.96 of the GEM Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the Company's annual report for the year ended 31 March 2023 (the "**2023 Annual Report**"); (iii) other information provided by the Directors and/or the senior management of the Company (the "**Management**"); (iv) the opinions expressed by and the representations of the Directors and the Management; and (v) our review of the relevant public information. We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date up to the EGM, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, the Management (where applicable), which have been provided to us. The Directors have confirmed that, to the best of their knowledge, they believe that no material fact or information has been omitted from the information supplied to us and that the representations made or opinions expressed have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.92 of the GEM Listing Rules. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Rights Issue, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue.

We have assumed that the Rights Issue will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the Rights Issue, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the Rights Issue. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

In the event of inconsistency, the English text of this letter shall prevail over the Chinese translation of this letter.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in relation to the Rights Issue, we have taken into account the following principal factors and reasons:

#### 1. Background information and financial overview of the Group

As stated in the Board Letter, the Group is principally engaged in (i) the provision of fitting out and engineering, design and procurement of furnishings and related products services (the “**Engineering Business**”); (ii) the leasing of construction equipment (the “**Leasing Business**”); (iii) the sourcing and merchandising of fine and rare wines; and (iv) the provision of financial services comprising securities and money lending businesses. Certain summary financial information of the Group as extracted from the 2023 Annual Report for the two years ended 31 March 2022 and 2023 (“**FY2022**” and “**FY2023**” respectively) is set out below:

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	55,761	57,660
Gross profit	2,115	9,902
Loss for the year attributable to owners of the Company	24,564	21,068

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's revenue decreased from approximately HK\$57,660,000 for FY2022 to approximately HK\$55,761,000 for FY2023, representing a decrease of approximately HK\$1,899,000 or 3.3%. As per the 2023 Annual Report, the Group's diversified revenue mainly includes revenue from the Engineering Business, revenue from the Leasing Business, revenue from wines merchandising and revenue from the provision of financial services comprising securities and money lending businesses. The 2023 Annual Report carries on to explain that the decrease in revenue is mainly attributed by (i) the drop in revenue from the Leasing Business which was mainly due to the decrease in the lease out rate of the scaffolding equipment as a consequence of the slowdown of the local economic development/recovery due to the COVID-19 pandemic. Besides, the decrease in the related installation service works rendered by the Group also attributed to the decrease in revenue from the Leasing Business; (ii) the income from the wines merchandising business was decreased in line with the decrease in orders from existing customers. The reallocation of the Group's resources which focuses on the Engineering Business and the Leasing Businesses also attributes to such decrease; and (iii) the revenue from the provision of financial services comprising securities and money lending businesses was maintained at a moderate level and was approximately the same as FY2022, partly offset by the increase in revenue generated from the Engineering Business.

The Group's gross profit decreased considerably from approximately HK\$9,902,000 for FY2022 to approximately HK\$2,115,000 for FY2023, representing a decrease of approximately HK\$7,787,000 or 78.6%. As per the 2023 Annual Report, the decrease in the Group's gross profit is mainly attributed by (i) the gross profit margin from the Engineering Business was set at a lower level in order to maintain its competitiveness during the slow recovery of the local economy from the COVID-19 pandemic; (ii) the drop in the gross profit of the Leasing Business was due to (a) the fierce industry competition; and (b) the drop in the lease out rate of the scaffolding equipment as a result of the slow recovery of the local economy from the COVID-19 pandemic. Furthermore, the decrease in provision of related installation services by the Group also attributed to the decrease in the gross profit; and (iii) the gross profit from the two remaining segments, the wine merchandising and the provision of financial services comprising securities and money lending businesses was maintained at a similar level as compared with FY2022.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$24,564,000 for FY2023, representing an increase of approximately HK\$3,496,000 or 16.6%, as compared to a loss for the year attributable to owners of the Company of approximately HK\$21,068,000 for FY2022. Such increase in loss for the year attributable to owners of the Company was mainly attributable to (i) the decrease in the gross profit generated from the Engineering Business and the Leasing Business of approximately HK\$7,688,000; and (ii) the increase in the impairment of intangible assets of approximately HK\$1,988,000; partly offset by (i) the decrease in the allowance for expected credit loss on trade receivables of approximately HK\$2,670,000; and (ii) the gain in the fair value change of investment property of approximately HK\$4,100,000 for FY2023.

Set out below are certain key consolidated financial information of the Group as extracted from the consolidated balance sheet set out in the 2023 Annual Report.

	<b>As at</b>	
	<b>31 March 2023</b>	<b>31 March 2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Cash and bank balances	5,915	6,190
Current assets	58,977	33,918
Net current assets	31,154	14,024
Total assets	84,400	102,214
Current liabilities	27,823	19,894
Total liabilities	36,418	29,804
Total equity	47,982	72,410

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Group's cash and bank balances amounted to approximately HK\$5,915,000 as at 31 March 2023, representing a decrease of approximately HK\$275,000 or 4.4%, as compared to that of approximately HK\$6,190,000 as at 31 March 2022. The aforementioned cash and bank balances as at 31 March 2023 represents approximately 16.9% of the estimated net proceeds of the Rights Issue of HK\$35,000,000 and is therefore grossly insufficient for the purpose of the Rights Issue's use of proceeds. Meanwhile, the Group's current liabilities amounted to approximately HK\$27,823,000 as at 31 March 2023, representing an increase of approximately HK\$7,929,000 or 39.9%, as compared to that of approximately HK\$19,894,000 as at 31 March 2022. Such increase in current liabilities is mainly due to the increase in trade and other payables, contract liabilities and lease liabilities.

The Group's total liabilities increased by approximately HK\$6,614,000 or 22.2%, from approximately HK\$29,804,000 as at 31 March 2022 to approximately HK\$36,418,000 as at 31 March 2023. Such increase was mainly attributable to the aforementioned factors related to the increase in current liabilities. Meanwhile, for non-current liabilities, the Group's other borrowing amounted to approximately HK\$5,000,000 as at 31 March 2023, which was absent as at 31 March 2022.

The Group recorded total equity of approximately HK\$47,982,000 as at 31 March 2023, which represents a decrease of approximately HK\$24,428,000 or 33.7%, from total equity of approximately HK\$72,410,000 as at 31 March 2022, as a result of the loss incurred during the year.

### **2. Reasons for the proposed Rights Issue and use of proceeds**

With reference to the Board Letter, the Group is principally engaged in (i) the Engineering Business; (ii) the Leasing Business; (iii) the sourcing and merchandising of fine and rare wines; and (iv) the provision of financial services comprising securities and money lending businesses.

Assuming all the Rights Shares are taken up or all Placing Shares are placed to Places, it is estimated that net proceeds of the Rights Issue (after deducting the related expenses) will amount to HK\$35 million, of which the Company intends to apply as to (i) HK\$20 million (representing 57% of the net proceeds) for the development and expansion of the securities business; (ii) HK\$10 million (representing 29% of the net proceeds) as working capital for the Engineering Business and the Leasing Business to accommodate the anticipated increase in demand for these two business segments; and (iii) HK\$5 million (representing 14% of the net proceeds) for general corporate and administrative expenses (e.g. staff costs, professional fees and office rent) for 2024 and 2025. In the event that the Rights Issue is undersubscribed and the Placing Shares are not fully placed, the net proceeds will be reduced and utilised on a pro rata basis as set out above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Engineering Business provides design, fitting out and engineering services to contractors in both private and public sectors who are involved in a variety of construction projects such as public housing maintenance and improvement as well as vacant flat refurbishment. As disclosed in the 2023 Annual Report, the revenue generated from this business segment recorded an increase of HK\$12.1 million from the previous financial year to HK\$45.9 million for FY2023. On the other hand, for the same year, income from the Leasing Business dropped by HK\$6.6 million to HK\$6.7 million due to the decrease in the leasing of scaffolding equipment as a result of the delay in construction projects amid the COVID-19 pandemic. The Board believes that as the economic condition in Hong Kong continues to recover from the COVID-19 pandemic, the construction projects in Hong Kong will increase and will thus stimulate the demand for the Engineering Business and the Leasing Business.

The Group's securities business is licensed under the SFO to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities. However, due to the lack of funding for fulfilling the licensing requirements of the SFC and as working capital to expand the business, there are conditions imposed on the regulated activities. As a result, the Group is not able to provide full services under the business (e.g. underwriting, placing, margin financing, portfolio management, etc.) even though the Group has been receiving enquiries for such services from time to time and the business has been operating in one office with limited number of customers. The business presently provides securities advice to clients (solicited through referrals and networks of the management staff of the business) and completes the securities services (e.g. subscription of shares under placing and underwriting) to clients by working with other fully licensed corporations and its income sources are mainly commission income from introducing brokerage services.

