
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Universe Printshop Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

- (1) PROPOSED SHARE CONSOLIDATION;
- (2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
- (3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE ON FULLY UNDERWRITTEN BASIS;
- (4) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT AND THE SUPPLEMENTAL RIGHTS AGREEMENTS;
- (5) APPLICATION FOR WHITEWASH WAIVER AND
- (6) NOTICE OF EGM

Financial Adviser to the Company



Sorrento Capital Limited

Independent Financial Adviser to the Independent Board Committee and Independent Shareholders



普頓資本有限公司
PROTON CAPITAL LIMITED

Proton Capital Limited

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

A letter from the Board is set out on pages 19 to 55 of this circular. A letter from the Independent Board Committee containing its recommendation in respect of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the Whitewash Waiver is set out on pages 56 to 57 of this circular. A letter of advice from Proton Capital Limited, the Independent Financial Adviser, to the Independent Board Committee and the Independent Shareholders is set out on pages 58 to 96 of this circular.

It should be noted that the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) contains provisions granting New Metro the right to terminate the obligations of New Metro thereunder on the occurrence of certain events including force majeure. These certain events are set out in the paragraph headed "Termination of the Underwriting Agreement" in this circular. If the Underwriting Agreement is terminated by New Metro or does not become unconditional, the Rights Issue will not proceed.

A notice convening the EGM to be held at Workshop A1, Ground Floor, Tsing Yi Industrial Centre Phase 1, No. 1 to 33 Cheung Tat Road, Tsing Yi, New Territories, Hong Kong on Thursday, 21 December 2023 at 11:00 a.m. (Hong Kong time) is set out on pages EGM-1 to EGM-7 of this circular. Whether or not you are able to attend and/or vote at the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 11:00 a.m. (Hong Kong time) on Tuesday, 19 December 2023 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the website of the Company at www.uprintshop.hk and the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least seven days from the date of its posting.

The Rights Issue will proceed on a fully-underwritten basis. In the event that the Rights Issue is not fully subscribed, any Untaken Shares together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Placing. Any Untaken Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will be taken up by New Metro pursuant to the terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements). Shareholders and potential investors are advised to exercise caution when dealing in the Shares, the Consolidated Shares and/or the nil-paid Rights Shares up to the date when all the conditions to which the Rights Issue is subject to are fulfilled.

30 November 2023

CHARACTERISTICS OF GEM

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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DEFINITIONS

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

“Announcements”	the Initial Announcement, the First Supplemental Announcement, the Second Supplemental Announcement, the Third Supplemental Announcement and the Fourth Supplemental Announcement
“acting in concert”	has the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding a Saturday, Sunday, public holiday and any day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licenced banks are generally open for business in Hong Kong during normal working hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Chiu Irrevocable Undertaking”	an undertaking dated 3 October 2023 given by Mr. Chiu in favour of the Company pursuant to which Mr. Chiu has unconditionally and irrevocably undertaken that he will subscribe for the Rights Shares to which he is entitled under the Rights Issue in full
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Universe Printshop Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on GEM of the Stock Exchange (stock code: 8448)

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$0.05 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Acting in Concert Undertaking”	the deed of acting in concert undertaking dated 4 April 2022 entered into among New Metro, Mr. Lam, Mr. Chau and Mr. Hsu
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened and held on Thursday, 21 December 2023 at 11:00 a.m. (Hong Kong time) for the purposes of, among other matters, considering and, if thought fit, approving the Increase in Authorised Share Capital, the Share Consolidation, the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegate(s)
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the authorised and issued share capital of the Company immediately before the Share Consolidation becoming effective
“First Supplemental Announcement”	an announcement of the Company dated 5 October 2023 in relation to, among other things, the update to the Rights Issue, the First Supplemental Rights Agreement and the Placing Agreement
“First Supplemental Placing Agreement”	the supplemental placing agreement dated 19 October 2023 entered into between the Company and the Placing Agent to amend and supplement certain terms and conditions of the Placing Agreement

DEFINITIONS

“First Supplemental Rights Agreement”	a supplemental underwriting agreement dated 5 October 2023 entered into between the Company and New Metro to amend and supplement certain terms and conditions of the Underwriting Agreement
“Fourth Supplemental Announcement”	the supplemental announcement of the Company dated 16 November 2023 in relation to, among other things, the update to timetable for the Rights Issue and the Placing
“Fourth Supplemental Rights Agreement”	the supplemental underwriting agreement dated 16 November 2023 entered into between the Company and New Metro to amend and supplement certain terms and conditions of the Underwriting Agreement, the First Supplemental Rights Agreement, the Second Supplemental Rights Agreement and the Third Supplemental Rights Agreement
“GEM Listing Committee”	has the meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$200,000,000 divided into 20,000,000,000 Existing Shares (which will become 4,000,000,000 Consolidated Shares upon the Share Consolidation becoming effective)

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), and the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the Whitewash Waiver
“Independent Financial Adviser” or “Proton Capital”	Proton Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver
“Independent Shareholder(s)”	any Shareholder(s) other than (i) New Metro, its associates, and any parties acting in concert with it; (ii) all other Shareholders who are interested or involved in the Rights Issue and/or the Whitewash Waiver (if any); and (iii) any other Shareholders who are required under the GEM Listing Rules and/or the Takeovers Code (as the case may be) to abstain from voting at the EGM
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, is/are third parties independent of the Company and its connected persons
“Initial Announcement”	the announcement of the Company dated 3 October 2023 in relation to, among other things, the Share Consolidation, the Increase in Authorised Share Capital and the Rights Issue
“Irrevocable Undertakings”	the NMI Irrevocable Undertaking, the Tsang Irrevocable Undertaking and the Chiu Irrevocable Undertaking

DEFINITIONS

“Last Trading Day”	3 October 2023, being the last trading day of the Shares on the Stock Exchange immediately prior to the publication of the Initial Announcement
“Latest Practicable Date”	27 November 2023, being the latest practicable date before the printing of this Circular for the purpose of ascertaining certain information contained herein
“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 23 January 2024 or such later time or date as may be agreed between New Metro and the Company, being the latest time for acceptance of, and payment for, the Rights Shares
“Latest Time for Termination”	5:00 p.m. on Wednesday, 31 January 2024 or such later time or date as may be agreed between New Metro and the Company, being the latest time to terminate the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements)
“Mr. Chau”	Mr. Chau Man Keung, a former executive Director
“Mr. Chiu”	Mr. Chiu Wan Lung, an Independent Third Party
“Mr. Hsu”	Mr. Hsu Ching Loi, a former executive Director
“Mr. Lam”	Mr. Lam Shing Tai, an executive Director and the chairman of the Board
“Mr. Tsang”	Mr. Tsang Yee Fung, an Independent Third Party
“Mr. Yip”	Mr. Yip Chi Man, an executive Director
“Ms. Au”	Ms. Au Suk Han Shirley, the spouse of Mr. Yip
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees) after deducting the aggregate amount of the Subscription Price for the Untaken Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements)

DEFINITIONS

“New Metro”	New Metro Inc., a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Mr. Lam, being the underwriter to the Rights Issue pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements)
“NMI Irrevocable Undertaking”	an undertaking dated 3 October 2023 given by New Metro in favour of the Company pursuant to which New Metro has unconditionally and irrevocably undertaken that it will subscribe for the Rights Shares to which it is entitled under the Rights Issue in full
“No Action Shareholder(s)”	the Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s) or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue 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
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that have not been sold by the Company
“Overseas Letter”	a letter from the Company to the Non-Qualifying Shareholders, if any, explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue
“Overseas Shareholder(s)”	the Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date and whose registered address(es) (as shown in such register of members) is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) in respect of the Rights Issue to be issued to the Qualifying Shareholders

DEFINITIONS

“Placing”	the placing of the Untaken Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent to the independent placee(s) during the Placing Period on the terms and conditions set out in the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements)
“Placing Agent”	Sorrento Securities Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the placing agreement dated 5 October 2023 entered into between the Company and the Placing Agent in relation to the placing of Untaken Shares and the NQS Unsold Rights Shares
“Placing End Date”	5:00 p.m. on Tuesday, 30 January 2024 or such other dates as the Company may announce
“Placing Long Stop Date”	5:00 p.m. on Wednesday, 31 January 2024 or such later date as may be announced by the Company, being the latest date for the fulfilment of conditions of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the next Business Day after the Placing End Date
“Placing Period”	the period commencing from the third Business Day after the Latest Time for Acceptance and ending at 5:00 p.m. on the fifth Business Day after the Latest Time for Acceptance
“Placing Share(s)”	the Untaken Share(s) and the NQS Unsold Rights Share(s)
“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Tuesday, 9 January 2024 or such other date as may be agreed between the Company and New Metro, being the date of despatch of the Prospectus Documents
“Qualifying Shareholder(s)”	the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders

DEFINITIONS

“Record Date”	Monday, 8 January 2024 or such other date as may be agreed between the Company and New Metro for the determination of the entitlements under the Rights Issue
“Registrar”	Tricor Investor Services Limited, the Company’s Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Relevant Period”	the period commencing six months prior to the date of the Initial Announcement (i.e. 3 April 2023) and ending on the Latest Practicable Date
“Rights Issue”	the proposed issue of the Rights Shares on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the Prospectus Documents
“Rights Shares”	299,400,000 Consolidated Shares, proposed to be allotted and issued under the Rights Issue
“Second Supplemental Announcement”	an announcement of the Company dated 19 October 2023 in relation to, among other things, the update to the Rights Issue, the Second Supplemental Rights Agreement, the First Supplemental Placing Agreement and the Whitewash Waiver
“Second Supplemental Placing Agreement”	the supplemental placing agreement dated 3 November 2023 entered into between the Company and the Placing Agent to amend and supplement certain terms and conditions of the Placing Agreement and the First Supplemental Placing Agreement
“Second Supplemental Rights Agreement”	a supplemental underwriting agreement dated 19 October 2023 entered into between the Company and New Metro to amend and supplement certain terms and conditions of the Underwriting Agreement and the First Supplemental Rights Agreement
“SFC”	the Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Consolidation”	the proposed consolidation of every five (5) Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.05 in the share capital of the Company
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the Company’s amount due to Mr. Lam, a controlling shareholder of the Company, in the outstanding principal amount of HK\$22.45 million as at the Latest Practicable Date for the support of the Group’s business operation
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.115 per Rights Share at which the Rights Shares are proposed to be offered for subscription
“Supplemental Placing Agreements”	the First Supplemental Placing Agreement, the Second Supplemental Placing Agreement and the Third Supplemental Placing Agreement
“Supplemental Rights Agreements”	the First Supplemental Rights Agreement, the Second Supplemental Rights Agreement, the Third Supplemental Rights Agreement and the Fourth Supplemental Rights Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers published by the SFC

DEFINITIONS

“Third Supplemental Announcement”	the supplemental announcement of the Company dated 3 November 2023 in relation to, among other things, the update to timetable for the Rights Issue and the Placing
“Third Supplemental Placing Agreement”	the supplemental placing agreement dated 16 November 2023 entered into between the Company and the Placing Agent to amend and supplement certain terms and conditions of the Placing Agreement, the First Supplemental Placing Agreement and the Second Supplemental Placing Agreement
“Third Supplemental Rights Agreement”	the supplemental underwriting agreement dated 3 November 2023 entered into between the Company and New Metro to amend and supplement certain terms and conditions of the Underwriting Agreement, the First Supplemental Rights Agreement and the Second Supplemental Rights Agreement
“Tsang Irrevocable Undertaking”	an undertaking dated 3 October 2023 given by Mr. Tsang in favour of the Company pursuant to which Mr. Tsang has unconditionally and irrevocably undertaken that he will subscribe for the Rights Shares to which he is entitled under the Rights Issue in full
“Underwriting Agreement”	the underwriting agreement dated 3 October 2023 entered into between the Company and New Metro in respect of the Rights Issue
“Underwritten Shares”	up to 163,602,300 Rights Shares to be underwritten by New Metro pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements)
“Untaken Share(s)”	the Rights Shares not taken up by Qualifying Shareholders under PAL(s) during the Rights Issue

DEFINITIONS

“Whitewash Waiver”

a waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code to waive the obligation of New Metro to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by New Metro and parties acting in concert with it as a result of the taking up of the Rights Shares by New Metro as the underwriter pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements)

“%”

per cent.

EXPECTED TIMETABLE

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

Event	Timeline
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 14 December 2023
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM	Friday, 15 December 2023 to Thursday, 21 December 2023 (both days inclusive)
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 19 December 2023
Record date for attending and voting at the EGM	Thursday, 21 December 2023
EGM	11:00 a.m. on Thursday, 21 December 2023
Announcement of poll results of the EGM	Thursday, 21 December 2023

The following events are conditional on the fulfilment of the condition(s) for the implementation of the Increase in Authorised Share Capital, the Share Consolidation, the Rights Issue and the Placing

Event	Timeline
Effective Date of the Increase in Authorised Share Capital	Thursday, 21 December 2023 <i>(the Increase in Authorised Share Capital will become effective at the time when the relevant ordinary resolution is passed by the Shareholders at the EGM)</i>
Re-opening of the register of members of the Company	Friday, 22 December 2023

EXPECTED TIMETABLE

Event	Timeline
Effective date of the Share Consolidation	Wednesday, 27 December 2023
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Wednesday, 27 December 2023
Original counter for trading in the Existing Shares in board lots of 20,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Wednesday, 27 December 2023
Temporary counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Wednesday, 27 December 2023
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Consolidated Shares	Wednesday, 27 December 2023
Last day of dealings in the Consolidated Shares on a cum-entitlement basis of the Rights Issue	Wednesday, 27 December 2023
First day of dealings in the Consolidated Shares on an ex-entitlement basis of the Rights Issue	Thursday, 28 December 2023
Latest time for lodging transfer documents of the Consolidated Shares to qualify for the Rights Issue	4:30 p.m. on Friday, 29 December 2023
Closure of register of members of the Company to determine the entitlements to the Rights Issue	Tuesday, 2 January 2024 to Monday, 8 January 2024 (both days inclusive)
Record Date for determining entitlements to the Rights Issue	Monday, 8 January 2024
Re-opening of the register of members of the Company	Tuesday, 9 January 2024