According to the Financial Review of the Securities Industry for the years ended 31 December 2018 and 2022 issued by the SFC, the numbers of active cash clients and active margin clients in Hong Kong increased from 0.5 million and 1.4 million in 2018 to 2.2 million and 2.4 million in 2022 while the number of securities dealers and securities margin financiers stayed at a level of around 1,400, indicating substantial upward trend in market demand for securities trading and margin financing services but levelling-off in service provision. On the other hand, the average daily turnover on the Stock Exchange was significantly down by 25% from 2021 to 2022 and the net profit of all securities dealers and securities margin financiers was down much by 65% from 2021 to 2022. It is also noted that in 2020, the stock market in Hong Kong set new trading activity records, in which the trading volumes on both Stock Connect reached new highs. The above market data presented a long term opportunity for the Hong Kong securities market riding on a strong foundation with growth potential but a short term and deep adjustment of the market for the time being.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In August 2023, Hong Kong government established a task force to make improvement proposals to increase the liquidity of the Hong Kong stock market and strengthen Hong Kong's competitiveness as an international financial centre. This task force will holistically review key internal and external factors affecting stock market liquidity (including the listing regime, market structure and trading mechanism) and make recommendations to the government with a view to promoting the sustainable development of Hong Kong's stock market. In addition, in the same month, China Securities Regulatory Commission and the SFC jointly announced block trading arrangements under the Stock Connect arrangement for offshore investors to conduct block trades via Northbound Trading on the Shanghai and Shenzhen stock exchanges and for investors from Mainland China to conduct manual trades via Southbound Trading on the Stock Exchange. This cross-border block trading initiative is intended to provide more trading mechanisms, enhance trading efficiency and promote the mutual development of both capital markets in China and Hong Kong.

The Board believes that both the Hong Kong and Chinese governments are determined and serious in strengthening the competitiveness of the Hong Kong stock market as an international financial centre by taking forward measures in the short, medium and long term. Being reassured by these top down favourable policies of the Hong Kong and Chinese governments, the Board considers it beneficial for the Group to seize this opportunity to expand its securities business to tap on the development opportunities offered by such government initiatives. The Board also noted the increasing enquiries made to the Group (enquiries from around 10 existing and new clients in the past couple of months from basically zero enquiry in the 12-month period beforehand) for more securities services (e.g. placing, underwriting and margin financing) in the past couple of months. Although the enquiries are still limited, the Board is much encouraged by this trend because such services, which it is currently not able to provide, have never been actively promoted by the Group and the enquiries were initiated by potential clients. As such, the Board is confident that more businesses will come in when the Group is able to offer full services. The Board understands that the local economy has been suffering mainly due to external and short term factors as evidenced by the market data detailed above, but at the same time, it provides opportunity for the Group to expand the business at much lower costs. Adding further the probable end of the interest rate hike cycle which would ignite recovery of the global economy including China and Hong Kong, the Board believes that it is feasible and practicable and it is now the Company's long-awaited right timing to expand the securities business. The Board, intends to uplift the licensing conditions in order to be able to operate its securities business in full scale. To cope with this business expansion, the Group plans to upgrade the hardware/software of its trading platform and recruit additional personnel in line with the widening of services/product offerings in underwriting, placing and margin financing. Among the funding of HK\$20 million to be used to develop the securities business, the Group intends to apply HK\$12 million for fulfilment of the licensing capital and deposit requirements and margin financing business, HK\$3 million for renovation and hardware upgrade and HK\$5 million for the operating and marketing costs of the business for the first year of operation. Based on the enquiries of the potential clients and the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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networks of the staff of the securities business, the Group estimates the scale/size of the fund raising amount conducted by it for its clients under full services (including initial public offering and secondary underwriting and placing) to be in the region between HK\$100-250 million (for which the Group will charge underwriting and placing commissions and fees) for the financial year of 2024/25. The Company believes such capital will be sufficient to meet the above-mentioned service targets for the first year of operation. The Group plans to provide portfolio management and investment services in the second year of full-service operation i.e. financial year of 2025/26. As the Group is yet to be able to provide full services and those services are timing-sensitive, the Group has not entered into any agreement with potential clients for full services as at the date of this circular.

The Company will make an application to the SFC for uplifting the licensing conditions after completion of the Rights Issue and the Placing. The Group's application, in addition to having a minimum of 2 responsible officers who must meet the Fit and Proper Guidelines issued by the SFC, will mainly comprise a business plan (describing the business activities to be carried out and how those activities are controlled), a compliance manual (setting out policies and procedures for meeting regulatory requirements) and various submissions to address potential areas of regulatory concern. Other than the capital requirements (fulfillment of which is pending completion of the Rights Issue), the Company does not anticipate any other licensing requirement which the Group will be unable to fulfil. The SFC has a service pledge of approximately 4 months to process an application and the precise time will depend on a number of factors. Following approval of the SFC to the Company's proposal, the Company will implement the proposal according to the approval and the specific requirements given by the SFC. It is expected that the Group's securities business will be able to provide full services in the second half of 2024, by which time the overall government initiatives should have been formulated and implemented. As such, taking into account the time required to complete the Rights Issue and the subsequent time required for the Group to submit an application to the SFC, for the SFC to process the application and for the Group to implement the proposal according to the specific requirements given by the SFC, it is vital for the Group to seize the present opportunity to access to funding for implementation of the above business plan now.

The Board has considered other alternative means of fund raising, including debt financing, placing and open offer. However, the Board notes that bank borrowings, even if available, would result in substantial interest burden, higher gearing ratio and greater liquidity pressure of the Company. As for equity fund raising (such as placing), it will be relatively smaller in scale as compared to fund raising through the Rights Issue, not to mention that placing of shares would lead to dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

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In view of the above, the Board considers that as compared to raising funds by other means, raising funds by way of the Rights Issue, which will allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares, is an appropriate fund-raising method and is fair, cost effective, efficient and beneficial to the Company and its shareholders as a whole.

Taking into account the benefits and potential cost of each of the alternatives, we are of the view and concur with the view of the Directors that the Rights Issue, which provides all Qualifying Shareholders an opportunity to participate in the future development of the Company on equal terms to maintain their shareholding in the Company, is the most preferred means of fund-raising under the Group's current circumstances. Based on the foregoing, we are of the view that the Rights Issue allows the Group to improve its liquidity and strengthen its operating capacity at a more cost effective and beneficial method and is in the interests of the Company and the Shareholders as a whole.

### 3. The proposed Rights Issue

#### 3.1 Issue statistics

Assuming no further change in the number of issued Existing Shares on or before the effective date of the Share Consolidation and the Record Date:

Basis of Rights Issue	:	Five Rights Shares for every one Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.23 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	:	156,780,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective	:	31,356,000 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 156,780,000 Rights Shares



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Number of Consolidated Shares in issue immediately upon completion of the Rights Issue	:	Up to 188,136,000 Consolidated Shares
Maximum funds raised before expenses	:	Up to HK\$36.1 million (assuming all the Rights Shares will be taken up)

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. The 156,780,000 Rights Shares to be issued under the Rights Issue represent (i) 500% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) 83.3% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Rights Shares (assuming all the Rights Shares will be taken up).

### ***3.2 Non-underwritten basis***

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

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs may unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder (except for HKSCC Nominees Limited) for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which does not trigger an obligation on part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance to the note to Rule 10.26(2) of the GEM Listing Rules.

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### ***3.3 The Subscription Price***

The Subscription Price of HK\$0.23 per Rights Share is payable in full when the Qualifying Shareholders accept the relevant provisional allotment of Rights Shares or when transferees of nil-paid Rights Shares accept the provisional allotment of the relevant Rights Shares. Assuming that all the Rights Shares are fully subscribed, the net price per Rights Share is estimated to be HK\$0.22.

The Subscription Price represents:

- (i) a discount of 19.3% to the theoretical closing price of HK\$0.285 per Consolidated Share based on the closing price of HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 17.9% to the theoretical average closing price of HK\$0.28 per Consolidated Share based on the average closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of 3.8% to the theoretical ex-rights price of HK\$0.239 per Consolidated Share based on the closing price of HK\$0.057 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of 16.1% represented by the theoretical diluted price of HK\$0.239 to the benchmarked price of HK\$0.285 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.057 and the average closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day); and
- (v) a discount of 85.0% over the audited net asset value per Consolidated Share of HK\$1.53 (based on the unaudited consolidated net asset value of the Group of HK\$48 million as at 31 March 2023 and 31,356,000 Consolidated Shares in issue upon the Share Consolidation becoming effective).

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The Subscription Price was determined with reference to (i) the market price of the Existing Shares under the prevailing market conditions and the impact of the Share Consolidation; (ii) the prevailing market conditions of the capital market in Hong Kong which has been volatile and on a downward trend since the beginning of this year; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as detailed in the Board Letter. The Board is of the view that (i) as the Shares have been trading substantially below the net asset value of the Company, it is necessary to set the Subscription Price with reference to its market price instead of its net asset value; (ii) as it is a common practice for listed companies to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue, it is beneficial to the Company to follow the market practice to set the Subscription Price at a discount to the prevailing market price of the Shares to encourage the Shareholders to participate in the future growth of the Group; and (iii) as the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, it is reasonable to set the Subscription Price at a discount to the recent market price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Given the above, the Board considers 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.

### **3.4 Placing Agreement and undertaking**

#### *3.4.1 The Shareholders' undertaking*

It is stated in the Board Letter that as at the Latest Practicable Date, ChaoShang is interested in 46,221,600 Existing Shares (or 9,244,320 Consolidated Shares upon the Share Consolidation becoming effective, representing 29.5% of the issued Shares). ChaoShang has irrevocably undertaken to the Company that it:

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

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- (ii) will accept and subscribe in full for all the Rights Shares in which it beneficially entitles under the Rights Issue on and subject to the terms and conditions of the Rights Issue provided that the total number of the Rights Shares to be subscribed by it under the Rights Issue will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code in accordance with Rule 10.26(2) of the GEM Listing Rules.