EXPECTED TIMETABLE

Event	Timeline
Despatch of the Prospectus Documents (including the Prospectus and the PALs; in the case of the Non-Qualifying Shareholders, the Prospectus with the Overseas Letter only)	Tuesday, 9 January 2024
First day of dealings in nil-paid Rights Shares	Thursday, 11 January 2024
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Thursday, 11 January 2024
Original counter for trading in the Consolidated Shares in board lots of 20,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Thursday, 11 January 2024
Parallel trading in the Consolidated Shares (in the form of both existing share certificates in board lots of 4,000 Consolidated Shares and new share certificates in board lots of 20,000 Consolidated Shares) commences	9:00 a.m. on Thursday, 11 January 2024
Latest time for splitting of the PAL(s)	4:30 p.m. on Monday, 15 January 2024
Last day of dealings in nil-paid Rights Shares	Thursday, 18 January 2024
Latest time for acceptance of, and payment for, the Rights Shares	4:00 p.m. on Tuesday, 23 January 2024
Announcement of the number of the Untaken Shares and NQS Unsold Rights Shares subject to the Placing	Thursday, 25 January 2024
Commencement of the Placing (if there are any Untaken Shares and NQS Unsold Rights Shares available)	Friday, 26 January 2024
Placing End Date for placing the Placing Shares	5:00 p.m. on Tuesday, 30 January 2024
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Wednesday, 31 January 2024

EXPECTED TIMETABLE

Event	Timeline
Temporary counter for trading in the Consolidated Shares in board lots of 4,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Wednesday, 31 January 2024
Parallel trading in the Consolidated Shares (in the form of both existing share certificates in board lots of 4,000 Consolidated Shares and new share certificates in board lots of 20,000 Consolidated Shares) ends	4:10 p.m. on Wednesday, 31 January 2024
Latest time to terminate the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and for the Rights Issue to become unconditional	5:00 p.m. on Wednesday, 31 January 2024
Last time for free exchange of existing share certificates for the Existing Shares into new share certificates for the Consolidated Shares	4:30 p.m. on Friday, 2 February 2024
Announcement of results of the Rights Issue	Tuesday, 6 February 2024
Share certificates for the Rights Shares and refund cheques, if the Rights Issue is terminated, to be despatched	Wednesday, 7 February 2024
First day of dealings in the fully-paid Rights Shares	Thursday, 8 February 2024
Payment of Net Gain to relevant No Action Shareholders and Non-Qualifying Shareholders and net proceeds from the sale of nil-paid Rights Shares to the relevant Non-Qualifying Shareholders (if any)	Monday, 26 February 2024

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place if a tropical cyclone warning signal No. 8 or above, or “extreme conditions” caused by super typhoons or a “black” rainstorm warning is:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Tuesday, 23 January 2024, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance 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 Tuesday, 23 January 2024, being the date on which the Latest Time for Acceptance falls. In this case, the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day on which none of the aforementioned warnings is in force 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 Tuesday, 23 January 2024, the dates mentioned above in this section may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

TERMINATION OF THE UNDERWRITING AGREEMENT

Termination of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements)

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) if the date of the Latest Time for Termination shall be a Business Day on which “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains in force in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no “extreme conditions” caused by super typhoons is announced by the Government of Hong Kong or no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (i) in the absolute opinion of New Metro, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature which may in the absolute opinion of New Metro materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of New Metro materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (ii) any material adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction on trading in securities) occurs which in the absolute opinion of New Metro is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (iii) there is any change in the circumstances of the Company which in the absolute opinion of New Metro will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of the Company; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (iv) any event of force majeure occurs, including without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of New Metro would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (v) any other material adverse change in relation to the business or the financial or trading position or prospects of the Company as a whole whether or not *ejusdem generis* with any of the foregoing; or
- (vi) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten (10) consecutive Business Days, excluding any suspension in connection with the clearance of the Announcements or the Prospectus Documents or other announcements in connection with the Rights Issue,

New Metro shall be entitled to terminate the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) by notice in writing to the Company served prior to the Latest Time for Termination.

New Metro shall be entitled by notice in writing to rescind the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) if, prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) comes to the knowledge of New Metro; or
- (ii) any Specified Event comes to the knowledge of New Metro.

Any such notice shall be served by New Metro prior to the Latest Time for Termination. Upon giving of notice pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), the obligations of New Metro and the Company under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) shall terminate and no party shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

If New Metro or the Company terminates the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) is terminated by New Metro or the Company.

LETTER FROM THE BOARD

UNIVERSE PRINTSHOP HOLDINGS LIMITED
環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

Executive Directors:

Mr. LAM Shing Tai (*Chairman*)
Ms. LI Shuang
Mr. KAO Jung
Mr. YIP Chi Man

Registered office:

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

Independent non-executive Directors:

Mr. WONG Chun Kwok
Mr. HO Kar Ming
Ms. SO Shuk Wan

Head office and principal place

of business in Hong Kong:
Shop B3, G/F, Block 3
Kwun Tong Industrial Centre
448–458 Kwun Tong Road
Kwun Tong, Hong Kong

30 November 2023

*To: the Qualifying Shareholders and, for information purpose only,
the Non-Qualifying Shareholder(s)*

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION;**
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS
SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON
THE RECORD DATE ON FULLY UNDERWRITTEN BASIS;
(4) CONNECTED TRANSACTION IN RELATION
TO THE UNDERWRITING AGREEMENT AND
THE SUPPLEMENTAL RIGHTS AGREEMENTS;
(5) APPLICATION FOR WHITEWASH WAIVER
AND
(6) NOTICE OF EGM

INTRODUCTION

Reference is made to the Announcements. The purpose of this circular is to provide you with, among other things, (i) details of the Share Consolidation; (ii) details of the Increase in Authorised Share Capital; (iii) further information regarding the Rights Issue, the Underwriting

LETTER FROM THE BOARD

Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder, and the Whitewash Waiver; (iv) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, and the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder, and the Whitewash Waiver; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the Whitewash Waiver; (vi) other information required under the GEM Listing Rules and the Takeovers Code; and (vii) the notice of the EGM.

PROPOSED SHARE CONSOLIDATION

The Board proposes to put forward proposal to the Shareholders to implement the Share Consolidation, pursuant to which every five (5) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.05. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have material interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 998,000,000 Existing Shares have been allotted and issued as fully paid or credited as fully paid. Upon the Share Consolidation becoming effective and assuming that the Increase in Authorised Share Capital has taken effect on the date of the EGM (increasing the existing authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$200,000,000 divided into 20,000,000,000 Existing Shares) and no further Existing Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares of par value of HK\$0.05 each, of which 199,600,000 Consolidated Shares will be in issue and fully paid or credited as fully paid. Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other.

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

LETTER FROM THE BOARD

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

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

Subject to the fulfilment of the conditions of the Share Consolidation, the effective date of the Share Consolidation is expected to be on Wednesday, 27 December 2023, being two Business Days after the date of the EGM.

Application for listing of the Consolidated Shares

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

Subject to the granting of the 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 HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made by the Company for the Consolidated Shares to be admitted into CCASS.

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

LETTER FROM THE BOARD

Fractional entitlement to the Consolidated Shares

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

Exchange of share certificates

Subject to the Share Consolidation having become effective, Shareholders may, during the period from 9:00 a.m. on Wednesday, 27 December 2023 to 4:30 p.m. on Friday, 2 February 2024 (both days inclusive) submit share certificates for the Existing Shares to the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Consolidated Shares.

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

The existing share certificates for the Existing Shares will only be valid for delivery, trading and settlement purposes for the period up to 4:10 p.m. on Wednesday, 31 January 2024, and thereafter will not be accepted for delivery, trading and settlement purposes. However, the existing share certificates for the Existing Shares will continue to be good evidence of legal title to the Consolidated Shares on the basis of five (5) Existing Shares for one (1) Consolidated Share. The new share certificates for the Consolidated Shares will be issued in blue colour in order to distinguish them from the existing share certificates for the Existing Shares which are in pink colour.

Other securities of the Company

The Company has adopted a share option scheme on 26 February 2018 pursuant to which the total number of Shares in respect of which options may be granted under the share option scheme shall not exceed 90,000,000 Existing Shares (equivalent to 18,000,000 Consolidated Shares assuming the Share Consolidation has become effective). As at the Latest Practicable Date, the scheme mandate limit has not been refreshed and no options have been granted since the date of adoption of the share option scheme of the Company.

Save as abovementioned, as at the Latest Practicable Date, the Company does not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares, as the case may be.

LETTER FROM THE BOARD

No change in board lot size

The Existing Shares are currently traded on the Stock Exchange in board lot size of 20,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 20,000 Consolidated Shares per board lot.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, Sorrento Securities Limited has been appointed by the Company 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 from 9:00 a.m. on Thursday, 11 January 2024 to 4:00 p.m. on Wednesday, 31 January 2024 (both days inclusive). Shareholders who wish to take advantage of this service should contact Sorrento Securities Limited at Room 1208, 12/F, Wing On Centre, 111 Connaught Road Central, Sheung Wan, Hong Kong or at telephone number (852) 3959 9800 during office hours (i.e. 9:00 a.m. to 6:00 p.m.) of such period.

Shareholders or potential investors should note that (i) odd lots will be created after the Share Consolidation; (ii) successful matching of the sale and purchase of odd lots of the Consolidated Shares are not guaranteed; and (iii) odd lots of the Consolidated Shares might be sold below the market price. Shareholders who are in any doubt about the odd lot arrangement are recommended to consult their own professional advisers.

REASONS FOR THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited has further stated that (i) the market price of the 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.

Based on the closing price of HK\$0.027 per Existing Share as at the Latest Practicable Date, the value per board lot of 20,000 Existing Shares is HK\$540 which is less than HK\$2,000. In view of the above, the Board resolved to propose the Share Consolidation, resulting in HK\$0.135 per Consolidated Share and HK\$2,700 per board lot of 20,000 Consolidated Shares based on the closing price of HK\$0.027 per Existing Share as at the Latest Practicable Date with the view to complying with the trading requirements under the GEM Listing Rules, which can reduce transaction and registration costs to be incurred by the Shareholders and thereby facilitate the Rights Issue to achieve the Company’s fund-raising needs as well as for any future fund-raising activities.

LETTER FROM THE BOARD

In addition, the Directors consider that the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange. Furthermore, the Share Consolidation would reduce the overall transaction and handling costs of dealings in the Shares as a proportion of the market value of each board lot, since most of the banks/securities houses will charge a minimum transaction cost for each securities trade. It is also believed that the Share Consolidation will increase the attractiveness of investment in the Shares to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company.

As at the Latest Practicable Date, (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) save for the Rights Issue, the Company does not have any agreement, arrangement, understanding or negotiation (either concluded or in process) on any potential fund-raising activities which will involve issue of Shares nor any intention or plan to conduct other equity fund-raising activities in the next 12 months upon completion of the Rights Issue. However, if there shall arise any change of the Group's current circumstances or 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 announcement(s) in this regard in accordance with the GEM Listing Rules as and when appropriate.

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

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the existing authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$200,000,000 divided into 20,000,000,000 Existing Shares (which will become 4,000,000,000 Consolidated Shares upon the Share Consolidation becoming effective). The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. Subject to the passing of such ordinary resolution, the Increase in Authorised Share Capital will become effective on the date of the EGM.

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

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

Subject to, among other things, the Increase in Authorised Share Capital and the Share Consolidation having become effective, the Board proposes to conduct the Rights Issue on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held at the close of business on the Record Date. The Rights Issue will be fully underwritten by New Metro. Set out below are the details of the Rights Issue statistics:

Rights Issue Statistics

Basis of the Rights Issue:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.115 per Rights Share (with par value of HK\$0.05 each upon the Share Consolidation having become effective)
Number of Existing Shares in issue as at the Latest Practicable Date:	998,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective:	199,600,000 Consolidated Shares (assuming there is no further allotment and issue or repurchase of the Existing Shares up to the effective date of the Share Consolidation)
Number of Rights Shares:	299,400,000 Rights Shares (assuming there is no other change in the total number of issued Shares on or before the Record Date), representing (i) 150% of the total issued Consolidated Shares upon the Share Consolidation having become effective; and (ii) 60% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue. The aggregate nominal value of the Rights Shares will be HK\$14,970,000
Enlarged issued share capital of the Company upon completion of the Rights Issue:	499,000,000 Consolidated Shares
Right of excess applications:	Nil

LETTER FROM THE BOARD

Number of the Underwritten Shares:	New Metro shall underwrite up to 163,602,300 Rights Shares, being such number of Rights Shares to be issued pursuant to the Rights Issue less the 135,797,700 Rights Shares to be subscribed by New Metro, Mr. Tsang and Mr. Chiu pursuant to the Irrevocable Undertakings
Irrevocable Undertakings:	Each of (i) New Metro, being a controlling shareholder of the Company and the underwriter of the Rights Issue; (ii) Mr. Tsang; and (iii) Mr. Chiu, has unconditionally and irrevocably undertaken to the Company, among other things, that it/he will subscribe for the Rights Shares to which it/he is entitled under the Rights Issue in full. For details, please refer to the paragraph headed “The Irrevocable Undertakings” below in this circular
Gross proceeds from the Rights Issue:	Approximately HK\$34.43 million (assuming there is no other change in the total number of issued Shares on or before the Record Date)

As at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares.

The Subscription Price

The Subscription Price is HK\$0.115 per Rights Share (with par value of HK\$0.05 each upon the Share Consolidation having become effective), which shall be payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 14.81% to the adjusted closing price of HK\$0.135 per Consolidated Share as at the Latest Practicable Date (based on the closing price of HK\$0.027 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date and adjusted for the effect of the Share Consolidation);
- (ii) a discount of approximately 14.81% to the adjusted closing price of HK\$0.135 per Consolidated Share on the Last Trading Day (based on the closing price of HK\$0.027 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);

LETTER FROM THE BOARD

- (iii) a discount of approximately 18.44% to the adjusted average closing price of approximately HK\$0.141 per Consolidated Share for the last five consecutive trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0282 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (iv) a discount of approximately 19.01% to the adjusted average closing price of approximately HK\$0.142 per Consolidated Share for the last ten consecutive trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0283 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (v) a discount of approximately 8.00% to the theoretical ex-entitlement price of approximately HK\$0.125 per Consolidated Share on the Last Trading Day (based on the average closing price of HK\$0.0282 per Existing Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Initial Announcement and the number of Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation);
- (vi) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 11.06%, based on the theoretical diluted price of approximately HK\$0.125 per Consolidated Share to the benchmarked price of approximately HK\$0.141 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Initial Announcement and adjusted for the effect of the Share Consolidation);
- (vii) a premium over the audited consolidated net liabilities per Consolidated Share attributable to the Shareholders as at 31 March 2023 of approximately HK\$0.0038 per Consolidated Share calculated based on the audited consolidated net liabilities of the Group attributable to the owners of the Company of approximately HK\$680,817 as at 31 March 2023 as set out in the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report**”) and 180,000,000 Consolidated Shares in issue as at 31 March 2023 after adjusted for the effect of the Share Consolidation; and
- (viii) a premium over the unaudited consolidated net liabilities per Consolidated Share attributable to the Shareholders as at 30 September 2023 of approximately HK\$0.0320 per Consolidated Share calculated based on the unaudited consolidated net liabilities of the Group attributable to the owners of the Company of approximately HK\$6.38 million as at 30 September 2023 as set out in the interim report of the Company for

LETTER FROM THE BOARD

the six months ended 30 September 2023 (the “**Interim Report**”) and 199,600,000 Consolidated Shares in issue as at 30 September 2023 after adjusted for the effect of the Share Consolidation.