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

### *3.4.2 The Placing Agreement*

As stated in the Board Letter, on 15 September 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Placing Shares. Details of the Placing are as follows:

Date	:	15 September 2023
Parties	:	(i) the Company, as issuer; and (ii) the Placing Agent
Placing Agent	:	SBI E2-Capital Securities Limited, appointed as the Placing Agent to place the Placing Shares on a best effort basis. The Placing Agent has confirmed that it is an Independent Third Party.
Fees and expenses	:	1% of the amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.

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- Placing price of the Placing Shares : The placing price of the Placing Shares shall be at least equal to the Subscription Price. The final price is dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The individuals, corporate, institutional investors or other investors procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares.
- Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the Shares then in issue.
- Termination : The Placing shall end on Tuesday, 12 December 2023 or any other date by mutual written agreement between the Placing Agent and the Company.

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

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- Conditions precedent : The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among others, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the passing by the Shareholders (including the Independent Shareholders) at the EGM of the necessary resolutions to approve the Share Consolidation and the Rights Issue;
  - (ii) the GEM Listing Committee granting the approval for the listing of, and the permission to deal in, the Rights Shares (including the Placing Shares);
  - (iii) none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion; and

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(iv) the Placing Agreement not having been terminated in accordance with the provisions thereof. The Placing Agent may, in its absolute discretion, waive the fulfillment of all or any or any part of the above conditions (other than those set out in paragraphs (i) and (ii) above) by notice in writing to the Company.

Completion : Placing completion shall take place on 15 December 2023 or such other date as the Company and the Placing Agent may agree in writing.

The Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) such that no Placee shall become a substantial Shareholder immediately following the Placing; (iii) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable of complying with the public float requirements under the GEM Listing Rules immediately following the Placing. The Company will continue to comply with the public float requirements under Rule 11.23(7) of the GEM Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

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The engagement between the Company and the Placing Agent for the placing of the Placing Shares was determined after arm's length negotiations between the Placing Agent and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue and the market conditions. It is noted that the placing commission of the companies listed on the Main Board or GEM of the Stock Exchange having announced rights issue in the past three months ranged from 0.5% to 3.0% with an average of 1.4%. As such, the placing commission of 1% pursuant to the Placing Agreement falls within range and is below the average figure. As the relatively lower placing commission in the Placing Agreement will lead to lower costs of the Rights Issue which is in the interest of the Company and its shareholders, the Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal commercial terms.

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

#### **4. Historical price and trading volume of the Shares**

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the theoretical adjusted closing price per Consolidated Share during the 6 months ended the date of the announcement in respect of the Rights Issue (the "**Announcement**"), i.e. 15 September 2023 (the "**Review Period**"), which was calculated by aggregating the relevant closing price of 5 Existing Shares with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue, which is conditional upon, among others, the completion of the Share Consolidation (the "**Adjusted Closing Price**"); and (ii) the average daily trading volumes of the Existing Shares for each of the months during the Review Period.

In relation to the 6 months Review Period adopted in our analysis, we note that (i) it represents a reasonable period to provide a general overview of the recent price performance of the Shares which has fully reflected relevant information of the Group's performance; (ii) a shorter period (e.g. 3 months) may not sufficiently illustrate a meaningful historical trend for a proper assessment; and (iii) a longer period (e.g. 12 months) may have been too distant in time making such historical trend less relevant within the context of the Rights Issue and with reference to the dynamic financial markets. Accordingly, we consider that the sampling period of 6 months for the Review Period is appropriate when conducting an analysis on the historical Adjusted Closing Price of the Consolidated Shares, trading volumes and the Subscription Price.

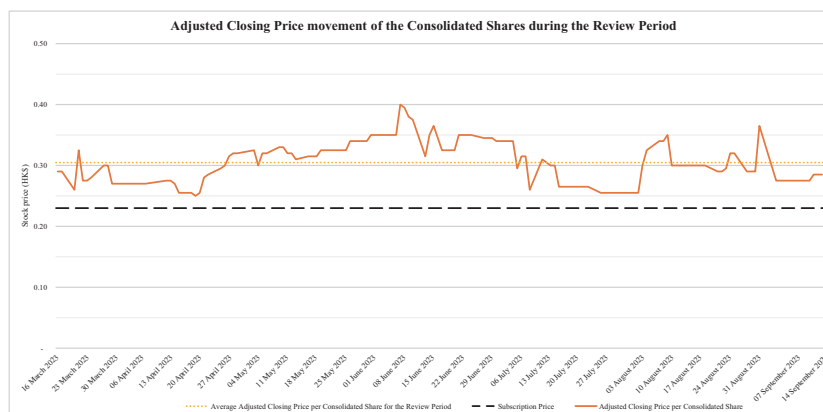


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### 4.1 Adjusted Closing Price movement of the Consolidated Shares during the Review Period



Source: website of the Stock Exchange

As illustrated in the chart above, the Adjusted Closing Price of the Consolidated Shares exhibited a generally unstable trend during the Review Period. Starting from the Adjusted Closing Price of HK\$0.29 per Consolidated Share at the beginning of the Review Period on 16 March 2023, the Adjusted Closing Price of the Consolidated Shares experienced a period of volatility reaching HK\$0.25 per Consolidated Share on 18 April 2023. Subsequently, the Adjusted Closing Price of the Consolidated Shares experienced a generally ascending trend to HK\$0.40 per Consolidated Share on 6 June 2023. The Adjusted Closing Price of the Consolidated Shares then experienced a downward trend reaching HK\$0.26 per Consolidated Share on 2 August 2023. The Adjusted Closing Price of the Consolidated Shares then experienced a sharp increase to HK\$0.35 per Consolidated Share on 9 August 2023, and entered into a phase of volatile trend ranging from a low Adjusted Closing Price of HK\$0.28 per Consolidated Share on 4 September 2023 to a high Adjusted Closing Price of HK\$0.37 per Consolidated Share on 31 August 2023, and ultimately exhibited a generally upward trend thereafter before reaching the Adjusted Closing Price of HK\$0.29 per Consolidated Share on the date of the Announcement on 15 September 2023. In relation to the decline of the Adjusted Closing Price of per Consolidated Share from HK\$0.40 per Consolidated Share on 6 June 2023 to HK\$0.26 per Consolidated Share on 2 August 2023, we note that such decrease in Adjusted Closing Price of the Consolidated Shares was coupled with a marked increase in trading volume on 14 June 2023 and 7 July 2023 of 1,464,000 Existing Shares and 2,672,000 Existing Shares, respectively. Nevertheless, trading volumes in those two days represented only a range of approximately 1% to 2% of the total issued Existing Shares as at the Latest Practicable Date. We are unable to point out the definitive reason for such fluctuations in our capacity as the Independent Financial Adviser. We have also reviewed the announcements disclosed during such period and we are not aware of any information which caused the substantial change in the Adjusted Closing Price of the Consolidated Shares.

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In addition, the lowest and average Adjusted Closing Price during the Review Period were HK\$0.25 and approximately HK\$0.31 per Consolidated Share, respectively. The Subscription Price of HK\$0.23 per Rights Share represents a discount of approximately 25.8% to the aforementioned average Adjusted Closing Price during the Review Period of approximately HK\$0.31 per Consolidated Share, and is lower than the lowest Adjusted Closing Price during the Review Period of HK\$0.25 per Consolidated Share.

On the other hand, we note that the Adjusted Closing Price has not been on a straightly downward trend but rather volatile between HK\$0.25 to HK\$0.40 per Consolidated Share during the Review Period, while the Hang Seng Index decreased from 19,203.91 at the beginning of the Review Period on 16 March 2023 by around 5.3% to 18,182.89 on 15 September 2023, being the last day of the Review Period. The Hang Seng Index further dropped to 17,213.87 on 5 October 2023, being the Latest Practicable Date.

Taking into account (i) the Subscription Price is not determined with reference to the lowest Adjusted Closing Price on a straightly downward trend but to the aforementioned volatility of the Share price during the Review Period; (ii) the downward performance of the Hang Seng Index between the beginning of the Review Period on 16 March 2023 and the Latest Practicable Date reflecting the current capital market sentiment; and (iii) the thin trading volume of the Existing Shares as discussed in section 4.3 in this letter, we consider a discount to the recent trading price of the Shares is necessary to enhance the attractiveness of the Rights Issue given the ratio of five Rights Shares for every one Consolidated Share and the current market sentiment. In view of (i) the reasons for and benefits of the Rights Issue as discussed in section 2 of this letter, in particular, the funding needs for the development and expansion of the securities business and provision of working capital for the Engineering Business and the Leasing Business to accommodate the anticipated increase in demand for these two business segments; (ii) the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company; and (iii) the Subscription Price of the Rights Issue is compared favorably against those of the Comparables (as defined below) as detailed in the section 5 in this letter, we consider the discount of the Subscription Price incentivizes the Shareholders to participate in the future growth of the Group, and the Subscription Price fair and reasonable to the Company and the Shareholders as a whole.

#### ***4.2 Average daily trading volume of the Existing Shares for each month/period during the Review Period***

The table below sets out the average daily trading volume of the Existing Shares for each month/period during the Review Period.