The Subscription Price was determined by the Company with reference to (i) the general downward trend of the prevailing market prices of the Existing Shares; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue and the intended use of proceeds as set out in this circular. As such, the Board considers that it is necessary and reasonable to set the Subscription Price at a discount to the recent market price of the Shares (taking into account the effect of the Share Consolidation) in order to attract Shareholders and investors to participate in the Rights Issue.

In view of the above, the Directors (including the members of the Independent Board Committee whose opinion has been set forth in the letter from the Independent Board Committee in this circular after having been advised by the Independent Financial Adviser) consider that the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Existing Shares with an objective to encourage Qualifying Shareholders to take up their entitlements so as to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional on each of the following conditions being fulfilled:

- (i) the passing of all necessary ordinary resolutions to be proposed at the EGM for the transactions contemplated thereunder (including but not limited to the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement and the Supplemental Rights Agreements) by the Independent Shareholders;
- (ii) the passing of the special resolution to be proposed at the EGM for the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders;
- (iii) the Executive granting the Whitewash Waiver to New Metro and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (iv) the Increase in Authorised Share Capital and the Share Consolidation having become effective;

LETTER FROM THE BOARD

- (v) the issue by the Stock Exchange of a certificate authorising the registration of, and the registration with the Registrar of Companies in Hong Kong, respectively, of one copy of each of the Prospectus Documents not later than the Prospectus Posting Date and otherwise in compliance with the GEM Listing Rules and the Companies (WUMP) Ordinance;
- (vi) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus with Overseas Letter bearing a “For Information Only” stamp to the Non-Qualifying Shareholders, if any, for information purpose only on or before the Prospectus Posting Date;
- (vii) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully paid forms (by no later than the first day of their dealings);
- (viii) the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) not having been terminated in accordance with the provisions thereof, including force majeure events;
- (ix) the obligations of New Metro becoming unconditional and the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) not having been terminated in accordance with the provisions thereof, including force majeure events;
- (x) the compliance with and performance of all the undertakings and obligations under the Irrevocable Undertakings; and
- (xi) the compliance with any other mandatory requirements under the applicable laws and regulations of Hong Kong and the Cayman Islands.

The above conditions are incapable of being waived. If the above conditions are not satisfied in whole or in part by the Latest Time for Termination (or such other time stipulated above), the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) shall be terminated and (save in respect of any provisions relating to, among other matters, notices and governing law and any rights or obligations which may accrue under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) prior to such termination) no party will have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Rights Issue will not proceed. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the Latest Time for Termination (or such other time stipulated above).

LETTER FROM THE BOARD

Status of the Rights Shares

The Rights Shares, when issued and fully-paid, will be free from all liens, charges, encumbrances and third-party rights, interests or claims of any nature whatsoever and shall rank *pari passu* in all respects with the Shares then in issue, including as to the right to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment of the fully-paid Rights Shares.

Qualifying Shareholders and Non-Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company on the Record Date and is not a Non-Qualifying Shareholder.

In order to be registered as members of the Company on the Record Date, all transfers of Consolidated Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Friday, 29 December 2023. The register of members of the Company will be closed from Tuesday, 2 January 2024 to Monday, 8 January 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Subject to the registration of the Prospectus Documents in accordance with the applicable laws and regulations, the Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date and will despatch the Prospectus (without the PAL(s)) to the Non-Qualifying Shareholders for their information only.

The Qualifying Shareholders who take up their pro rata entitlement in full will not experience any dilution to their interests in the Company. Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

Basis of provisional allotment

Under the Rights Issue, the basis of the provisional allotment shall be three (3) Rights Shares for every two (2) Consolidated Shares in issue held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Prospectus Documents and the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements).

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment of the Rights Shares should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for with the Registrar at or before the Latest Time for Acceptance.

LETTER FROM THE BOARD

No fractional entitlements to the Rights Shares and odd lot matching service

No fractional entitlements to the Rights Shares shall be issued to the Shareholders and no entitlements of the Non-Qualifying Shareholders to the Rights Shares shall be issued to the Non-Qualifying Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

If there are Overseas Shareholders at the close of business on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below. The Board will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus.

To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus with the Overseas Letter to the Non-Qualifying Shareholders for their information only, but will not send the PALs to them. The Non-Qualifying Shareholders will not be entitled to any provisional allotment under the Rights Issue.

In accordance with the compensatory arrangements under Rule 10.31(1)(b) of the GEM Listing Rules, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements as at the close of business on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit.

Any NQS Unsold Rights Shares will be placed by the Placing Agent at the price not less than the Subscription Price under the Placing together with the Untaken Shares. The proceeds of the sale as described above, less expenses and in the case of being sold by the Placing Agent, also less the Subscription Price and the Placing Agent's commission, will be paid pro-rata (but rounded down to the nearest cent) to the relevant Non-Qualifying Shareholders' and the No Action Shareholders' shareholdings held on the Record Date on the basis of all NQS Unsold

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Rights Shares and Untaken Shares in Hong Kong dollars. Any Untaken Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will be taken up by New Metro pursuant to the terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements).

Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue, subject to the results of the enquiries to be made by the Company. The Company reserves the right to treat as invalid any acceptances of, or applications for, the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their own professional advisers.

As at the Latest Practicable Date, there was no Overseas Shareholder with registered addresses situated outside Hong Kong except New Metro.

The Company will continue to ascertain whether there are any other Overseas Shareholders on the Record Date and will, if necessary, make further enquiries with legal adviser(s) in other overseas jurisdiction(s) regarding the feasibility of extending the Rights Issue to such other Overseas Shareholders registered as a member of the Company on the Record Date and make relevant disclosures in the Prospectus.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted by Wednesday, 7 February 2024 to those entitled to them at their registered addresses by ordinary post at their own risk.

Refund cheques, if the Rights Issue is terminated, are expected to be posted on or before Wednesday, 7 February 2024 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Application for listing and dealing arrangements of the Rights Shares

The Company will apply to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange. The nil-paid and fully-paid Rights Shares will be traded in board lots of 20,000 Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange.

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

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Rights Shares will be eligible 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 date of dealings in the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stock brokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Taxation

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

Procedures in respect of the Untaken Shares and the NQS Unsold Rights Shares and the Placing

The Company will make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule to dispose of the Untaken Shares and the NQS Unsold Rights Shares by offering the Untaken Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders.

The Company therefore appointed the Placing Agent to place the Untaken Shares and the NQS Unsold Rights Shares to independent placees on a best effort basis. Any premium over, the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised will be paid to the No Action Shareholders and the Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 5:00 p.m. on the Placing End Date, acquirers for all (or as many as possible) of those Untaken Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Untaken Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will be taken up by New Metro pursuant to the terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements).

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Net Gain (if any) will be paid (without interest) on pro-rata basis (on the basis of all Untaken Shares and NQS Unsold Rights Shares) to the No Action Shareholders and the Non-Qualifying Shareholders (but rounded down to the nearest cent). It is proposed that Net Gain to any of the No Action Shareholder(s) or the Non-Qualifying Shareholders of HK\$100 or more will be paid to them in Hong Kong Dollars only and the Company will retain individual amounts 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 Non-Qualifying Shareholders may or may not receive any Net Gain.

No application for excess Rights Shares

Given that the Company has put in place the compensatory arrangements as required by Rule 10.31(1)(b) of the GEM Listing Rules, details of which are set out in the paragraph headed “Procedures in respect of the Untaken Shares and the NQS Unsold Rights Shares and the Placing” above, **there will be no excess application arrangements in relation to the Rights Issue** as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules.

The Placing

The Company and the Placing Agent entered into (i) the Placing Agreement on 5 October 2023; (ii) the First Supplemental Placing Agreement on 19 October 2023 (after trading hours); (iii) the Second Supplemental Placing Agreement on 3 November 2023 (after trading hours); and (iv) the Third Supplemental Placing Agreement on 16 November 2023 (after trading hours), pursuant to which the Company conditionally agreed to appoint the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Placing Shares (i.e. the Untaken Shares and/or the NQS Unsold Rights Share during the Rights Issue) on the terms and subject to the conditions set out in the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements). Under the terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), if all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed.

The principal terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) are summarised below:

Date:	The Placing Agreement: 5 October 2023
	The First Supplemental Placing Agreement: 19 October 2023 (after trading hours)
	The Second Supplemental Placing Agreement: 3 November 2023 (after trading hours)
	The Third Supplemental Placing Agreement: 16 November 2023 (after trading hours)

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- Placing Agent: Sorrento Securities Limited
- To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.
- Placing commission and expenses: 1.5% of the gross proceeds from the subscription of the Placing Shares successfully placed by the Placing Agent under the Placing Agreement. The Company shall also be responsible for all costs and expenses reasonably incurred in connection with or arising out of the Placing.
- Placing price: The placing price of each of the Untaken Share and/or the NQS Unsold Rights Share (as the case maybe) shall be not less than the Subscription Price. The final price will be determined based on the demand for and market conditions of the Untaken Shares and the NQS Unsold Rights Shares during the process of Placing.
- Ranking: The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with the Consolidated Shares in issue as at the date of allotment and issue of the Placing Shares.
- Placing Period: The Placing Period shall commence on Friday, 26 January 2024, and end on the Placing End Date (i.e. Tuesday, 30 January 2024) or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

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Placees:

The Placing Agent shall ensure that the Placing Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owner(s) 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 implications under the Hong Kong Code on Takeovers and Mergers and no Shareholder will be under any obligation to make a general offer under the Hong Kong Code on Takeovers and Mergers as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable to comply with the public float requirements under the GEM Listing Rules immediately following the Placing.

Conditions of the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) are conditional upon the following conditions being fulfilled:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares, including the Placing Shares, in their nil-paid and fully paid forms (subject to customary conditions) and such approval not having been withdrawn or revoked;
- (ii) approval of the Rights Issue by the Independent Shareholders at the EGM;
- (iii) the passing of the special resolution to be proposed at the EGM for the Whitewash Waiver by at least 75% of the votes cast by the Independent Shareholders;
- (iv) the Executive granting the Whitewash Waiver to New Metro and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;
- (v) none of the representations, warranties or undertakings contained in the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) 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 of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements); and

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- (vi) the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) not having been terminated in accordance with the provisions thereof.

The Placing Agent may, in its absolute discretion, waive the fulfilment of all or any part of the conditions (other than those set out in paragraphs (i) to (iv) above) by notice in writing to the Company.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Placing Period shall commence on Friday, 26 January 2024, or such other date as the Company may announce. The Placing Period shall end on Tuesday, 30 January 2024, or such other date as the Company may announce.

The long stop date for the fulfilment of conditions of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) shall be 5:00 p.m. on Wednesday, 31 January 2024 (being the next Business Day after the Placing End Date) or such later date as may be announced by the Company. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions and if the said conditions are not fulfilled on or before the Placing Long Stop Date, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) will lapse and become null and void and the Company and the Placing Agent shall be released from all rights and obligations under the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), save for the liabilities for any antecedent breaches thereof.

Termination

The Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) can only be terminated by mutual written confirmations by the Company and the Placing Agent.

Completion of the Placing

Subject to the fulfilment of conditions of the Placing as set out in the paragraph headed “Conditions of the Placing” of this circular, the completion of the Placing is expected to take place on the Placing Long Stop Date (or such later date as the Company may announce).

The engagement between the Company and the Placing Agent of the Untaken Shares and the NQS Unsold Rights Shares was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms. In particular, the Directors, taking into account the range of placing commissions from 0.6% to 4.0% with median of 1.5% for recent rights issue conducted by listed issuers according to their then latest publication on the Stock Exchange, consider that the terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), including the placing commission at the median market rate, are on normal commercial terms. Given that the Placing would provide (i) a distribution channel of the Untaken Shares and the NQS Unsold Rights Shares; and (ii) a

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compensatory mechanism for the No Action Shareholders and Non-Qualifying Shareholders, the Directors consider that the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Given that the compensatory arrangements would provide a compensatory mechanism for the relevant No Action Shareholders and Non-Qualifying Shareholders, the Directors consider that the terms of the compensatory arrangements are fair and reasonable and the compensatory arrangements are in the interest of the minority Shareholders.

THE IRREVOCABLE UNDERTAKINGS

As at the Latest Practicable Date, New Metro, the controlling shareholder of the Company, held 354,659,000 Shares, representing approximately 35.54% of the existing issued Shares. On 3 October 2023 (after trading hours), New Metro entered into the NMI Irrevocable Undertaking in favour of the Company. Pursuant to the NMI Irrevocable Undertaking, New Metro unconditionally and irrevocably undertakes, among other things, that it will not dispose of the 354,659,000 Existing Shares (or 70,931,800 Consolidated Shares, as the case may be) comprising the current shareholding in the Company owned by it up to and including the Record Date and it will subscribe for the Rights Shares to which he is entitled under the Rights Issue in full.

As at the Latest Practicable Date, Mr. Tsang held 49,000,000 Shares, representing approximately 4.91% of the existing issued Shares. On 3 October 2023 (after trading hours), Mr. Tsang entered into the Tsang Irrevocable Undertaking in favour of the Company. Pursuant to the Tsang Irrevocable Undertaking, Mr. Tsang unconditionally and irrevocably undertakes, among other things, that he will not dispose of the 49,000,000 Existing Shares (or 9,800,000 Consolidated Shares, as the case may be) comprising the current shareholding in the Company owned by him up to and including the Record Date and he will subscribe for the Rights Shares to which he is entitled under the Rights Issue in full.

As at the Latest Practicable Date, Mr. Chiu held 49,000,000 Shares, representing approximately 4.91% of the existing issued Shares. On 3 October 2023 (after trading hours), Mr. Chiu entered into the Chiu Irrevocable Undertaking in favour of the Company. Pursuant to the Chiu Irrevocable Undertaking, Mr. Chiu unconditionally and irrevocably undertakes, among other things, that he will not dispose of the 49,000,000 Existing Shares (or 9,800,000 Consolidated Shares, as the case may be) comprising the current shareholding in the Company owned by him up to and including the Record Date and he will subscribe for the Rights Shares to which he is entitled under the Rights Issue in full.

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

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THE UNDERWRITING AGREEMENT AND THE SUPPLEMENTAL RIGHTS AGREEMENTS

On 3 October 2023 (after trading hours), the Company entered into the Underwriting Agreement with New Metro for the Rights Issue. The Company entered into the First Supplemental Rights Agreement on 5 October 2023, the Second Supplemental Rights Agreement on 19 October 2023 (after trading hours), the Third Supplemental Rights Agreement on 3 November 2023 (after trading hours) and the Fourth Supplemental Rights Agreement on 16 November 2023 (after trading hours) with New Metro to amend and supplement certain terms and conditions of the Underwriting Agreement. The principal terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) are as follows:

Date: The Underwriting Agreement: 3 October 2023 (after trading hours)

The First Supplemental Rights Agreement: 5 October 2023

The Second Supplemental Rights Agreement: 19 October 2023 (after trading hours)

The Third Supplemental Rights Agreement: 3 November 2023 (after trading hours)

The Fourth Supplemental Rights Agreement: 16 November 2023 (after trading hours)

Parties: The Company as the issuer and New Metro as the underwriter

New Metro is a controlling shareholder of the Company which beneficially held 354,659,000 Shares, representing approximately 35.54% of the entire issued share capital of the Company as at the Latest Practicable Date. As such, New Metro complies with Rule 10.24A(2) of the GEM Listing Rules and New Metro is a connected person of the Company under Chapter 20 of the GEM Listing Rules. It is not in the ordinary course of business of New Metro to underwrite securities

LETTER FROM THE BOARD

Number of the Underwritten Shares: The total number of the Underwritten Shares shall be in maximum 163,602,300 Rights Shares, being such number of Rights Shares to be issued pursuant to the Rights Issue less the 135,797,700 Rights Shares to be subscribed by New Metro, Mr. Tsang and Mr. Chiu pursuant to the Irrevocable Undertakings

Underwriting commission: Nil

The terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) including the commission rate were determined after arm's length negotiations between the Company and New Metro with reference to the financial position of the Group, the size of the Rights Issue, and the prevailing market conditions, taking into consideration the intention of New Metro to facilitate the Company's fund-raising efforts. In cases where the underwriter is a substantial/controllering shareholder, the Company noted that it appears to be a common practice that no underwriting commission would be charged.

The Directors (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee) are of the view that the terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), including the commission rate, are fair and reasonable and the transactions contemplated under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE AND INTENDED USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group included offset printing, ink-jet printing and digital printing.

New Metro is a company incorporated in the British Virgin Islands with limited liability and its principal business activity is holding the Shares. As at the Latest Practicable Date, New Metro beneficially holds 354,659,000 Shares, representing approximately 35.54% of the entire issued share capital of the Company.

As disclosed in the Annual Report, the Company had an audited net liabilities position of approximately HK\$681,000 and cash and cash equivalents of approximately HK\$4.96 million as at 31 March 2023. The current liabilities of the Company as at 31 March 2023 comprised mainly (i) trade and other payables and accruals of approximately HK\$19.87 million; (ii) contract liabilities of approximately HK\$1.81 million; and (iii) lease liabilities of approximately HK\$7.79 million. The non-current liabilities of the Company as at 31 March 2023 comprised mainly lease liabilities of approximately HK\$3.50 million. During the six months ended 30

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September 2023, the Company recorded an unaudited total comprehensive loss attributable to owners of the Company of approximately HK\$9.43 million.

Recently, the Company acquired two sets of brand new four-colour digital inkjet printing machine manufactured by FUJIFILM (model: Jet Press 750S) accompanied with servers and FUJIFILM XMF Workflow system with a view to enhance its printing management for higher efficiency and consistency as well as to reduce unit fixed costs while reducing its carbon footprint. For details, please refer to the circular of the Company dated 31 May 2023. In order to expand the Group's business scale, the Group has leased certain premises in Tsing Yi at the same building of the existing logistics centre of the Group with a view to enhance the overall business efficiency and reduce operational costs of the Group. For details, please refer to the announcement of the Company dated 20 November 2023.

Although the Company has been proactively optimising its resources to capture business opportunities, such business strategies would take time to reflect in the financial performance of the Group and the Group has imminent need of capital to support its business operation and expansion. As at 30 September 2023, the Company had an unaudited cash and cash equivalents of approximately HK\$2.51 million.

Based on the Subscription Price of HK\$0.115 per Rights Share and 299,400,000 Rights Shares (being Consolidated Shares) to be issued under the Rights Issue, the gross proceeds from the Rights Issue would be approximately HK\$34.43 million. The estimated net proceeds from the Rights Issue after deduction of all estimated expenses would be approximately HK\$32.81 million (equivalent to a net price of approximately HK\$0.110 per Rights Share). The Group intends to apply the net proceeds from the Rights Issue for (i) repayment of trade and other payables and accruals; (ii) partial repayment of the Shareholder's Loan; and (iii) general working capital.

(i) Repayment of trade and other payables and accruals

As at 31 July 2023, the unaudited trade and other payables and accruals of the Company was approximately HK\$9.76 million which are generally payable within one month from relevant dates of invoices. Since the Group will continue to incur these payables in ordinary course of business and it is necessary for the Group to secure stable supply of goods and services, the Group intends to utilise approximately HK\$8.65 million from the net proceeds of the Rights Issue to ensure settlement of these payables as soon as practicable and any similar payables to be incurred in near future, among which (i) approximately HK\$7.77 million will be used to settle an amount due to a subcontractor of the Group in relation to production of printing products; and (ii) approximately HK\$0.88 million will be used to settle the professional fee and premium of medical scheme of the Group and expenses relating to renovation and engineering work of the Group's leased premises.

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(ii) Partial repayment of the Shareholder's Loan

As at the Latest Practicable Date, the outstanding principal amount of the Shareholder's Loan incurred by the Company due to Mr. Lam, the controlling shareholder of the Company, was approximately HK\$22.45 million which are non-interest bearing. The Company intends to utilise HK\$16.25 million of the net proceeds from the Rights Issue to repay part of the Shareholder's Loan in the first quarter of 2024. The Board considers that the partial repayment of the Shareholder's Loan can alleviate the liquidity pressure of the Company and reduce its debt level and gearing ratio.

(iii) General working capital

The Board intends to apply approximately HK\$7.91 million for the general working capital of the Group, among which (i) approximately HK\$4.65 million will be applied for additional staff salary of production and customer services team for around 13 months from the completion of the Rights Issue; and (ii) approximately HK\$3.26 million will be applied for rental payments of the Group's new retail store and a premises located in Tsing Yi leased by the Group for expansion of its production base for around 13 months from the completion of the Rights Issue which is expected to take place in February 2024.

Having considered the recent trading prices of the Shares in open market and the existing share capital of the Company, the Company is of the view that the capital to be raised by the Rights Issue at a ratio of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date would meet the abovementioned capital need of the Group whereas (i) a larger ratio would require the Qualifying Shareholders to take up more entitlements to avoid being diluted and increase underwriting effort of New Metro; and (ii) a smaller ratio would not cater for sufficient capital meeting the Group's requirement as detailed above.

The Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue on a 3-to-2 ratio.

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Alternative fund-raising methods considered

The Directors have considered other financing alternatives including (i) additional debt financing, (ii) equity fund raising such as placement of new Shares and open offer, and (iii) realisation of existing assets. The Board considers that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole, for the reasons as follows:

- (i) As for additional debt financing, the Board has attempted to obtain loan financing from its principal bankers and was advised that it is not feasible for the Company to obtain loan facilities in an amount comparable to gross proceeds from the Rights Issue under the recent financial status of the Company. Furthermore, the Company has also compared the existing interest rate of over 7% per annum offered by a bank for the Group's recent hire purchase arrangement of printing machines with the implied cost of capital of the Rights Issue of approximately 4.72% (being the total estimated expenses of the Rights Issue as percentage of gross proceeds) and noted that it would not be commercially justifiable to conduct debt financing when general interest rates of banks remain high at this moment and debt financing may result in a higher gearing ratio of the Group and this will also increase the ongoing interest expenses of the Group and in turn affect the profitability of the Company.
- (ii) As for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company.

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

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

- (iii) As for realisation of existing assets, the Company's assets comprises mainly (i) plant and machinery; (ii) right-of-use assets; (iii) trade receivables; and (iv) cash and cash equivalents and the Group has already disposed of certain offset press which was considered no longer relevant to the Group's operation. For details, please refer to the announcement of the Company dated 18 April 2023. As the remaining machineries are necessary for the Group's operation, the Directors are of the view that it is not advisable at this moment for the Company to further realise its assets unless due to replacement or business needs.

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The Board considers that the Rights Issue, which is on a fully underwritten basis, can enable the Company to raise sufficient funds to satisfy its imminent demands on funds as aforementioned. In addition, the Rights Issue would give the Qualifying Shareholders the opportunity to maintain their respective prorata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Although there will be dilution to shareholdings of the Qualifying Shareholders who do not take up all the Rights Shares to which they are entitled and the Non-Qualifying Shareholders, the Rights Issue requires the Independent Shareholders' approval so that the Independent Shareholders are given an opportunity to decide whether the Company shall proceed to the Rights Issue by voting for or against at the EGM to approve the Rights Issue.

The Company has also contacted certain securities firms for the feasibility of conducting underwritten fund-raising exercise but has received negative feedbacks from those securities firms for acting as underwriter for the Rights Issue in view of the recent market sentiment. Therefore, the Company considers that with New Metro as the underwriter to fully underwrite the committed Rights Shares, the Company would be able to secure necessary fund to satisfy its imminent capital needs on one hand and save underwriting commission on the other hand which is in the interests of the Company and the Shareholders as a whole.

EQUITY FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had carried out the following equity fund-raising activities in the 12 months immediately preceding the Latest Practicable Date:

Date of completion	Description of fund raising activities	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
3 May 2023	Issue of 98,000,000 new Shares under general mandate at the subscription price of HK\$0.04 per Share. Such subscription price represented a premium of approximately 53.85% over the closing price per Share on the date of relevant subscription agreement.	All net proceeds would be used to settle the Group's current liabilities such as trade and other payables and accruals	All net proceeds had been utilised as intended

The net proceeds from the subscription was approximately HK\$3.73 million

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Save for the above, the Company had not conducted any other equity fund-raising activities in the past 12 months immediately preceding the Latest Practicable Date.

INFORMATION ON NEW METRO

New Metro is a company incorporated in the British Virgin Islands with limited liability and its principal business activity is holding of the Shares. As at the Latest Practicable Date, Mr. Lam, the chairman of the Board and an executive Director, is the sole shareholder and director of New Metro which beneficially held 354,659,000 Shares, representing approximately 35.54% of the entire issued share capital of the Company.

FUTURE INTENTIONS OF NEW METRO REGARDING THE GROUP

Upon completion of the Rights Issue, New Metro remains to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company. New Metro confirms that:

- (a) it is intended that the Group will continue its existing business following the completion of the Rights Issue;
- (b) it shares the view of the Company that the Rights Issue is in the interests of the Group, as the net proceeds from the Rights Issue would reduce the liabilities of the Group and replenish working capital of the Group as detailed in this circular; and
- (c) there is no intention to introduce any major changes to the existing business of the Group or the continued employment of the Group's employees, and there is no intention to redeploy or dispose of the fixed assets of the Group other than in its ordinary course of business.

RISK FACTORS

In compliance with the GEM Listing Rules, the Company sets out below the risk factors of the Group for the attention of the Shareholders and potential investors. The Directors believe that there are certain risks involved in the operations of the Group, which includes but are not limited to, the following:

- (i) the Group generally does not enter into any long-term contract with its customers and sales of the Group are derived on an order-by-order basis and may fluctuate from time to time. Hence, the growth and success of the Group relies on the Group's ability to retain its existing customers and attract new customers, which is affected by various factors such as sales coverage, service quality, marketing strategies, market demand and the degree of competition in the market. There is no assurance that the Group's customers will continue to place orders with the Group in the future;

LETTER FROM THE BOARD

- (ii) to deliver printing services with fast turnaround time and meet the expectation of customers, the Group has to be able to procure raw materials in a timely manner. The Group did not enter into any long-term contract with its suppliers. There is no assurance that the Group will continue to be able to secure a stable supply of raw materials at competitive prices in a timely manner or at all. Failure to do so will cause disruption in production or delayed delivery, thereby adversely affecting the Group's business, results of operation and reputation;
- (iii) the business of the Group is subject to fluctuations of purchase costs for raw materials and staff costs. The profitability of the Group depends on the control of cost of production and ability to anticipate and respond to fluctuations in purchase costs of raw materials. The availability and costs of our principal raw materials may be affected due to factors beyond the Group's control such as policies of the government, economic conditions and market competition. In addition, as the labour costs in Hong Kong continue to increase in recent years, the salary level of employees has generally increased as well. The Group cannot guarantee that it can anticipate and respond to the changes in prices of principal raw materials and staff costs or transfer the increase in costs to the Group's customers effectively. In that case, the operation and financial performances may be adversely affected;
- (iv) the Group sub-contracts certain production procedures and printing services to sub-contractors who are printing service providers. It cannot be assured that the management of the Group can monitor the performance of these sub-contractors as directly and effectively as monitoring the staff members of the Group. In case these sub-contractors fail to meet the deadlines or required standards, the business and reputation of the Group may be adversely affected. In addition, if these sub-contractors are in breach of any laws, rules or regulations in matters such as health and safety, environment and employment, they may be subject to prosecution and unable to perform the work for the Group. The Group may then have to locate and appoint other sub-contractors for replacement at an additional cost, which would lower the profit margin of the Group;
- (v) as at 30 September 2023, the Group had unaudited net current liabilities of approximately HK\$8.42 million and net liabilities of approximately HK\$6.38 million. The net current liabilities position exposes the Group to liquidity risks. The Group's future liquidity, the payment of trade and other payables and repayment of outstanding debts will primarily depend on the Group's ability to generate adequate cash inflows from operations and sufficient external financing. The Group cannot assure that it will not have net current liabilities in the future. If the Group fails to secure adequate funds as working capital, financial conditions and results of operations of the Group may be adversely affected; and
- (vi) the Group's business depends on the macro-economic situation in Hong Kong and may be adversely affected by the change in demand of the Group's printing services and products as a result of downturns in the local economy, inflation and social and/or political development.