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Month/period	Number of trading days	Average daily trading volume of the Existing Shares during the month/period (Note 1) (approximate)	Average daily trading volume of the Existing Shares during the month/period to the total number of issued Existing Shares (Note 2) (approximate)
2023			
March (from 16 March 2023)	12	132,000	0.08%
April	17	81,082	0.05%
May	21	424,000	0.27%
June	21	77,467	0.05%
July	20	247,200	0.16%
August	23	87,322	0.06%
September (up to the date of the Announcement, i.e. 15 September 2023)	9	724,444	0.46%

*Source: website of the Stock Exchange*

*Notes:*

1. The average daily trading volumes are calculated by dividing the total trading volume of the Existing Shares for the month/period by the number of trading days during the month/period.
2. As at the Latest Practicable Date, the total number of issued Existing Shares is 156,780,000.

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During the Review Period, the average daily trading volume of the Existing Shares in each month/period ranged from a low of 77,467 Existing Shares in June 2023 to a high of 724,444 Existing Shares in September 2023, representing approximately 0.05% and 0.46% to the total number of issued Existing Shares as at the Latest Practicable Date.

### **4.3 Our observations**

We considered the trading liquidity of the Existing Shares were very thin during the Review Period, with all months/periods less than 0.5% to the total number of issued Existing Shares as at the end of their respective month/period. We anticipate that the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that it is reasonable to set the Subscription Price at a discount to the average Adjusted Closing Price of the Consolidated Shares and it would encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interests in the Company.

## **5. Comparative analysis on the proposed terms of the Rights Issue**

### **5.1 The Comparables**

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 12 companies (the “**Comparable(s)**”) listed on the Main Board or GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, i.e. 15 September 2023.

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Although the Comparables include rights issues in different scale, engaged in different business or have different financial performance and funding needs from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and we are not aware of any established evidence showing any correlation between scale of the rights issue and its underlying principal terms; (iii) including transactions conducted by the Comparables with different funding needs and business represents a more comprehensive overall market sentiment in our comparable analysis; (iv) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful number of sample size of 12 Hong Kong listed issuers to reflect the market practice regarding recent rights issue, whereas if a longer period (e.g. 6 months) is used, that would have generated way too many comparable rights issues making the analysis less meaningful with a wider range of premium and discount of the relevant subscription prices; (v) there is only 1 Comparable (i.e. the rights issue announced by Tasty Concepts Holding Limited (stock code: 8096) on 14 July 2023) which has its subscription price premium over its benchmark price, and the maximum discount of the relevant subscription prices to the relevant benchmark prices of the Comparables (i.e. the rights issue announced by Platt Nera International Limited (stock code: 1949) on 24 July 2023) is (a) roughly 3 times of the discount of the Subscription Price to the relevant benchmark prices of the Company; and (b) merely 2 times of the average and medium discount of the relevant subscription prices to the relevant benchmark prices of the Comparables, we consider (a) the range of the premium/discount of the Comparables acceptable; and (b) there are no outliers necessary to be excluded; and (vi) the 12 Comparables identified during the aforementioned period were exhaustively included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

Based on the above, we are of the view that our comparable analysis based on the above criteria is meaningful for us to form our view regarding the fairness and reasonableness of the Subscription Price. To the best of our knowledge and as far as we are aware of, the Comparables represent an exhaustive list of all relevant companies fitting our search criterion as mentioned above, and we consider that such Comparables can provide a reference on the recent rights issues given the sufficient number of transactions in such period resulting in a reasonable sample size.

It should be noted that all the subject companies constituting the Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and the circumstances leading to the subject companies to proceed with the rights issues may also be different from that of the Company.

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The following table sets forth the relevant details of the Comparables:

Company name (Stock Code)	Announcement date	Basis of entitlement	Maximum amount of total fund raised HK\$ million	Closing price: premium/discount Date of announcement	5-day average entitlement price	(Discount)/ premium of subscription price (to)/over the theoretical ex-rights/entitlement price	Potential maximum dilution of shareholding (Note 1)	Theoretical dilution effect (Note 8)	Compensatory Arrangements/ Excess Application (CA/EA)	Fully Underwritten/ Partially Underwritten/ Placing (FU/PU/P)	Underwriting Commission	Placing Commission	Minimum Underwriting/ Placing fee HK\$
Asian Citrus Holdings Limited (stock code: 73)	11 Sep 2023	1 for 2	44	(34.0%) (34.0%)	(54.0%) (25.5%)	(11.3%)	33.3%	(11.3%)	EA	FU	2.5%	NA (Note 5)	50,000
Oriental Securities International Holdings Limited (stock code: 8001)	6 Sep 2023	1 for 2	7	(50.8%) (52.2%)	(40.4%)	(17.5%)	33.3%	(17.5%)	CA	P (Note 4)	NA (Note 4)	0.5%	N
Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601)	3 Sep 2023	1 for 2	17	(39.9%) (31.6%)	(23.8%)	(13.5%)	33.3%	(13.5%)	EA	FU	7.1%	NA (Note 5)	N
Wisdomome Group Holdings Limited (stock code: 8079)	15 Aug 2023	3 for 1	70	(22.4%) (18.2%)	NA (Note 3)	(16.8%)	75.0%	(16.8%)	EA	FU	7.1%	NA (Note 5)	N
Almana Limited (stock code: 8186)	11 Aug 2023	3 for 1	19	(26.7%) (29.0%)	(8.3%)	(22.6%)	75.0%	(22.6%)	CA	P (Note 4)	NA (Note 4)	1.0%	N
Argo Holdings Limited (stock code: 3313)	28 Jul 2023	2 for 1	111	(29.4%) (28.6%)	(11.2%)	(19.6%)	66.7%	(19.6%)	CA	P (Note 4)	NA (Note 4)	1.0%	N
China Best Group Holding Limited (stock code: 370)	26 Jul 2023	2 for 5	99	(37.3%) (38.7%)	(3.1%)	(11.1%)	28.6%	(11.1%)	CA	P (Note 4)	NA (Note 4)	1.0%	300,000
Platt Nera International Limited (stock code: 1949)	24 Jul 2023	1 for 2	20	(58.0%) (56.8%)	(47.9%)	(19.3%)	33.3%	(19.3%)	CA	P (Note 4)	NA (Note 4)	3.0%	N
Tasty Concepts Holding Limited (stock code: 8096)	14 Jul 2023	5 for 2	28	4.7% (15.0%)	1.5% (6.6%)	N (Note 9)	71.4%	N (8.8%)	CA	P (Note 4)	NA (Note 4)	2.5% (Note 7)	100,000
Classified Group (Holdings) Limited (stock code: 8232)	6 Jul 2023	3 for 2	14	(15.0%) (20.1%)	(10.6%)	(11.0%)	60.0%	(11.0%)	CA	PU, P	N	N	38,000
E-House (China) Enterprise Holdings Limited (stock code: 2048)	19 Jun 2023	12 for 10	483	(20.7%) (23.3%)	(16.1%)	(13.9%)	54.5%	(13.9%)	CA	PU, P	N	0.6% (Note 6)	N
Future World Holdings Limited (stock code: 572)	16 Jun 2023	1 for 1	70	(27.7%) (28.7%)	(20.0%)	(15.0%)	50.0%	(15.0%)	EA	FU	2.5%	NA (Note 5)	N
		Average:	82	(29.8%)	(28.7%)	(15.0%)	51.2%	(15.0%)			4.8%	1.4%	
		Min:	7	(58.0%)	(47.9%)	(8.8%)	28.6%	(8.8%)			2.5%	0.5%	
		Max:	483	4.7%	1.5%	(16.1%)	75.0%	(16.1%)			7.1%	3.0%	
		Median:	36	(28.6%)	(28.8%)	(13.9%)	52.3%	(13.9%)			4.8%	1.0%	
<b>The Company</b>	<b>15 Sep 2023</b>	<b>5 for 1</b>	<b>36</b>	<b>(19.3%)</b>	<b>(6.8%)</b>	<b>(16.1%)</b>	<b>83.3%</b>	<b>(16.1%)</b>	<b>CA</b>	<b>P</b> <i>(Note 4)</i>	<b>NA</b> <i>(Note 4)</i>	<b>1.0%</b>	<b>N</b>

Source: website of the Stock Exchange.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Notes:*