LETTER FROM THE BOARD

EFFECT OF THE RIGHTS ISSUE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation; and (iii) immediately after the Share Consolidation and the completion of the Rights Issue in different scenarios, in each case assuming there is no change in the issued share capital of the Company as at the Latest Practicable Date and up to and including the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation		Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming full acceptance by all Shareholders under the Rights Issue		Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and all the Placing Shares are placed to the places under the compensatory arrangements		Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and none of the Placing Shares are placed to the places under the compensatory arrangements	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
New Metro and parties acting in concert with it										
New Metro ^(Notes 1 & 2)	354,659,000	35.54	70,931,800	35.54	177,329,500	35.54	177,329,500	35.54	340,931,800	68.32
Mr. Lam ^(Notes 1 & 2)	-	-	-	-	-	-	-	-	-	-
Mr. Chau ^(Note 2)	41,366,000	4.14	8,273,200	4.14	20,683,000	4.14	8,273,200	1.66	8,273,200	1.66
Mr. Hsu ^(Note 2)	110,500,000	11.07	22,100,000	11.07	55,250,000	11.07	22,100,000	4.43	22,100,000	4.43
Ms. Au ^(Note 3)	9,500,000	0.95	1,900,000	0.95	4,750,000	0.95	1,900,000	0.38	1,900,000	0.38
Sub-total	<u>516,025,000</u>	<u>51.71</u>	<u>103,205,000</u>	<u>51.71</u>	<u>258,012,500</u>	<u>51.71</u>	<u>209,602,700</u>	<u>42.00</u>	<u>373,205,000</u>	<u>74.79</u>
Public Shareholders										
Mr. Tsang	49,000,000	4.91	9,800,000	4.91	24,500,000	4.91	24,500,000	4.91	24,500,000	4.91
Mr. Chiu	49,000,000	4.91	9,800,000	4.91	24,500,000	4.91	24,500,000	4.91	24,500,000	4.91
Placees	-	-	-	-	-	-	163,602,300	32.79	-	-
Other Public Shareholders	<u>383,975,000</u>	<u>38.47</u>	<u>76,795,000</u>	<u>38.47</u>	<u>191,987,500</u>	<u>38.47</u>	<u>76,795,000</u>	<u>15.39</u>	<u>76,795,000</u>	<u>15.39</u>
Sub-total	<u>481,975,000</u>	<u>48.29</u>	<u>96,395,000</u>	<u>48.29</u>	<u>240,987,500</u>	<u>48.29</u>	<u>289,397,300</u>	<u>58.00</u>	<u>125,795,000</u>	<u>25.21</u>
Total	<u><u>998,000,000</u></u>	<u><u>100.00</u></u>	<u><u>199,600,000</u></u>	<u><u>100.00</u></u>	<u><u>499,000,000</u></u>	<u><u>100.00</u></u>	<u><u>499,000,000</u></u>	<u><u>100.00</u></u>	<u><u>499,000,000</u></u>	<u><u>100.00</u></u>

LETTER FROM THE BOARD

Notes:

1. New Metro beneficially held 354,659,000 Existing Shares (or 70,931,800 Consolidated Shares after the Share Consolidation having become effective) as at the Latest Practicable Date. As New Metro is beneficially wholly owned by Mr. Lam, the chairman of the Board and an executive Director, Mr. Lam is deemed to be interested in the Shares which New Metro beneficially holds.
2. New Metro, Mr. Lam (the sole ultimate beneficial owner of New Metro), Mr. Chau (a former executive Director) and Mr. Hsu (a former executive Director) entered into the Deed of Acting in Concert Undertaking dated 4 April 2022, pursuant to which the parties have agreed to consolidate their respective interests in the Company and control directly and/or indirectly in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in an unanimous manner, and each of them is deemed to be interested in the Shares held by the others.
3. Ms. Au is the spouse of Mr. Yip, an executive Director who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert.

As disclosed in the table above, by virtue of the SFO, (i) Mr. Yip, an executive Director, was deemed to be interested in the 9,500,000 Existing Shares (representing approximately 0.95% of the issued share capital of the Company) in which his spouse, Ms. Au, beneficially held; and (ii) Mr. Lam, a chairman of the Board and an executive Director, was deemed to be interested in (a) 354,659,000 Existing Shares (representing approximately 35.54% of the issued share capital of the Company) held by New Metro; and (b) 151,866,000 Existing Shares (representing approximately 15.22% of the issued share capital of the Company) held by Mr. Chau and Mr. Hsu (the former executive Directors), both being the parties acting in concert with Mr. Lam and New Metro, as at the Latest Practicable Date. Save as disclosed above, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares as at the Latest Practicable Date.

Shareholders and public investors should note that the above shareholding changes are for illustration purposes only and the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including the results of acceptance of the Rights Shares. Further announcements will be made by the Company in accordance with the GEM Listing Rules following the completion of the Rights Issue upon which the Rights Shares are allotted and issued.

If a Qualifying Shareholder does not accept the Rights Shares provisionally allotted to him/her/it in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

GEM LISTING RULES IMPLICATIONS

The Share Consolidation

The Share Consolidation is conditional upon, among other things, the passing of an ordinary resolution 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, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no

LETTER FROM THE BOARD

Shareholder would be required to abstain from voting in favour of the resolution relating to the Share Consolidation at the EGM.

The Increase in Authorised Share Capital

The Increase in Authorised Share Capital is subject to the passing of an ordinary resolution by the Shareholders at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Increase in Authorised Share Capital, no Shareholder would be required to abstain from voting in favour of the resolution relating to the Increase in Authorised Share Capital at the EGM.

The Rights Issue

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12-month period immediately preceding the date of the Initial Announcement (after taking into account the effect of the Share Consolidation), the Rights Issue is conditional upon the Shareholders' approval at the EGM, and any controlling shareholders of the Company and their respective associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

Pursuant to the Deed of Acting in Concert Undertaking, each of New Metro, Mr. Lam, Mr. Chau and Mr. Hsu (being the controlling shareholders of the Company) is deemed to be interested in the Shares held by the others. As at the Latest Practicable Date, the aforesaid controlling shareholders of the Company were interested in 506,525,000 Shares, representing approximately 50.75% of the entire issued share capital of the Company. Therefore, they and their respective associates and parties acting in concert with any of them shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

New Metro, the underwriter, is a controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) constitute connected transactions for the Company under the GEM Listing Rules and the Underwriting Agreement and the Supplemental Rights Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. New Metro and its associates and parties acting in concert with any of them shall abstain from voting in respect of the resolution(s) relating to the Underwriting Agreement and the Supplemental Rights Agreements at the EGM. As at the Latest Practicable Date, (i) New Metro beneficially held 354,569,000 Existing Shares (representing approximately 35.54% of the entire issued share capital of the Company); (ii) Mr. Hsu beneficially held 110,500,000 Existing Shares (representing approximately 11.07% of the entire issued share capital of the Company); (iii) Mr. Chau beneficially held 41,366,000 Existing Shares

LETTER FROM THE BOARD

(representing approximately 4.14% of the entire issued share capital of the Company); and (iv) Ms. Au beneficially held 9,500,000 Existing Shares (representing approximately 0.95% of the entire issued share capital of the Company). Given Mr. Chau and Mr. Hsu are both parties acting in concert with Mr. Lam and New Metro pursuant to the Deed of Acting in Concert Undertaking, they are required to abstain from voting on the relevant resolution(s) at the EGM approving the Rights Issue, the Underwriting Agreement and the Supplemental Rights Agreements at the EGM. As Mr. Yip, an executive Director is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert, Ms. Au (the spouse of Mr. Yip) is also required to abstain from voting on the relevant resolution(s) at the EGM approving the Rights Issue, the Underwriting Agreement and the Supplemental Rights Agreements at the EGM.

Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder had informed the Company that he/she/it intends to vote in favour of or against the proposed resolution(s) in connection with the Rights Issue as at the Latest Practicable Date.

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

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau and Mr. Hsu pursuant to the Deed of Acting in Concert Undertaking dated 4 April 2022, and Ms. Au (the spouse of Mr. Yip, an executive Director, who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert)) were, in aggregate, interested in 516,025,000 Existing Shares, representing approximately 51.71% of the issued share capital of the Company of which 354,659,000 Existing Shares, representing approximately 35.54% of the entire issued share capital of the Company, were beneficially held by New Metro. New Metro has entered into the NMI Irrevocable Undertaking in favour of the Company that, among other things, it will not dispose of the 354,659,000 Existing Shares (or 70,931,800 Consolidated Shares, as the case may be) and it will subscribe for the Rights Shares to which it is entitled under the Rights Issue in full.

Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and none of the Placing Shares are placed to the placees under the compensatory arrangements, the shareholding of New Metro in the Company, will be increased by a maximum of 270,000,000 Rights Shares including 106,397,700 Rights Shares to be taken up by New Metro pursuant to the NMI Irrevocable Undertaking and a maximum of 163,602,300 Rights Shares to be underwritten pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) assuming no changes in the issued share capital of the Company up to and including the Record Date. In such circumstances, New Metro will beneficially hold a maximum of 340,931,800 Shares, representing approximately 68.32% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.

LETTER FROM THE BOARD

Accordingly, New Metro will be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au), unless the Whitewash Waiver is granted.

An application has been made by New Metro to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder. As at the Latest Practicable Date, (i) New Metro beneficially held 354,569,000 Existing Shares (representing approximately 35.54% of the entire issued share capital of the Company); (ii) Mr. Hsu beneficially held 110,500,000 Existing Shares (representing approximately 11.07% of the entire issued share capital of the Company); (iii) Mr. Chau beneficially held 41,366,000 Existing Shares (representing approximately 4.14% of the entire issued share capital of the Company); and (iv) Ms. Au beneficially held 9,500,000 Existing Shares (representing approximately 0.95% of the entire issued share capital of the Company). New Metro and parties acting in concert with it (as defined in the Takeovers Code) including Mr. Lam, Mr. Chau and Mr. Hsu pursuant to the Deed of Acting in Concert Undertaking dated 4 April 2022, and Ms. Au (the spouse of Mr. Yip, an executive Director, who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert), and any Shareholders who are involved in, or interested in (other than by being a Shareholder) the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the EGM.

Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder had informed the Company that he/she/it intends to vote in favour of or against the proposed resolution(s) in connection with the Whitewash Waiver as at the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not believe that the Rights Issue, the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the transactions contemplated thereunder gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue does not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, and assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by New Metro, Mr. Tsang and Mr. Chiu pursuant to the Irrevocable Undertakings) and no Placing Shares are successfully placed under the compensatory arrangements, the shareholding of New Metro in the Company will exceed 50%. **New Metro may increase their shareholding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.**

The Rights Issue is conditional on, among other things, the granting of the Whitewash Waiver by the Executive, the approval by the Shareholders at the EGM in respect of the Increase in Authorised Share Capital and the Share Consolidation and the approval by the Independent Shareholders at the EGM in respect of the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder, and the Whitewash Waiver as mentioned above. If the Whitewash Waiver is not granted and/or necessary approvals by the Independent Shareholders are not obtained, the Rights Issue will not proceed.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Share Consolidation and the Increase in Authorised Share Capital by the Shareholders and the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder, and the Whitewash Waiver by the Independent Shareholders at the EGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL on or before Tuesday, 9 January 2024. A copy of the Prospectus will also be made available on the websites of the Company at www.uprintshop.hk and the Stock Exchange at www.hkexnews.hk. To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send the PAL to them.

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

Shareholders and potential investors of the Company should note that the Share Consolidation is conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Share Consolidation” in this circular. Accordingly, the Share Consolidation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities, the Consolidated Shares and/or nil-paid Rights Shares of the Company. If they are in doubt, they should consult their professional advisers.

LETTER FROM THE BOARD

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) becoming unconditional and not being terminated in accordance with its terms, the granting of the Whitewash Waiver by the Executive and the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. If these conditions are not fulfilled, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Thursday, 28 December 2023 and that dealing in the Shares will take place while the conditions to which the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) are subject remain unfulfilled.

Any Shareholder or other person dealing in the Shares up to the date on which all conditions to which the Rights Issue is subject are fulfilled (which is expected to be on 5:00 p.m. on Wednesday, 31 January 2024), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholder or other person contemplating any dealings in the Shares and/or nil-paid Rights Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional advisers.

GENERAL

The EGM will be convened and held at which resolution(s) will be proposed to consider, and, if thought fit, to approve, among other things, the Increase in Authorised Share Capital, the Share Consolidation, the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder, and the Whitewash Waiver. The register of members of the Company will be closed from Friday, 15 December 2023 to Thursday, 21 December 2023 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

In order to be registered as members of the Company on the Record Date for the purpose of the Rights Issue, all transfers of Consolidated Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Friday, 29 December 2023.

The notice convening the EGM to be held at Workshop A1, Ground Floor, Tsing Yi Industrial Centre Phase 1, No. 1 to 33 Cheung Tat Road, Tsing Yi, New Territories, Hong Kong on Thursday, 21 December 2023 at 11:00 a.m. (Hong Kong time) is set out on pages EGM-1 to EGM-7 of this circular.

LETTER FROM THE BOARD

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 11:00 a.m. on Tuesday, 19 December 2023, Hong Kong time or less than 48 hours before the time appointed for holding any adjourned meeting of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

In compliance with the GEM Listing Rules, all the resolution(s) to be proposed at the EGM will be voted on by way of poll at the EGM.

ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

Pursuant to the GEM Listing Rules and Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all the independent non-executive Directors who have no direct or indirect interest in the Rights Issue and the Whitewash Waiver, namely Mr. Wong Chun Kwok, Mr. Ho Kar Ming and Ms. So Shuk Wan) has been established to advise the Independent Shareholders in respect of the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver, and as to the voting action therefor at the EGM.

Proton Capital Limited (a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO), has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver and to make recommendation as to voting. The Independent Board Committee will formulate its view, as the case may be, with respect to the terms of the Rights Issue, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver after obtaining and considering the advice of the independent financial adviser.

RECOMMENDATIONS

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder,

LETTER FROM THE BOARD

and the Whitewash Waiver are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. Your attention is drawn to the letter from the Independent Board Committee set out on pages 56 to 57 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the Whitewash Waiver and the letter from Proton Capital set out on pages 58 to 96 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors consider that the terms of the Share Consolidation are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Furthermore, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) consider that the terms of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, the Whitewash Waiver is fair and reasonable and all the abovementioned are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are expressed in the letter from the Independent Board Committee) recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM.

ADDITIONAL INFORMATION

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

By order of the Board
UNIVERSE PRINTSHOP HOLDINGS LIMITED
Lam Shing Tai
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder and the Whitewash Waiver.

UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

30 November 2023

To the Independent Shareholders

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION;
(2) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS
SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON
THE RECORD DATE ON A FULLY UNDERWRITTEN BASIS;
(4) CONNECTED TRANSACTION IN RELATION
TO THE UNDERWRITING AGREEMENT AND
THE SUPPLEMENTAL RIGHTS AGREEMENTS;
AND
(5) APPLICATION FOR WHITEWASH WAIVER**

We refer to the circular of the Company dated 30 November 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Proton Capital has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the Whitewash Waiver and the advice from Proton Capital, we are of the opinion that the terms of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned, the Whitewash Waiver is fair and reasonable and all the abovementioned are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder, and the Whitewash Waiver.

Yours faithfully,
Independent Board Committee

Mr. Wong Chun Kwok

Mr. Ho Kar Ming

Ms. So Shuk Wan

Independent non-executive Directors

LETTER FROM PROTON CAPITAL

The following is the text of the letter of advice from Proton Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, in relation to the Rights Issue, the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver which has been prepared for the purpose of inclusion in this circular.



普頓資本有限公司
PROTON CAPITAL LIMITED

Room 2503, 25/F, China Insurance Group Building,
141 Des Voeux Road Central, Central, Hong Kong

30 November 2023

To: The Independent Board Committee and the Independent Shareholders

Dear Sirs,

- (i) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE ON FULLY UNDERWRITTEN BASIS;**
- (ii) CONNECTED TRANSACTION IN RELATION TO THE UNDERWRITING AGREEMENT AND THE SUPPLEMENTAL RIGHTS AGREEMENTS AND**
- (iii) APPLICATION FOR WHITEWASH WAIVER**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder, and the Whitewash Waiver, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 November 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

With reference to the Letter from the Board, the Company proposes the Share Consolidation, the Increase in Authorised Share Capital and to offer for subscription of up to 299,400,000 Rights Shares (with par value of HK\$0.05 each upon the Share Consolidation having become effective, and assuming there is no other changes in the total number of issued Shares on or before the Record Date) by way of the Rights Issue at the Subscription Price of HK\$0.115 each to the Qualifying Shareholders on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date in order to raise gross proceeds of approximately HK\$34.43 million.

LETTER FROM PROTON CAPITAL

The Company had entered into the Underwriting Agreement and the Supplemental Rights Agreements with New Metro, which is a controlling Shareholder, whereby New Metro conditionally agrees to underwrite in maximum 163,602,300 Rights Shares, being such number of Rights Shares to be issued pursuant to the Rights Issue less the 135,797,700 Rights Shares to be subscribed by New Metro, Mr. Tsang and Mr. Chiu pursuant to the Irrevocable Undertakings. The Rights Issue is conditional upon, among other things, the Executive granting the Whitewash Waiver to New Metro.

Pursuant to the Irrevocable Undertakings, each of (i) New Metro, being a controlling shareholder of the Company and the underwriter of the Rights Issue; (ii) Mr. Tsang; and (iii) Mr. Chiu, has unconditionally and irrevocably undertaken to the Company, among other things, that it/he will subscribe for the Rights Shares to which it/he is entitled under the Rights Issue in full.

On 5 October 2023, the Company and the Placing Agent entered into the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), pursuant to which the Company conditionally agreed to appoint the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, places to subscribe for the Placing Shares (i.e. the Untaken Shares and/or the NQS Unsold Rights Share during the Rights Issue) on the terms and subject to the conditions set out in the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements). Under the terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), if all the Rights Shares are already fully taken up in the Rights Issue through the PAL(s), the Placing will not proceed.

GEM LISTING RULES IMPLICATIONS

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares by more than 50% within a 12 months period immediately preceding the date of the Initial Announcement (after taking into account the effect of the Share Consolidation), the Rights Issue is conditional upon the Shareholders' approval at the EGM, and any controlling shareholders of the Company and their respective associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

Pursuant to the Deed of Acting in Concert Undertaking, each of New Metro, Mr. Lam, Mr. Chau and Mr. Hsu (being the controlling shareholders of the Company) is deemed to be interested in the Shares held by the others. As at the Latest Practicable Date, the aforesaid controlling shareholders of the Company were interested in 506,525,000 Shares, representing approximately 50.75% of the entire issued share capital of the Company. Therefore, they and their respective associates and parties acting in concert with any of them shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

LETTER FROM PROTON CAPITAL

New Metro, the underwriter, is a controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) constitute connected transactions for the Company under the GEM Listing Rules and the Underwriting Agreement and the Supplemental Rights Agreements are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. New Metro and its associates and parties acting in concert with any of them shall abstain from voting in respect of the resolution(s) relating to the Underwriting Agreement and the Supplemental Rights Agreements at the EGM.

As at the Latest Practicable Date, (i) New Metro was beneficially interested in 354,569,000 Existing Shares (representing approximately 35.54% of the entire issued share capital of the Company); (ii) Mr. Hsu was beneficially interested in 110,500,000 Existing Shares representing approximately 11.07% of the entire issued share capital of the Company); (iii) Mr. Chau was beneficially interested in 41,366,000 Existing Shares (representing approximately 4.14% of the entire issued share capital of the Company); and (iv) Ms. Au was beneficially interested in 9,500,000 Existing Shares (representing approximately 0.95% of the entire issued share capital of the Company).

Given Mr. Chau and Mr. Hsu are both parties acting in concert with Mr. Lam and New Metro pursuant to the Deed of Acting in Concert Undertaking, they will also voluntarily abstain from voting on the relevant resolution(s) at the EGM approving the Rights Issue, the Underwriting Agreement and the Supplemental Rights Agreements at the EGM. As Mr. Yip, an executive Director, is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert, Ms. Au (the spouse of Mr. Yip) is also required to abstain from voting on the relevant resolution(s) at the EGM approving the Rights Issue, the Underwriting Agreement and the Supplemental Rights Agreements at the EGM.

Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder had informed the Company that he/she/it intends to vote in favour of or against the proposed resolution(s) in connection with the Rights Issue as at the Latest Practicable Date.

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

TAKEOVERS CODE IMPLICATION

As at the Latest Practicable Date, New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau and Mr. Hsu pursuant to the Deed of Acting in Concert Undertaking dated 4 April 2022, and Ms. Au (the spouse of Mr. Yip, an executive Director, who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert)) are, in aggregate, interested in 516,025,000 Existing Shares, representing approximately 51.71% of the issued share capital of the Company of which 354,659,000 Existing

LETTER FROM PROTON CAPITAL

Shares, representing approximately 35.54% of the entire issued share capital of the Company are beneficially held by New Metro. New Metro has entered into the NMI Irrevocable Undertaking in favour of the Company that, among other things, it will not dispose of the 354,659,000 Existing Shares (or 70,931,800 Consolidated Shares, as the case may be) and it will subscribe for the Rights Shares to which it is entitled under the Rights Issue in full.

Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and none of the Placing Shares are placed to the places under the compensatory arrangements, the Shareholding of New Metro in the Company, will be increased by a maximum of 270,000,000 Rights Shares including 106,397,700 Rights Shares to be taken up by New Metro pursuant to the NMI Irrevocable Undertaking and a maximum of 163,602,300 Rights Shares to be underwritten pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) assuming no changes in the issued share capital of the Company up to and including the Record Date. In such circumstances, New Metro will beneficially hold a maximum of 340,931,800 Shares, representing approximately 68.32% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.

Accordingly, New Metro will be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au), unless the Whitewash Waiver is granted.

An application has been made by New Metro to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder.

As at the Latest Practicable Date, (i) New Metro was beneficially interested in 354,569,000 Existing Shares (representing approximately 35.54% of the entire issued share capital of the Company); (ii) Mr. Hsu was beneficially interested in 110,500,000 Existing Shares (representing approximately 11.07% of the entire issued share capital of the Company); (iii) Mr. Chau was beneficially interested in 41,366,000 Existing Shares (representing approximately 4.14% of the entire issued share capital of the Company); and (iv) Ms. Au was beneficially interested in 9,500,000 Existing Shares (representing approximately 0.95% of the entire issued share capital of the Company).

New Metro and parties acting in concert with it (as defined in the Takeovers Code) including Mr. Lam, Mr. Chau and Mr. Hsu pursuant to the Deed of Acting in Concert Undertaking dated 4 April 2022, and Ms. Au (the spouse of Mr. Yip, an executive Director, who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition

LETTER FROM PROTON CAPITAL

of acting in concert), and any Shareholders who are involved in, or interested in (other than by being a Shareholder) the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder, and/or the Whitewash Waiver shall abstain from voting on the relevant resolution(s) at the EGM.

Save as disclosed above, no other Shareholder is required to abstain from voting at the EGM. No Shareholder had informed the Company that he/she/it intends to vote in favour of or against the proposed resolution(s) in connection with the Whitewash Waiver as at the Latest Practicable Date.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Wong Chun Kwok, Mr. Ho Kar Ming and Ms. So Shuk Wan, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the transactions contemplated thereunder, and the Whitewash Waiver are fair and reasonable so far as the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM.

We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are not associated or connected, financial or otherwise, with Company, the Company's controlling shareholder or any parties acting, or presumed to be acting in concert with any of them. During the last two years, save for our engagement as an independent financial adviser in respect of (i) the mandatory unconditional cash offer made by New Metro in respect of the Company, the details of which were set out in the Circular of the Company and New Metro dated 27 April 2022, and (ii) a major and connected transaction in relation to the proposed acquisition of certain machinery by the Company, details of which were set out in the circular of the Company dated 31 May 2023, there was no engagement between the Company and us.

Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Company's controlling shareholder or any parties acting, or presumed to be acting in concert with any of them. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) and the Whitewash Waiver pursuant to Rule 17.96 of the GEM Listing Rules and Rule 2 of the Takeovers Code. Our appointment has been approved by the Independent Board Committee.

LETTER FROM PROTON CAPITAL

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, amongst others, the annual reports of the Company for the years ended 31 March 2022 and 2023, the interim report of the Company for the six months ended 30 September 2023, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement, the Supplemental Placing Agreements and other information contained or referred to in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the EGM. The Company will notify the Shareholders of any material changes to the information contained or referred to in the Circular as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. Shareholders will also be informed as soon as practicable when there are any material change to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading at the time they were made or will be untrue, inaccurate or misleading at the date of the EGM, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us to be untrue, inaccurate or misleading.

We have assumed that all the statements, information, opinions and representations for matters relating to the Company contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating and giving our opinion in respect of the proposed Rights Issue, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

The Company is an investment holding company. The Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group include offset printing, ink-jet printing and toner-based digital printing.

LETTER FROM PROTON CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$20,000,000 divided into 2,000,000,000 Existing Shares of par value of HK\$0.01 each, of which 998,000,000 Existing Shares have been allotted and issued as fully paid or credited as fully paid. The Board proposes to put forward proposal to the Shareholders to implement the Share Consolidation, pursuant to which every five (5) issued and unissued Existing Shares of par value of HK\$0.01 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.05. Upon the Share Consolidation becoming effective and assuming that the Increase in Authorised Share Capital has taken effect on the date of the EGM (increasing the existing authorised share capital of the Company from HK\$20,000,000 divided into 2,000,000,000 Existing Shares to HK\$200,000,000 divided into 20,000,000,000 Existing Shares) and no further Existing Shares will be allotted and issued or repurchased prior thereto, the authorised share capital of the Company shall become HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares of par value of HK\$0.05 each, of which 199,600,000 Consolidated Shares will be in issue and fully paid or credited as fully paid.

Historical financial information of the Group

Set out below is a summary of the consolidated financial information of the Group for (i) the two years ended 31 March 2022 (“**FY2022**”) and 2023 (“**FY2023**”) as extracted from the Company’s annual report for the year ended 31 March 2023 (“**Annual Report**”); and (ii) the six months ended 30 September 2022 (“**1H 2022**”) and 2023 (“**1H 2023**”) as extracted from the Company’s interim report for the six months ended 30 September 2023 (the “**Interim Report**”):

	For the year ended		For the six months ended	
	31 March		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	95,474	113,652	35,916	50,341
Gross profit	14,692	24,396	5,572	7,359
Total comprehensive loss for the year/period attributable to owners of the Company	<u>(20,503)</u>	<u>(4,447)</u>	<u>(9,428)</u>	<u>(9,245)</u>

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(a) FY2023 as compared to FY2022

According to the Annual Report, the results of the Group deteriorated in FY2023. Its total revenue decreased by approximately HK\$18.2 million or 16.0% to approximately HK\$95.5 million as compared to approximately HK\$113.7 million for FY2022. As advised by the Company, the decrease in revenue was primarily due to the reduced demand for printing services, which is highly reliant on the level of local business and market activities undertaken by its customers, which is driven by market sentiment in Hong Kong. These activities however reduced significantly due to the prolonged COVID-19 pandemic broken out since January 2020. The gross profit of the Group decreased to HK\$14.7 million for FY2023 (FY2022: approximately HK\$24.4 million) in line with the decline in revenue.

As a result of the decrease in revenue and gross profit, the net loss and total comprehensive loss attributable to owners of the Company increased from HK\$4.4 million in FY2022 to approximately HK\$20.5 million in FY2023. Net operating loss in FY2023 was approximately HK\$21.2 million (FY2022: approximately HK\$4.6 million in FY2022), after excluding the impact of one-off items in the respective financial years. The one-off items in FY2023 included an impairment loss on property, plant and equipment, right-of-use assets and intangible assets of approximately HK\$2.4 million (FY2022: nil), a gain on modification of leases for retail shops and machineries of approximately HK\$0.2 million (FY2022: HK\$0.2 million), a gain on disposal of property, plant and equipment of approximately HK\$1.0 million (FY2022: nil), government subsidies of approximately HK\$3.3 million (FY2022: nil) and legal and professional fees in relation to mandatory unconditional cash offer of approximately HK\$1.4 million (FY2022: nil).

(b) 1H 2023 as compared to 1H 2022

According to the Interim Report, total revenue of the Company in 1H 2023 decreased by approximately HK\$14.4 million or 28.7% to approximately HK\$35.9 million as compared to approximately HK\$50.3 million for 1H 2022. As advised by the Company, the decrease was primarily due to the reduced demand for and downward pressure in prices of the Company's printing services. In line with the decrease in revenue, gross profit of the Group in 1H 2023 decreased to approximately HK\$5.6 million versus approximately HK\$7.4 million for 1H 2022. The Company's net loss and total comprehensive loss attributable to owners of the Company for 1H 2023 increased by approximately 2.2% to approximately HK\$9.4 million versus approximately HK\$9.2 million for 1H 2022.

Excluding the impact of one-off items in the respective financial periods, there was a net operating loss of approximately HK\$10.9 million recorded in 1H 2023 as compared to approximately HK\$11.5 million in 1H 2022. The one-off items in 1H 2023 included a gain on modification of leases for retail shops and machineries of approximately HK\$0.5 million (1H 2022: HK\$0.2 million), a gain on disposal of property, plant and equipment of approximately HK\$1.9 million (1H 2022: nil), government subsidies of approximately

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HK\$13,000 (1H 2022: HK\$3.4 million) and legal and professional fees in relation to disposal of equipment and a major and connected transaction of approximately HK\$0.9 million (1H 2022: HK\$1.4 million in relation to mandatory unconditional cash offer made by New Metro).