1. The potential maximum dilution effect of each Comparable/the Company is calculated by the number of new rights shares divided by the total number of issued shares as enlarged by the issue of the new rights shares.
2. The potential maximum dilution effect of this Comparable is derived by “assuming all the outstanding Share Options and Convertible Bonds, but excluding the MX Convertible Bonds, have been exercised or converted on or before the Record Date”, as stated in the announcement of this Comparable.
3. This information is not disclosed in the relevant announcement of the respective Comparables/the Company.
4. The rights issue of this Comparable/the Company is on a non-underwritten basis as disclosed in the relevant announcement.
5. There is no placing arrangement for this Comparable/the Company as disclosed in the relevant announcement.
6. Given that it is stated in the announcement of this Comparable that its placing commission payable to the Placing Agents and expenses are: “(i) Placing commission payable to CICC: the amount equal to 0.6% of the gross proceeds from the successful issuance of the Rights Shares. (ii) Placing commission payable to CRIC Securities: the amount equal to 0.2% of the gross proceeds from the successful issuance of the Rights Shares. In addition, the Company may, taking into account CRIC Securities’ performance in relation to the placing, at its discretion pay an incentive fee of up to 0.4% of the gross proceeds from the successful issuance of the Rights Shares”. A placing commission of 0.6% is adopted for illustrative purpose, assuming the incentive fee of 0.4% payable to CRIC Securities, is added on the original placing commission payable to CRIC Securities of 0.2%. Sum of such is equivalent to the placing commission payable to CICC.
7. Given that it is stated in the announcement of this Comparable that its placing commission is “(i) A fixed fee of HK\$100,000; or (ii) 2.5% of the amount which is equal to the placing price multiplied by the Unsubscribed Rights Shares and ES Unsold Rights Shares, whichever is higher, that have been successfully placed by the Placing Agent pursuant to the terms of the Placing Agreement and reimbursed for the expenses in relation to the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares, which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion”, a placing commission of 2.5% is assumed for illustrative purpose.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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8. Theoretical dilution effect of an offer is calculated according to Rule 10.44A of the GEM Listing Rules and refers to the discount of the “theoretical dilution price” to the “benchmarked price” of shares. “Theoretical diluted price” refers to the sum of (i) the issuer’s total market capitalization (by reference to the “benchmarked price” and the number of issued shares immediately before the issue) and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue. While the “benchmarked price” means the higher of: (i) the closing price on the date of the agreement involving the issue; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of announcement of the issue; (2) the date of the agreement involving the issue; and (3) the date on which the issue price is fixed.
9. It is noted in the announcement or circular of the respective Comparable that the offer price is at a premium over the market price, and the theoretical dilution effect as computed under Rule 10.44A of the GEM Listing Rules would produce a positive figure. Accordingly, there is no value dilution to non-participating shareholders, no theoretical dilution effect is assumed for illustrative purpose.
10. The potential maximum dilution effect of this Comparable is derived by “assuming all Vested Share Options having been exercised as at the date of this announcement and no other change in the number of Shares in issue on or before the Record Date”, as stated in the announcement of this Comparable.

### ***5.2 The Subscription Price and dilution***

As illustrated in the table above, we note that variance of the subscription price to the closing price on the respective last trading day of the Comparables ranges from a discount of approximately 58.0% to a premium of approximately 4.7%, with an average figure being a discount of approximately 29.8%. The Subscription Price’s discount to closing price on the Last Trading Day of approximately 19.3% therefore falls within the range of the discount to the last trading day of the Comparables and represents a lower discount than the average figure thereof and is far lower than the maximum discount figure thereof.

We note that the variance of the subscription price to the average closing price of the last five trading days of the Comparables ranges from a discount of approximately 56.8% to a premium of approximately 3.6%, with an average figure being a discount of approximately 28.7%. The Subscription Price’s discount to the average closing price for the five consecutive trading days up to and including the Last Trading Day of approximately 17.9% therefore falls within the range of discount to the average closing price of the last five trading day of the Comparables and represents a lower discount than the average figure thereof and is far lower than the maximum discount figure thereof.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In determining the current subscription ratio and the Subscription Price, we understand that, as stated in the Board Letter, the Subscription Price was determined with reference to (i) the market price of the Existing Shares under the prevailing market conditions and the impact of the Share Consolidation; (ii) the prevailing market conditions of the capital market in Hong Kong which has been volatile and on a downward trend since the beginning of this year; (iii) the latest business performance and financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as detailed in the Board Letter. The Board is of the view that (i) as the Shares have been trading substantially below the net asset value of the Company, it is necessary to set the Subscription Price with reference to its market price instead of its net asset value; (ii) as it is a common practice for listed companies to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue, it is beneficial to the Company to follow the market practice to set the Subscription Price at a discount to the prevailing market price of the Shares to encourage the Shareholders to participate in the future growth of the Group; and (iii) as the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company, it is reasonable to set the Subscription Price at a discount to the recent market price of the Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

It is noted that the potential maximum dilution on shareholding of the Comparables ranged from approximately 28.6% to approximately 75.0% (the “**Shareholding Dilution Range**”) with an average of approximately 51.2% and a median of approximately 52.3%. The potential dilution effect of the Rights Issue of approximately 83.3% therefore represents a higher dilution than the high end of the Shareholding Dilution Range. We note that the dilution effect is determined by the basis of entitlement of the rights issue which also determines the number of rights shares available for subscription. However, given the reasons for and benefits of the Rights Issue as discussed in section 2 of this letter, in particular, the funding needs for the development and expansion of the securities business and provision of working capital for the Engineering Business and the Leasing Business to accommodate the anticipated increase in demand for these two business segments, we consider the potential dilution effect of the Rights Issue acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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It is noted that the theoretical dilution effect of the Comparables ranged from a discount of approximately 22.6% to a discount of approximately 8.8% (the “**Theoretical Dilution Effect Range**”) with an average discount of approximately 15.0% and a median discount of approximately 13.9%. The Rights Issue’s theoretical dilution effect of a discount of approximately 16.1% therefore falls within the Theoretical Dilution Effect Range and represents a higher discount than the average and median figure thereof. As the theoretical dilution effect of the Rights Issue is below 25%, it is in compliance with Rule 10.44A of the GEM Listing Rules. In addition, given that the Rights Issue’s theoretical dilution effect of a discount of approximately 16.1% falls within the Theoretical Dilution Effect Range, we consider that such theoretical dilution effect is in line with the market practice, is not out of the ordinary and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In view of the facts that (i) the Subscription Price represents lower discount than the closing price of the last trading day and average closing price of the last five trading days respectively, and it falls within the ranges of such Comparables and such discount is far lower than the maximum discount figures of such Comparables; (ii) the Subscription Price is payable in full when the Qualifying Shareholders accept the relevant provisional allotment of Rights Shares or when transferees of nil-paid Rights Shares accept the provisional allotment of the relevant Rights Shares; (iii) a relatively higher discount as represented by the Subscription Price may increase the overall appeal or attractiveness of the Rights Issue to the Qualifying Shareholders in light of the dire circumstances faced by the Company as discussed in section 1 of this letter; (iv) the potential dilution effect of Rights Issue has a higher dilution than the high end of the Shareholding Dilution Range but such a situation might have been necessitated by the Company’s funding needs as discussed in section 2 of this letter; and (v) the theoretical dilution effect of Rights Issue falls within the Theoretical Dilution Effect Range and represents a higher discount than the average and median figure thereof but such a situation might have been necessitated by the Company’s funding needs as discussed in section 2 of this letter, we consider that the principal terms of the Rights Issue (including the Subscription Price) and potential dilution effect of the Rights Issue are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### ***5.3 Placing commission***

As illustrated in the analysis set out in section 5.1 of this letter, the placing commission of the Comparables ranged from a low of 0.5% to a high of 3.0%, with the average figure being approximately 1.4%. Accordingly, the placing commission of 1.0% pursuant to the Placing Agreement falls within the range of the Comparables and is below the average figure thereof. In addition, the underwriting commission (which is similar to the placing commission under the Placing Agreement given it is only on a best effort basis) of the Comparables range from a low of 2.5% to a high of 7.1%, with the average figure being approximately 4.8%. Accordingly, the placing commission of 1.0% pursuant to the Placing Agreement is below the low end of the range of the Comparables and is below the average figure thereof. Given the relatively lower placing commission set out in the Placing Agreement will lead to lower costs to the Group, we consider that the placing commission payable to the Placing Agent is in line with the market practice and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### ***5.4 Compensatory Arrangements***

As stated in the Board Letter, the Company will make the Compensatory Arrangements to dispose of the Placing Shares by offering these Shares to independent Placees for the benefit of the Shareholders to whom they are offered by way of the Rights Issue. We are of the view that the Compensatory Arrangements are in compliance with Rule 10.31(1)(b) of the GEM Listing Rules. As there are already Compensatory Arrangements in place for the Rights Issue, there will be no excess application arrangements in relation to the Rights Issue in compliance with Rule 10.31(1) of the GEM Listing Rules. As illustrated in the analysis set out in section 5.1 of this letter, we note that 8 out of 12 Comparables have facilitated compensatory arrangements. Therefore, we consider that the Compensatory Arrangements are in line with the market practice, are not out of the ordinary and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 6. Possible dilution effect on interests of public Shareholders

The attention of the Independent Shareholders is drawn to the section headed “Shareholding Structures” in the Board Letter for the analysis on shareholding under various scenarios. As noted in the aforementioned section, the shareholding of the “public Shareholders” is approximately 70.5% as at the Latest Practicable Date. The shareholding interests of the Qualifying Shareholders will not suffer from any dilution immediately after Share Consolidation becoming effective and upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders. Under the scenario immediately after Share Consolidation becoming effective and upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders (other than ChaoShang) and all the remaining Placing Shares having been placed by Placing Agent, the shareholding of the “public Shareholders” will be diluted to approximately 11.7%, representing a decrease in shareholding by approximately 58.8%.