(c) Financial position of the Group

Set out below is a summary of the major information of the consolidated financial position of the Group as at 31 March 2022 and 31 March 2023 as extracted from the Annual Report:

	Six months ended	Year ended 31 March	
	30 September 2023	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)	(audited)
Non-current assets	36,463	19,824	20,127
Current assets			
Inventories	538	764	2,814
Trade and other receivables, prepayments and deposits	13,370	5,988	6,495
Prepaid tax	1,279	1,279	809
Cash and cash equivalent	2,513	4,959	19,113
	<u>17,700</u>	<u>12,990</u>	<u>29,231</u>
 Total assets	 <u>54,163</u>	 <u>32,814</u>	 <u>49,358</u>
 Current liabilities	 26,125	 29,576	 25,065
Non-current liabilities	<u>34,414</u>	<u>3,919</u>	<u>4,471</u>
 Total liabilities	 <u>60,539</u>	 <u>33,495</u>	 <u>29,536</u>
 Net current (liabilities)/assets	 (8,425)	 (16,586)	 4,166
 Net (liabilities)/assets	 (6,376)	 (681)	 19,822

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In tandem with the loss of the Group recorded for the FY2023, net assets of the Group decreased by approximately HK\$20.5 million from approximately HK\$19.8 million as at 31 March 2022 to net liabilities of approximately HK\$0.7 million as at 31 March 2023. Based on our discussion with the Board and our review of the Annual Reports, we understood that such deterioration in the Group's net assets was mainly due to the net losses of the Group recorded in the relevant financial years.

As at 31 March 2023, total assets of the Group mainly comprised of plant and equipment, right-of-use assets, trade and other receivables, prepayments and deposits, and cash and cash equivalents, in aggregate amounted to approximately HK\$31.2 million, which represented approximately 95.1% of the total assets. Compare with 31 March 2022, cash position of the Group deteriorated materially from approximately HK\$19.1 million to approximately HK\$5.0 million as at 31 March 2023.

The total liabilities of the Group mainly comprise of trade and other payables and accruals, contract liabilities and lease liabilities of approximately HK\$33.0 million in aggregate, which represented approximately 98.7% of the total liabilities.

As disclosed in the Annual Report, the Company had an audited net liabilities position of approximately HK\$0.7 million, audited net current liabilities position of approximately HK\$16.6 million and cash and cash equivalents of approximately HK\$4.96 million as at 31 March 2023. The current liabilities of the Company as at 31 March 2023 comprised mainly (i) trade and other payables and accruals of approximately HK\$19.9 million; (ii) contract liabilities of approximately HK\$1.8 million; and (iii) lease liabilities of approximately HK\$7.8 million. The non-current liabilities of the Company as at 31 March 2023 comprised mainly lease liabilities of approximately HK\$3.5 million.

In the Annual Report, auditor of the Company opined that the consolidated financial statements of the Company give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, auditor of the Company did not issue any qualified audit report and it did not modify its audit opinion.

We have noted the following from note 3(c) to the audited financial statements of the Company in the Annual Report for FY2023:

The Group incurred a net loss of HK\$20,502,806 for the year ended 31 March 2023 and as of that date, the Group had net current liabilities and capital deficiency of HK\$16,586,265 and HK\$680,817 respectively. These conditions may cast significant doubt on the Group's ability to continue as a going concern ("**Material Uncertainty Related to Going Concern**"). When considering the appropriateness of the use of the going concern basis for the purpose of the preparation of these consolidated financial statements, the Directors have prepared a cash flow forecast covering a period of 15 months from the end of the reporting period ("**Cash Flow Forecast**"). In preparing the Cash Flow Forecast, the Directors have given careful consideration of the future liquidity and performance of the Group and available sources of finance in assessing whether the Group will have sufficient

LETTER FROM PROTON CAPITAL

resources to continue as a going concern. The following plans and measures for mitigating the liquidity pressure and improving the financial position of the Group have been considered in the Cash Flow Forecast:

- (i) In April 2023, the Group disposed of two offset printers (as included in plant and machinery) at the total consideration of HK\$5,972,000;
- (ii) In addition to the above to improve the Group's gross margin, the Management has optimised the business operations to react to the change of customers' demand by expanding digital printing service. To this end, the Group invested in advanced printing machinery and this investment is expected to enhance the Group's competitiveness by saving the production time and the per unit production cost;
- (iii) In May 2023, the Company raised net proceeds of approximately HK\$3,730,000 from the issue of subscription shares to independent third parties; and
- (iv) An interest-free loan facility of HK\$15,000,000 has been granted to the Company by Mr. Lam to provide additional funding to the Group. The first advance of HK\$10,000,000 was drawn down by the Group in April 2023 and available facility as at the date of these consolidated financial statements was HK\$5,000,000. Under the Loan Facility, the Group is not required to repay outstanding balance until such time when repayment will not affect the Group's ability to repay other creditors in normal course of business.

In the opinion of the Directors, taking into account the above plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, the use of the going concern basis depends on successful implementation of the above plans and measure that there are uncertainties inherently associated with their future outcomes, that include (1) carrying out the Group's business plan successfully as mentioned in note (ii) above and generating the necessary net operating cash inflows during the forecast period; and (2) obtaining of funding successfully, as and when needed, from Mr. Lam as mentioned in note (iv) above and Mr. Lam honoring its undertaking to the Group. As a result, there is material uncertainty related to conditions that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets or discharge its liabilities in the normal course of business.

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Should the Group fail to achieve the above plans and measures, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

According to the Interim Report, as at 30 September 2023, the Company's net current liabilities was reduced to approximately HK\$8.4 million (as at 31 March 2023: approximately HK\$16.6 million) but its net liabilities position increased materially to approximately HK\$6.4 million (as at 31 March 2023: approximately HK\$0.7 million) whereas its cash and cash equivalents dropped further to approximately HK\$2.5 million only (as at 31 March 2023: approximately HK\$5.0 million). These indicate that the financial position of the Company further deteriorated in the 1H 2023.

Taking into account of the Material Uncertainty Related to Going Concern, loss making position of the Company, its low cash balance, net current liabilities and net liabilities positions, we consider that the Company has an imminent need to enhance its liquidity.

(d) Prospects

As mentioned in the earlier part of this letter, the demand for Group's printing service is highly reliant on the level of local business and market activities undertaken by its customers, which is driven by market sentiment in Hong Kong. The Company's customers include those from retail sector.

The Census and Statistics Department of Hong Kong has on 29 September 2023 published the provisional statistics of retail sales for August 2022, which we consider is an indicator of market sentiment. According to the Hong Kong Government, the value of total retail sales in August 2023 increased by 13.7% compared with the same month in 2022. This visible year-on-year growth in August on the value of total retail sales was due to a further increase in visitor arrivals. For the first 8 months of 2023 taken together, it was provisionally estimated that the value of total retail sales increased by 19.3% compared with the same period in 2022. Commentary from the Hong Kong Government further added that the retail sector would continue to benefit from the ongoing recovery of inbound tourism in the near term. Positive consumer sentiment amid improved labour market conditions and the "Night Vibes Hong Kong" Campaign, which features a variety of activities and consumption offers, should also provide support.

Increase in retail sales may result in higher level of local business and market activities with higher demand for printing services. Nonetheless, in the view of the downward pressure in prices of the Company's printing services, we consider that the prospects of the Company is uncertain.

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2. Reasons for the Rights Issue and intended use of net proceeds

The Company is an investment holding company. The Group is principally engaged in providing printing services to customers in Hong Kong. The printing services of the Group include offset printing, ink-jet printing and digital printing.

According to the Letter from the Board, the Group intends to apply the net proceeds from the Rights Issue as follows:

(i) Repayment of trade and other payables and accruals

As at 31 July 2023, the unaudited trade and other payables and accruals of the Company was approximately HK\$9.76 million which are generally payable within one month from relevant dates of invoices. Since the Group will continue to incur these payables in ordinary course of business and it is necessary for the Group to secure stable supply of goods and services, the Group intends to utilise approximately HK\$8.65 million from the net proceeds of the Rights Issue to ensure settlement of these payables as soon as practicable and any similar payables to be incurred in near future, among which (i) approximately HK\$7.77 million will be used to settle an amount due to a subcontractor of the Group in relation to production of printing products; and (ii) approximately HK\$0.88 million will be used to settle the professional fee and premium of medical scheme of the Group and expenses relating to renovation and engineering work of the Group's leased premises.

(ii) Partial repayment of the Shareholder's Loan

As at the Latest Practicable Date, the outstanding principal amount of the Shareholder's Loan incurred by the Company due to Mr. Lam, the controlling shareholder of the Company, was approximately HK\$22.45 million which are non-interest bearing. The Company intends to utilise HK\$16.25 million of the net proceeds from the Rights Issue to repay part of the Shareholder's Loan in the first quarter of 2024. The Board considers that the partial repayment of the Shareholder's Loan can alleviate the liquidity pressure of the Company and reduce its debt level and gearing ratio.

(iii) General working capital

The Board intends to apply approximately HK\$7.91 million for the general working capital of the Group, among which (i) approximately HK\$4.65 million will be applied for additional staff salary of production and customer services team for around 13 months from the completion of the Rights Issue; and (ii) approximately HK\$3.26 million will be applied for rental payments of the Group's new retail store and a premises located in Tsing Yi leased by the Group for expansion of its production base for around 13 months from the completion of the Rights Issue which is expected to take place in February 2024.

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The Letter from the Board further states that having considered the recent trading prices of the Shares in open market and the existing share capital of the Company, the Company is of the view that the capital to be raised by the Rights Issue at a ratio of three (3) Rights Shares for every two (2) Consolidated Shares held on the Record Date would meet the abovementioned capital need of the Group whereas (i) a larger ratio would require the Qualifying Shareholders to take up more entitlements to avoid being diluted and increase underwriting effort of New Metro; and (ii) a smaller ratio would not cater for sufficient capital meeting the Group's requirement as detailed above.

Also, the Board considers that the Rights Issue provides a good opportunity for the Group to strengthen its capital base and to enhance its financial position, while at the same time the Rights Issue will enable all Qualifying Shareholders to participate in the future development of the Company on equal terms. Since the Rights Issue will allow the Qualifying Shareholders to maintain their respective pro rata shareholdings in the Company and therefore avoid dilution, the Board considers that it is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue on a 3-to-2 ratio.

Regarding the repayment of trade and other payables and accruals, we have reviewed the relevant quotations, invoices or purchase orders and note that these are related to the Group's principal business and its leased premises for its business operation.

Regarding the Shareholder's Loan, we have enquired with the Company and understand that in view of the low cash balance position and to alleviate the immediate liquidity pressure of the Group, the Group has obtained the Shareholder's Loan to replenish its working capital for settlement of account payables, payroll and refundable security deposit of HK\$5 million under a production agreement in relation to its principal business, which details were set out in the Company's announcement dated 28 August 2023, in order to support the Group's business and operation.

On the basis that:

- (i) given the Material Uncertainty Related to Going Concern, low cash position of the Company of approximately HK\$2.5 million as at 30 September 2023, and the Company had unaudited net current liabilities of approximately HK\$8.4 million and unaudited net liabilities of approximately HK\$6.4 million as at 30 September 2023, the Company may get into possible financial distress if it does not take any immediate action to increase its financial resources;
- (ii) part of the net proceeds will be applied for the printing business, which is the principal business of the Group; and
- (iii) in view of the low cash position of the Company, the Group has relied on the Shareholder's Loan to meet with its immediate liquidity needs in the past few months;

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we concur with the view of the Board that it is in the interests of the Company and the Shareholders as a whole to conduct a fund raising exercise.

3. Alternative financing alternatives

We have discussed with the Company about other financing alternative and understand that the Directors have considered other financing alternatives including (i) additional debt financing, and (ii) equity fund raising such as placement of new Shares and open offer, and (iii) realisation of existing assets in order to alleviate the Company's liquidity pressure. The Directors' view is as follows:

- (i) As for additional debt financing, the Board has attempted to obtain loan financing from its principal bankers and was advised that it is not feasible for the Company to obtain loan facilities in an amount comparable to gross proceeds from the Rights Issue under the recent financial status of the Company. Furthermore, the Company has also compared the existing interest rate of over 7% per annum offered by a bank for the Group's recent hire purchase arrangement of printing machines with the implied cost of capital of the Rights Issue of approximately 4.72% (being the total estimated expenses of the Rights Issue as percentage of gross proceeds) and noted that it would not be commercially justifiable to conduct debt financing when general interest rates of banks remain high at this moment and debt financing may result in a higher gearing ratio of the Group and this will also increase the ongoing interest expenses of the Group and in turn affect the profitability of the Company.
- (ii) As for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company.

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

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

- (iii) As for realisation of existing assets, the Company's assets comprises mainly (i) plant and machinery; (ii) right-of-use assets; (iii) trade receivables; and (iv) cash and cash equivalents and the Group has already disposed of certain offset press which was considered no longer relevant to the Group's operation. For details, please refer to the announcement of the Company dated 18 April 2023. As the remaining machineries are

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necessary for the Group's operation, the Directors are of the view that it is not advisable at this moment for the Company to further realise its assets unless due to replacement or business needs.

The Board considers that the Rights Issue, which is on a fully underwritten basis, can enable the Company to raise sufficient funds to satisfy its imminent demands on funds as aforementioned. In addition, the Rights Issue would give the Qualifying Shareholders the opportunity to maintain their respective prorata shareholding interest in the Company and provide an opportunity to all Qualifying Shareholders to participate in the growth of the Company in proportion to their shareholdings. Although there will be dilution to shareholdings of the Qualifying Shareholders who do not take up all the Rights Shares to which they are entitled and the Non-Qualifying Shareholders, the Rights Issue requires the Independent Shareholders' approval so that the Independent Shareholders are given an opportunity to decide whether the Company shall proceed to the Rights Issue by voting for or against at the EGM to approve the Rights Issue.

The Company has also contacted certain securities firms for the feasibility of conducting underwritten fund-raising exercise but has received negative feedbacks from those securities firms for acting as underwriter for the Rights Issue in view of the recent market sentiment. Therefore, the Company considers that with New Metro as the underwriter to fully underwrite the committed Rights Shares, the Company would be able to secure necessary fund to satisfy its imminent capital needs on one hand and save underwriting commission on the other hand which is in the interests of the Company and the Shareholders as a whole.

While we concur with the aforesaid view of the Directors, we also consider that in view of the loss-making position of the Company for the past few years, it is unlikely for the Company to obtain loans from financial institutions in the absence of providing material fixed assets as collateral. As stated in the Annual Report, as at 31 March 2023, the Group only had plant and equipment of approximately HK\$9.91 million, which is far less than the amount of fund required by the Company. In fact, the Company had completed a subscription of new shares under a general mandate to raise HK\$3.92 million in May 2023 and the net proceeds had already been applied to settle the Group's current liabilities such as trade and other payables and accruals. In view of the downward trend of the price of the Shares (as discussed below), a higher discount to the market price of the Shares would be required to attract potential investors but this inevitably dilute the shareholding interest of existing Shareholders. Based on the aforesaid, we agree that rights issue is a more appropriate fund raising method to the Company for the time being and in view that all the Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares and, if possible, can trade the nil-paid rights in the open market should they do not want to participate in the Rights Issue, we consider that the Rights Issue, when compares with share placing and open offer, is a fair method to allow the Qualifying Shareholders to reinvest in the Company, if they so wish to, in priority to other potential investor.