We are aware of the above-mentioned potential dilution effect. However, we consider that the dilutive effect should be considered in conjunction with the following factors:

- (1) Independent Shareholders are given the chance to express their views on the terms of the Rights Issue through their votes at the EGM;
- (2) Qualifying Shareholders have the choice to accept or not accept the Rights Issue;
- (3) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares;
- (4) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue;
- (5) the Company will make the Compensatory Arrangements to dispose of the Placing Shares by offering these Shares to independent Placees for the benefit of the Shareholders to whom they are offered by way of the Rights Issue; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (6) Any premium over the Subscription Price and the expenses of procuring such acquirers (including commission and other related expenses/fees) that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. All Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Placing Shares) to the No Action Shareholders and the Excluded Shareholders (but rounded down to the nearest cent) as set out below: (i) 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 (unless that person is covered by (iii) below); (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 holders of those nil-paid rights in CCASS (unless that they are covered by (iii) below); (iii) where the Rights Issue is extended to the Overseas Shareholders and whose entitlements to the Rights Shares were not taken up, to such Overseas Shareholders. It is proposed that Net Gain of HK\$100 or more to the individual No Action Shareholder mentioned in (i) to (iii) above will be paid to them in Hong Kong Dollars only and the Company will retain individual amount of less than HK\$100 for its own benefit. Shareholders are reminded that Net Gain may or may not be realised and, accordingly, the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

Having considered that (i) the principal terms of the Rights Issue are fair and reasonable as discussed in sections 5.2, 5.3 and 5.4 of this letter; (ii) any form of non-pro rata equity fund raising activities would also have an immediate dilution effect to other Shareholders; (iii) if the Company satisfies future funding needs through other equity financing such as placing and open offer or raising additional debts to satisfy its funding needs, such equity/debt financing methods will either have an immediate dilution effect to all existing Shareholders or further increase gearing of the Group as discussed in section 2 of this letter; (iv) the Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the equal opportunity to maintain their proportional interests in the Company at a lower than historical prevailing market price; (v) the Company will make the Compensatory Arrangements to dispose of the Placing Shares by offering these Shares to independent Placees for the benefit of the Shareholders to whom they are offered by way of the Rights Issue; (vi) the reasons for the Rights Issue and use of proceeds as discussed in section 2 of this letter; and (vii) our further reasoning regarding the Shareholding Dilution Range and the Theoretical Dilution Effect Range as discussed in section 5.2 of this letter, we are of the view that the dilution effect to the shareholding interests of the non-participating Shareholders is acceptable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 7. Financial effects of the Rights Issue

#### 7.1 *Net asset value*

Taking into account the proceeds from Rights Issue, it is expected that the net assets of the Group will increase as a result of the Rights Issue. Further, we note from the “unaudited pro forma financial information of the Group” set out in Appendix II to the Circular that the consolidated net tangible assets of the Group attributable to the equity holders of the Company at 31 March 2023 was HK\$44,883,000, while the consolidated net tangible assets per Consolidated Share at 31 March 2023 was approximately HK\$1.43. As per the Board Letter, the Group is expected to raise net proceeds of HK\$35 million (assuming all the Rights Shares are taken up or all Placing Shares are placed to Placees). After pro forma adjustments, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue would improve to HK\$79,883,000, while the unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after completion of the Rights Issue would deteriorate considerably by approximately 70.63% to approximately HK\$0.42. Such decrease is due to the fact that the Subscription Price of HK\$0.23 is fixed at a considerable discount to the consolidated net tangible assets per Consolidated Share prior to the completion of the Rights Issue.

Despite the decrease in net tangible assets per Consolidated Share as a result of the Rights Issue, the Rights Issue is expected to have a positive impact on the Group’s overall net assets position upon completion of the Rights Issue.

#### 7.2 *Working capital*

The Rights Issue is expected to have a positive effect on the Group’s working capital upon completion as the Rights Issue will bring in net proceeds of HK\$35 million (assuming all the Rights Shares are taken up or all Placing Shares are placed to Placees) to the Group, where HK\$10 million is allocated for the working capital for the Engineering Business and the Leasing Business to accommodate the anticipated increase in demand for these two business segments, as stated in the Board Letter.

#### 7.3 *Liquidity*

As per the 2023 Annual Report, the Group had current assets of approximately HK\$58,977,000 and current liabilities of approximately HK\$27,823,000 as at 31 March 2023. Accordingly, the Group’s current ratio (current assets/current liabilities) as at 31 March 2023 was approximately 2.12 times.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The estimated net proceeds from the Rights Issue are expected to enhance the Group's current assets by HK\$35 million (assuming all the Rights Shares are taken up or all Placing Shares are placed to Placees) and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

### RECOMMENDATION

Having considered the above principal factors and in particular:

- (i) the income from the Leasing Business dropped in FY2023 due to the decrease in the leasing of scaffolding equipment as a result of the delay in construction projects amid the COVID-19 pandemic as discussed in section 2 of this letter;
- (ii) the Rights Issue is beneficial for the Group to seize the opportunity to expand its securities business to tap on the development opportunities offered by the top down favourable policies of the Hong Kong and Chinese governments to strengthen the competitiveness of the Hong Kong stock market as an international financial centre as discussed in section 2 of this letter;
- (iii) there have been increasing enquiries (i.e. potential clients) made to the Group (around 10 in the past couple of months from basically zero enquiry in the 12-month period beforehand) for more securities services (e.g. placing, underwriting and margin financing) in the past couple of months. However, due to the lack of funding for fulfilling the licensing requirements of the SFC and as working capital to expand the business, the Group is not able to provide full services under the business (e.g. underwriting, placing, margin financing, portfolio management, etc.). The Company intends to apply as to HK\$20 million (representing 57% of the net proceeds of the Rights Issue) for the development and expansion of the securities business as discussed in section 2 of this letter;
- (iv) other equity or debt financing options are either, not viable means fulfill the Group's funding needs, have an immediate dilutive effect on existing Shareholders, not in the best interest of the Shareholders as discussed in section 2 of this letter;
- (v) the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company by subscribing to the Rights Shares at a lower than historical prevailing price, or to dispose of the Placing Shares by way of Compensatory Arrangements;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vi) the principal terms of the Rights Issue (including the Subscription Price) of the Rights Issue are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole as discussed in section 5.2 of this letter;
- (vii) the placing commission charged by the Placing Agent is fair and reasonable as discussed in section 5.3 of this letter and in the interests of the Company and the Shareholders as a whole;
- (viii) the Compensatory Arrangements are in line with the market practice, are not out of the ordinary and are fair and reasonable as discussed in section 5.4 of this letter and in the interests of the Company and the Shareholders as a whole; and
- (ix) given the Company's circumstances, the potential dilution effect to the non-participating Shareholders is acceptable,

we are of the opinion that, although the Rights Issue is not in the Company's ordinary and usual course of business, the terms of the Rights Issue (including the Subscription Price) are fair and reasonable and in the interest of the Company and Shareholders as a whole. Accordingly, we would advise (i) the Independent Board Committee to recommend the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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Yours faithfully,  
For and on behalf of  
**Grand Moore Capital Limited**

**Florence Ng**  
*Associate Director*

*Note:*

Ms. Florence Ng is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Ms. Ng has over 10 years of experience in the corporate finance industry in Hong Kong.

## 1. FINANCIAL SUMMARY

The financial information of the Group for each of the three financial years ended 31 March 2021, 2022 and 2023 are set out in the following documents which have been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.royalcentury.hk](http://www.royalcentury.hk):

- the annual report of the Company for the year ended 31 March 2021 published on 30 June 2021 (pages 85 to 190) (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0630/2021063000201.pdf>);
- the annual report of the Company for the year ended 31 March 2022 published on 30 June 2022 (pages 98 to 202) (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0630/2022063000045.pdf>); and
- the annual report of the Company for the year ended 31 March 2023 published on 30 June 2023 (pages 101 to 210) (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0630/2023063000017.pdf>).

## 2. STATEMENT OF INDEBTEDNESS

As at 31 August 2023, being the latest practicable date for this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

	<i>HK\$'000</i>
Borrowing (interest-bearing and unsecured)	5,000
Lease liabilities	<u>6,219</u>
	<u><u>11,219</u></u>

Save as aforesaid and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 31 August 2023, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

**3. WORKING CAPITAL**

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the estimated net proceeds from the Rights Issue and the financial resources available to the Group including internally generated funds, bank and other facilities, the Group will have sufficient working capital for its operation for at least twelve months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

The Board confirms that there has been no material adverse change in the financial or trading position of the Group since 31 March 2023, being the date to which the latest published audited accounts of the Group were made up, up to and including the Latest Practicable Date.

**5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

For the year ended 31 March 2023, the revenue of the Group decreased by HK\$2 million to HK\$55.8 million as a result of the combined impact of (i) an increase in the revenue of HK\$12.1 million derived from the Engineering Business attributable to the increase in the number of works in the housing estates during the financial year; (ii) a decrease in the revenue of HK\$6.6 million derived from the Leasing Business due to the decrease in the leasing of scaffolding equipment as a result of the delay in construction project amid the COVID-19 pandemic; and (iii) a decrease in the revenue of the wine merchandising business of HK\$7.5 million. However, the Group's gross profit for the year ended 31 March 2023 decreased by HK\$7.8 million to HK\$2.1 million when compared with the previous financial year end mainly attributable to the decrease in the gross profit margin of the Engineering Business as a result of the fierce competition in the market and the increase in the weight of the public housing maintenance, improvement and vacant flat refurbishment works and services (which commanded a lower gross profit margin) in the revenue composition of this business segment. For the year ended 31 March 2023, the Group's net loss increased by HK\$3.5 million to HK\$24.6 million.

For the three months ended 30 June 2023, the Group's revenue increased by HK\$2 million to HK\$13.7 million when compared with the corresponding period in previous year. Such increase in revenue was attributable to (i) the increase in revenue of HK\$1.3 million from the Leasing Business; (ii) the increase in revenue of HK\$1.1 million derived from the wine merchandising business; and (iii) a slight decrease in the revenue of HK\$0.5 million in the Engineering Business. However, the Group's gross profit recorded an increase of HK\$2.8 million to HK\$3.9 million. The increase in gross profit, coupled with the decrease in the provision for expected credit loss, resulted in a decrease in the net loss of the Group by HK\$4.1 million to HK\$1.9 million when compared with the corresponding period in previous year.

With the gradual recovery of the economy from the COVID-19 pandemic, the Group is expecting a growth in the construction projects in Hong Kong which will in turn stimulate the demand for the Engineering Business and the Leasing Business. As mentioned in the section headed "Letter from the Board" in this circular, given the favourable government initiatives to strengthen Hong Kong's competitiveness as an international financial centre, the Board intends to expand its securities business under the Financial Services Business and operate the business segment in full scale.

*The following is the text of a report received from the Company's reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.*

**MAZARS CPA LIMITED**

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The Board of Directors  
Royal Century Resources Holdings Limited  
Suite 2201, 22/F.  
China Resources Building  
26 Harbour Road  
Wanchai, Hong Kong

Dear Sirs,

**ROYAL CENTURY RESOURCES HOLDINGS LIMITED  
INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT  
ON THE COMPILATION OF  
UNAUDITED PRO FORMA FINANCIAL INFORMATION**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information (the "Pro Forma Financial Information") of Royal Century Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets attributable to the equity holders of the Company at 31 March 2023 and related notes (the "Pro Forma Financial Information") as set out on page II – 5 to II – 6 to the circular dated 9 October 2023 (the "Circular") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in page II – 5 to II – 6 to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 156,780,000 rights shares (the "Rights Shares") at HK\$0.23 per Rights Share on the basis of five Rights Shares for every one consolidated share of the Company held on the rights issue record date (the "Rights Issue") on the Group's unaudited consolidated net tangible assets attributable to the equity holders of the Company at 31 March 2023 as if the Rights Issue and share consolidation on the basis that every five issued existing shares be consolidated into one consolidated share (the "Share Consolidation") had taken place on 31 March 2023.

As part of this process, information about the Group's financial position at 31 March 2023 has been extracted by the Directors from the Group's financial statements for the year ended 31 March 2023, on which an audit report has been published.

### **Directors' responsibility for the Pro Forma Financial Information**

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

### **Reporting accountant's independence and quality management**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 "*Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*" which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting accountant's responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 31 March 2023 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

**Opinion**

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**Mazars CPA Limited**

*Certified Public Accountants*

Hong Kong, 9 October 2023



UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET  
TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company prepared in accordance with paragraph 7.31 of the GEM Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue and Share Consolidation had been completed on 31 March 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Group had the Rights Issue and Share Consolidation been completed on 31 March 2023 or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the consolidated statement of financial position of the Group at 31 March 2023, as extracted from the financial statements of the Group for the year ended 31 March 2023, with adjustments described below.

	Consolidated net tangible assets of the Group attributable to the equity holders of the Company at 31 March 2023 HK\$'000 (Note i)	Consolidated net tangible assets per Consolidated Share at 31 March 2023 HK\$ (Note ii)	Estimated net proceeds from the Rights Issue HK\$'000 (Note iii)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company immediately after completion of the Rights Issue HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after completion of the Rights Issue HK\$ (Note iv)
Based on 156,780,000 Rights Shares at the subscription price of HK\$0.23 per Rights Share	44,883	1.43	35,000	79,883	0.42

## Notes:

- (i) The consolidated net tangible assets of the Group attributable to equity holders of the Company at 31 March 2023 of HK\$44,883,000 is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company at 31 March 2023 of HK\$47,982,000 as adjusted to exclude intangible assets of HK\$3,099,000 as shown on the consolidated statement of financial position of the Group at 31 March 2023 extracted from the financial statements of the Group for the year ended 31 March 2023.

- (ii) The consolidated net tangible assets per Consolidated Share at 31 March 2023 is calculated based on the consolidated net tangible assets of the Group attributable to the equity holders of the Company at 31 March 2023 of HK\$44,883,000 and 31,356,000 Consolidated Shares in issue at 31 March 2023 as if the Share Consolidation had become effective on 31 March 2023.
- (iii) The estimated net proceeds from the Rights Issue of HK\$35,000,000 is calculated based on 156,780,000 Rights Shares to be issued (on the basis of five Rights Shares for every one Consolidated Share held as at the record date) at the subscription price of HK\$0.23 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,100,000, assuming that the Rights Issue had been completed on 31 March 2023.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets per Consolidated Share immediately after completion of the Rights Issue is calculated based on 188,136,000 Consolidated Shares, comprising 31,356,000 Consolidated Shares in issue at 31 March 2023 as if the Share Consolidation had become effective on 31 March 2023 and 156,780,000 Rights Shares to be issued assuming that the Rights Issue had been completed on 31 March 2023.
- (v) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2023.

**1. RESPONSIBILITY STATEMENT**

This circular, 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 circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. SHARE CAPITAL**

The Company does not have an authorised share capital nor any nominal value of Shares in its capital.

Assuming there is no change in the number of issued Existing Shares from the Latest Practicable Date up to the completion of the Share Consolidation and the Rights Issue and full acceptance of the Rights Shares, the number of Shares in issue are as follows:

- (a) As at the Latest Practicable Date:

	<b>Number</b>
Existing Shares	156,780,000

- (b) Immediately following completion of the Share Consolidation but before the completion of the Rights Issue:

	<b>Number</b>
Consolidated Shares	31,356,000

- (c) Immediately following completion of the Share Consolidation and the Rights Issue:

	<b>Number</b>
Consolidated Shares	31,356,000
Rights Shares to be issued	<u>156,780,000</u>
Consolidated Shares in issue after the Share Consolidation and Rights Issue	<u><u>188,136,000</u></u>

All the Existing Shares, Consolidated Shares and the Rights Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Existing Shares, Consolidated Shares and the Rights Shares in issue and to be issued are or will be listed on GEM.

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

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

### **3. DISCLOSURE OF INTERESTS**

#### **(a) Interests of Directors and chief executive of the Company**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company and/or any of their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

#### **(b) Interests of substantial Shareholders**

So far as known to the Directors, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had or were deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO who, are directly or indirectly interested in 5% or more of the Shares.

*Long positions in the Shares and the underlying shares*

Name of Shareholder	Capacity/ Nature of interest	Number of Existing Shares held	Approximate percentage of shareholding in the Company
ChaoShang	Beneficial owner	46,221,000	29.5%

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, who are directly or indirectly interested in 5% or more of the Shares.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group other than contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

**5. COMPETING INTERESTS**

As at the Latest Practicable Date, save as disclosed below, none of the Directors or any of their close associates has any interest in business which competes with or may compete with the business of the Group or has any other conflict of interests which any person has or may have with the Group.

Director	Name of company	Nature of business	Nature of interests
Mr. Chan Chi Yuen	ChaoShang and its subsidiaries	Money lending business and securities and asset management business	Executive director and chief executive officer of ChaoShang

As the Board is independent of the boards of directors of the abovementioned companies, the Group is capable of carrying on its business independently of, and at arm's length from, the business of such companies.

**6. MATERIAL LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

**7. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS**

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

There was no contract or arrangement entered into by any member of the Group, subsisting as at the Latest Practicable Date, in which any of the Directors was materially interested and which was significant in relation to the business of the Group as a whole.

**8. RISKS FACTORS**

The key business and operation risk exposure of the Group mainly resulted from the slow down of the economy and customer spending as well as market competition.

**9. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the sale and purchase agreement dated 31 March 2023 (and the supplemental agreement dated 27 September 2023) entered into between the Group and Lucky Smart Capital Investment Limited in relation to the disposal of the Group's interest in a property at a consideration of HK\$30 million; and
- (b) the Placing Agreement.

**10. QUALIFICATION AND CONSENT OF EXPERTS**

The following is the qualification of the experts who have given opinion, letter or advice contained in this circular (the “**Experts**”):

<b>Name</b>	<b>Qualification</b>
Mazars CPA Limited	certified public accountants
Grand Moore Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, each of the above Experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or reports and the reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

**11. EXPENSES**

The expenses payable by the Company in connection with the Rights Issue, including Independent Financial Adviser fees, placing commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.1 million.

## 12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

<b>Board of Directors</b>	<i>Executive Directors</i> Mr. Chan Chi Yuen ( <i>Chairman</i> ) Mr. Wang Jun Mr. Yau Yan Yuen  <i>Independent non-executive Directors</i> Mr. Chan Chiu Hung Alex Mr. Wu Zhao Mr. Lam Cheok Va
<b>Audit committee</b>	Mr. Chan Chiu Hung Alex ( <i>Chairman</i> ) Mr. Wu Zhao Mr. Lam Cheok Va
<b>Nomination committee</b>	Mr. Wu Zhao ( <i>Chairman</i> ) Mr. Chan Chiu Hung Alex Mr. Lam Cheok Va
<b>Remuneration committee</b>	Mr. Lam Cheok Va ( <i>Chairman</i> ) Mr. Chan Chiu Hung Alex Mr. Wu Zhao
<b>Compliance committee</b>	Mr. Chan Chiu Hung Alex ( <i>Chairman</i> ) Mr. Wu Zhao Mr. Lam Cheok Va
<b>Registered office and principal place of business</b>	Suite 2201, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
<b>Authorised representatives</b>	Mr. Chan Chi Yuen Mr. Yau Yan Yuen
<b>Compliance officer</b>	Mr. Chan Chi Yuen
<b>Company secretary</b>	Mr. Yau Yan Yuen
<b>Share Registrar in Hong Kong</b>	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong



<b>Principal bankers</b>	OCBC Wing Hang Bank 139-141 Des Voeux Road West, Hong Kong  The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong  DBS Bank 11th Floor, The Center 99 Queen's Road Central Hong Kong
<b>Auditors and reporting accountants</b>	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai, Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws</b>	Haldanes 7/F, Ruttonjee House 11 Duddell Street Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Grand Moore Capital Unit 1401, 14/F, Lippo Sun Plaza 28 Canton Road, Hong Kong
<b>Placing Agent</b>	SBI E2-Capital Securities Limited 10/F, Winbase Centre 208 Queen's Road Central Hong Kong

**13. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT****Executive Directors**

**Mr. Chan Chi Yuen**, aged 56, joined the Group since October 2015 and is the chairman of the Board. Mr. Chan holds a bachelor degree with honours in Business Administration and a master of science degree with distinction in Corporate Governance and Directorship. He is a fellow of The Hong Kong Institute of Certified Public Accountants, The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. He is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance. Mr. Chan is currently an executive director and the chief executive officer of ChaoShang (Stock code: 2322).

**Mr. Wang Jun**, aged 53, joined the Group since February 2017. Mr. Wang completed a certificate programme in General Education from 廣東省遂溪師範學校 (Guangdong Suixi Education College), China in 1988. Mr. Wang completed a professional programme in Business Administration from 上海國際經濟技術進修學院 (Shanghai Institute of International Economic and Technical Education) in China and was awarded a bachelor degree in management in 2010. He also holds a qualification as qualified funds practitioner from the Asset Management Association of China. Mr. Wang has extensive experience in real estate, corporate strategic management, project management, investment business, and funds management.

**Mr. Yau Yan Yuen**, aged 35, joined the Group in September 2023 and is the company secretary of the Company. Mr. Yau obtained a degree of Bachelor of Business Administration in Accountancy from the Hong Kong Polytechnic University. Mr. Yau is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Yau is currently the chief financial officer and company secretary of Hope Life International Holdings Limited (stock code: 1683), the company secretary of Windmill Group Limited (stock code: 1850) and the independent non-executive director of Creative China Holdings Limited (stock code: 8368), the securities of which are traded on the Stock Exchange. Mr. Yau worked as the chief financial officer and company secretary of Wai Hung Group Holdings Limited (stock code: 3321) during the period from 15 June 2018 to 11 May 2021. Mr. Yau has extensive financial, accounting and company secretary experiences.

**Independent non-executive Directors**

**Mr. Chan Chiu Hung Alex**, aged 57, has been the independent non-executive Director since September 2015. Mr. Alex Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Institute of Chartered Accountants in England and Wales, The Association of Chartered Certified Accountants, The Hong Kong Chartered Governance Institute (formerly, The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute. Mr. Alex Chan obtained a Bachelor of Business Administration degree (major in Finance) from Hong Kong Baptist University and professional diplomas in Hong Kong tax and China tax from the Hong Kong Institute of Certified Public Accountants. He has served in senior financial and company secretarial positions in a number of public companies listed in Hong Kong and Singapore for years. Mr. Alex Chan is currently an independent non-executive director of Kingkey Intelligence Culture Holdings Limited (formerly, KK Culture Holdings Limited) (Stock code: 550).

**Mr. Wu Zhao**, aged 45, has been the independent non-executive Director since November 2015. Mr. Wu obtained a bachelor degree in Engineering (Chemical) from the University of Queensland, Australia. He also obtained a master of commerce in applied finance and a master of information technology from the University of Queensland, Australia. He has extensive experience in finance, information technology, investment and funds management. Mr. Wu is currently an independent non-executive director of Silk Road Logistics Holdings Limited (Stock code: 988).

**Mr. Lam Cheok Va**, aged 64, has been the independent non-executive Director since April 2016. Mr. Lam is a member of Election Committee of the Macau Special Administrative Region. Mr. Lam was a member of the Standing Committee of Yunnan Province Committee of the Chinese People's Political Consultative Conference (9th, 10th and 11th). He is also the President of Macau Yunnan Chamber of Commerce, the Director General of Macau Small and Medium Enterprises Chamber of Commerce, a director of China Federation of Overseas Entrepreneurs, a director of Macau Chamber of Commerce, an executive director of Macau Region China Council for the Promotion of Peaceful National Reunification, and a member of Advisory Board of School of Language and Translation of Macau Polytechnic Institute. Mr. Lam has extensive experience in business including entertainment, food and beverage, retail, tourism and consulting. Mr. Lam is currently President of Macau Innovation Development Research Association, focusing in studies and research of government policies and strategies.

**Senior management**

**Mr. Chiu Kam Sang**, aged 58, is the director of certain subsidiaries of the Group. Mr. Chiu joined the Group in 2018 and has extensive experience in waterproofing works and maintenance industries.

**Mr. Li Sze Yan**, aged 43, is the project controller of a subsidiary of the Group. Mr. Li join the Group in December 2017 and has extensive experience in fitting out and engineering industries.

The business address of the Directors and the senior management is the same as the Company's principal place of business at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

**14. AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board comprises all the independent non-executive Directors, namely Mr. Chan Chiu Hung Alex, Mr. Wu Zhao and Mr. Lam Cheuk Va, being The primary duties of the audit committee include the review of the Group's financial reporting process and the internal control systems as well as risk management of the Group.

**15. DOCUMENTS FOR INSPECTION**

Copies of the following documents are will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.royalcentury.hk](http://www.royalcentury.hk)) for 14 days from the date of this circular:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2021, 2022 and 2023;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 34 of this circular;
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 35 to 70 of this circular;
- (e) the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (f) the material contracts referred to in the paragraph headed "9. Material Contracts" of this appendix; and

- (g) the written consent referred to in paragraph headed “10. Qualification and consent of Experts” of this appendix.

**16. MISCELLANEOUS**

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities;
- (c) As at the Latest Practicable Date, save as disclosed elsewhere in this circular, there was no material contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group’s business;
- (d) During the year ended 31 March 2023, (i) the Group’s largest customer and top five customers accounted for 55.9% and 70.7% of the revenue respectively; and (ii) none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company’s issued share capital) had any interest in these major customers; and
- (e) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

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## NOTICE OF EGM

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### Royal Century Resources Holdings Limited

### 仁德資源控股有限公司

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 8125)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Royal Century Resources Holdings Limited (the “**Company**”) will be held at Suite 2201, 22/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong on Wednesday, 1 November 2023 at 11:00 a.m. for the purpose of considering and passing the following resolutions with or without amendments as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon, among other things, the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
  - (i) every five issued shares in the share capital of the Company be consolidated into one share (each a “**Consolidated Share**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the articles of association of the Company (the “**Share Consolidation**”);
  - (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (each a “**Director**”) of the Company may think fit; and
  - (iii) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement the Share Consolidation.”

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## NOTICE OF EGM

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2. “**THAT** subject to and conditional upon the passing of the resolution numbered 1, and the fulfilment of all the conditions as set out in the section headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the circular of the Company dated 9 October 2023:
- (i) the issue of a maximum of 156,780,000 new Consolidated Shares (assuming no further issue and repurchase of the shares of the Company up to the Record Date (as defined below)) (the “**Rights Shares**”) pursuant to an offer by way of rights to the shareholders of the Company (the “**Shareholders**”) at the subscription price of HK\$0.23 per Rights Share (the “**Subscription Price**”) on the basis of five Rights Shares for every one Consolidated Shares held by the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Tuesday, 14 November 2023, or such other date as may be determined by the Company for determining entitlements of the Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in a circular issued by the Company dated 9 October 2023 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Excluded Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”) be and are hereby approved, confirmed and ratified;
  - (ii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the articles of the Company or the laws of, or the rules and regulations of any relevant regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution; and

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## NOTICE OF EGM

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- (iii) any one of the Directors be and are hereby authorised to do all such acts and things and execute all such documents, which are ancillary to the Rights Issue, as they may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue.”

By order of the Board  
**Royal Century Resources Holdings Limited**  
**Chan Chi Yuen**  
*Chairman and Executive Director*

Hong Kong, 9 October 2023

*Registered office and principal place of business:*

Suite 2201, 22/F

China Resources Building

26 Harbour Road, Wanchai

Hong Kong

*Notes:*

1. A member entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the offices of the Company's share registrar and transfer office, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the Meeting (i.e. 11:00 a.m. on Monday, 30 October 2023) or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.
3. The register of members of the Company will be closed from Thursday, 26 October 2023 to Wednesday, 1 November 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s), must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, not later than 4:30 p.m. on Wednesday, 25 October 2023.
4. A form of proxy for use at the Meeting is published on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.royalcentury.hk](http://www.royalcentury.hk)).
5. If Typhoon Signal No. 8 or above, or a “black” rainstorm warning or “extreme conditions after super typhoons” announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the meeting will be postponed. The Company will post an announcement on the websites of the Company at [www.royalcentury.hk](http://www.royalcentury.hk) and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) to notify members of the date, time and place of the rescheduled meeting.