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4. Principal terms of the Rights Issue

4.1 *The Rights Issue*

Basis of the Rights Issue	:	Three (3) Rights Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.115 per Rights Share (with par value of HK\$0.05 each upon the Share Consolidation having become effective)
Number of Existing Shares in issue as at the Latest Practicable Date	:	998,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation having become effective	:	199,600,000 Consolidated Shares (assuming there is no further allotment and issue or repurchase of the Existing Shares up to the effective date of the Share Consolidation)
Number of Rights Shares	:	299,400,000 Rights Shares (assuming there is no other change in the total number of issued Shares on or before the Record Date), representing (i) 150% of the total issued Consolidated Shares upon the Share Consolidation having become effective; and (ii) 60% of the total number of issued Shares as enlarged immediately upon completion of the Rights Issue. The aggregate nominal value of the Rights Shares will be HK\$14,970,000
Enlarged issued share capital of the Company upon completion of the Rights Issue	:	499,000,000 Consolidated Shares
Right of excess applications	:	Nil

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- Number of the Underwritten Shares : New Metro shall underwrite up to 163,602,300 Rights Shares, being such number of Rights Shares to be issued pursuant to the Rights Issue less the 135,797,700 Rights Shares to be subscribed by New Metro, Mr. Tsang and Mr. Chiu pursuant to the Irrevocable Undertakings
- Irrevocable Undertakings : Each of (i) New Metro, being a controlling shareholder of the Company and the underwriter of the Rights Issue; (ii) Mr. Tsang; and (iii) Mr. Chiu, has unconditionally and irrevocably undertaken to the Company, among other things, that it/he will subscribe for the Rights Shares to which it/he is entitled under the Rights Issue in full. For details, please refer to the paragraph headed “The Irrevocable Undertakings” in the Letter from the Board
- Gross proceeds from the Rights Issue : Approximately HK\$34.43 million (assuming there is no other change in the total number of issued Shares on or before the Record Date)

As at the Latest Practicable Date, the Company does not have any outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, convert or exchange into the Shares.

4.2 The Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analysis for illustrative purpose only.

Historical price movement analysis

As set out in the Letter from the Board, the Subscription Price is HK\$0.115 per Rights Share (with par value of HK\$0.05 each upon the Share Consolidation having become effective), which will be payable in full upon application, represents:

- (i) a discount of approximately 14.81% to the adjusted closing price of HK\$0.135 per Consolidated Share as at the Latest Practicable Date (based on the closing price of HK\$0.027 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date and adjusted for the effect of the Share Consolidation);

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- (ii) a discount of approximately 14.81% to the adjusted closing price of HK\$0.135 per Consolidated Share on the Last Trading Day (based on the closing price of HK\$0.027 per Existing Share as quoted on the Stock Exchange on the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (iii) a discount of approximately 18.44% to the adjusted average closing price of approximately HK\$0.141 per Consolidated Share for the last five consecutive trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0282 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (iv) a discount of approximately 19.01% to the adjusted average closing price of approximately HK\$0.142 per Consolidated Share for the last ten consecutive trading days up to and including the Last Trading Day (based on the average closing price of approximately HK\$0.0283 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day and adjusted for the effect of the Share Consolidation);
- (v) a discount of approximately 8.00% to the theoretical ex-entitlement price of approximately HK\$0.125 per Consolidated Share on the Last Trading Day (based on the average closing price of HK\$0.0282 per Existing Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of the Initial Announcement and the number of Shares as enlarged by the Rights Shares and adjusted for the effect of the Share Consolidation);
- (vi) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) represented by a discount of approximately 11.06%, based on the theoretical diluted price of approximately HK\$0.125 per Consolidated Share to the benchmarked price of approximately HK\$0.141 per Consolidated Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of (i) the closing price of the Existing Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Existing Shares as quoted on the Stock Exchange for the five (5) consecutive trading days prior to the date of the Initial Announcement and adjusted for the effect of the Share Consolidation);

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- (vii) a premium over the audited consolidated net liabilities per Consolidated Share attributable to the Shareholders as at 31 March 2023 of approximately HK\$0.0038 per Consolidated Share calculated based on the audited consolidated net liabilities of the Group attributable to the owners of the Company of approximately HK\$680,817 as at 31 March 2023 as set out in the Annual Report and 180,000,000 Consolidated Shares in issue as at 31 March 2023 after adjusted for the effect of the Share Consolidation; and
- (viii) a premium over the unaudited consolidated net liabilities per Consolidated Share attributable to the Shareholders as at 30 September 2023 of approximately HK\$0.0320 per Consolidated Share calculated based on the unaudited consolidated net liabilities of the Group attributable to the owners of the Company of approximately HK\$6.38 million as at 30 September 2023 as set out in the Interim Report and 199,600,000 Consolidated Shares in issue as at 30 September 2023 after adjusted for the effect of the Share Consolidation.

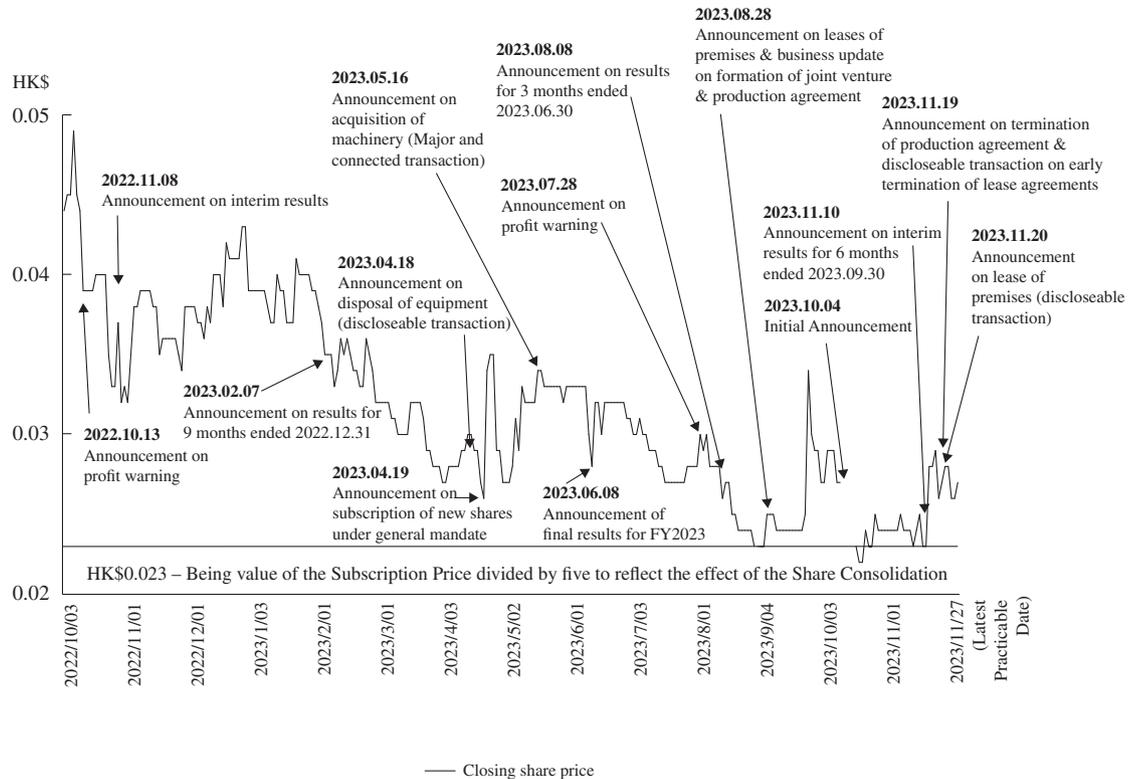
The Letter of the Board discloses that the Subscription Price was determined by the Company with reference to (i) the general downward trend of the prevailing market prices of the Existing Shares; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue and the intended use of proceeds as set out in this circular. As such, the Board considers that it is necessary and reasonable to set the Subscription Price at a discount to the recent market price of the Shares (taking into account the effect of the Share Consolidation) in order to attract Shareholders and investors to participate in the Rights Issue.

The Directors consider that the terms of the Rights Issue, including the Subscription Price which has been set at a discount to the recent closing prices of the Existing Shares with an objective to encourage Qualifying Shareholders to take up their entitlements so as to participate in the potential growth of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange during the period commencing from 5 October 2022 up to 4 October 2023, i.e. immediately before the publication of the Initial Announcement (both days inclusive) (the “**Pre-announcement Period**”) and from 5 October 2023 to the Latest Practicable Date (both days inclusive) (the “**Post-announcement Period**”) (the Pre-Announcement Period and the Post-announcement Period are collectively referred to as the “**Review Period**”). We consider that the duration of the Review Period covering approximately one year prior to the Initial Announcement, (i) is appropriate for reviewing the recent financial position of the Group which covers the annual results for FY2023; (ii) represents a reasonable period to provide a general overview of the recent price performance of the Shares for conducting an analysis against the

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Subscription Price; and (iii) is sufficient and a common market practice. The following chart sets out the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:



Source: Stock Exchange's website

(i) Pre-announcement Period

During the Pre-announcement Period, the average daily closing price of the Shares was HK\$0.032. The highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK\$0.049 per Share on 7 October 2022 and HK\$0.023 per Share recorded from 22 August 2023 to 25 August 2023, prices of the Shares fluctuated materially but showed a sliding trend.

As illustrated in the above chart, the Subscription Price (taking into account the effect of the Share Consolidation) is equal to the lowest closing price of the Shares as quoted on the Stock Exchange of HK\$0.023 per Share recorded from 22 August 2023 to 25 August 2023. On 28 July 2023, the Company issued a profit warning announcement in respect of its results for the three months ended 30 June 2023. After publication of this announcement, closing price of the Shares gradually decreased from HK\$0.030 on 28 July 2023 to the lowest price of HK\$0.023 on 22 August 2023 and maintained at that level for a few days. After publication of the Company's

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announcement dated 28 August 2023 on leasing of premises and formation of a joint venture for its printing business, closing price of the Shares fluctuated and reached HK\$0.34 per Share on 18 September 2023. This change may reflect the market's positive view on the future business development of the Group under the new leases and joint venture arrangement.

(ii) Post-announcement Period

Trading in the Shares was halted on 5 and 6 October 2023. On 7 October 2023 (i.e. the first trading day immediately after the publication of the Initial Announcement), closing price of the Shares dropped from HK\$0.027 on 3 October 2023 to HK\$0.023, which is identical to the value of the Subscription Price divided by five to reflect the effect of the Share Consolidation. Closing price of the Shares then moved between HK\$0.025 and HK\$0.022 until 13 November 2023. On 10 November 2023, the Company published its interim results for the six months ended 30 September 2023. On 14 November 2023, closing price of the Shares surged to HK\$0.028 and further increased to HK\$0.029 on 16 November 2023 and then moved between HK\$0.026 and HK\$0.028. The Company published two announcements on 19 and 20 November 2023 in relation to termination of production agreement and early termination of lease agreements as well as lease of premises, respectively. The aforesaid changes in closing price of the Shares maybe due to the market's responses to these recent moves of the Group.

In view that prices of the Shares showed a general sliding trend during the Review Period, the loss making position of the Company for the past few years, the Material Uncertainty Related to Going Concern, the low cash position of the Company, the imminent financial needs of the Company to obtain further funding as general working capital for repayment of debts and development of its principal business, and the Subscription Price was determined after arm's length negotiations between the Company and New Metro, we concur with the Directors that a discount on the Subscription Price would encourage Shareholders to reinvest in the Company through the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future development of the Group. For this reason, we are of the view that a discount to the Share price as represented by the Subscription Price is justifiable.

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Historical trading volume and liquidity analysis

We have also reviewed the historical trading volume of the Shares during the Review Period. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Review Period are shown in the table below.

Month/period	No. of trading days	Average daily trading volume (“Average Volume”) <i>Number of Shares</i>	% of average daily trading volume to the total number of issued Shares held by the public <i>%</i>	% of average daily trading volume to the total number of issued Shares <i>%</i>
			(Note 1)	(Note 2)
<i>Pre-announcement Period</i>				
2022				
October (from 5 October 2022) (Note 3)	19	750,526	0.19	0.08
November	22	308,182	0.08	0.03
December	20	202,000	0.05	0.02
2023				
January	18	141,111	0.04	0.02
February	20	523,000	0.13	0.06
March	30	280,000	0.07	0.03
April	17	875,294	0.22	0.10
May	21	489,524	0.10	0.05
June	21	318,095	0.06	0.03
July	20	236,000	0.05	0.02
August	23	405,217	0.08	0.04
September	19	601,053	0.12	0.06
October (up to and including the Last Trading Day) (Note 4)	1	0	–	–
<i>Post-announcement Period</i>				
October (from 6 October 2023 to 31 October 2023) (Note 5)	16	2,343,750	0.23	0.49
November (up to and including the Latest Practicable Date)	19	1,625,263	0.16	0.34

Source: Stock Exchange’s website

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Notes:

1. Calculated based on the total number of the Shares in public hands at the end of month.
2. Calculated based on the total number of the Shares in issue at the end of the month.
3. Represents the information for the period from 5 October 2022 to 31 October 2022, both days inclusive.
4. Represents the information for the Last Trading Day of 3 October 2023.
5. Trading in the Shares were halted on 4 and 5 October 2023.

(i) Pre-announcement Period

As demonstrated in the table above, during the Pre-announcement Period, the average daily trading volume of the Shares by month were in the range of approximately 0.04% to 0.22% as to the total number of Shares held in public hands and approximately 0.02% to 0.10% as to the total number of issued Shares respectively. The above statistics revealed that the liquidity of the Shares was low. We further noted that during the Pre-announcement Period which involve 244 trading days, the Share recorded zero trade volume for 77 days, representing 31.6% of the Review Period. This further demonstrated that the Share were generally illiquid in the open market.

(ii) Post-announcement Period

On 6 October 2023, being the first trading day after publication of the Initial Announcement, trade volume of the Shares increased materially to approximately 12.26 million, representing approximately 1.23% of the total issued Shares and approximately 2.54% of the total number of Shares held by the public. Thereafter, trade volume of Shares dropped and out of 35 trading days in the Post-announcement Period, the Company recorded zero trade volume for 4 trading days.

The sudden surge in trade volume on 6 October 2023 resulted in a comparatively higher Average Daily Volume in the Post-announcement Period, representing approximately 0.49% of the total issued Shares and approximately 0.23% of the total number of Shares held by the public for the period from 6 October 2023 to 31 October 2023. In November 2023 and up to the Latest Practicable Date of 27 November 2023, the Average Daily Volume dropped to approximately 0.16% of the total issued Shares and approximately 0.34% of the total number of Shares held by the public.

On the basis that the Shares were generally illiquid in the open market and the price of the Shares showed a sliding trend during the Review Period, we concur with the Directors that the discount would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future development of the Group. For this reason, we are of the view

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that the discount to the Share price as represented by the Subscription Price is justifiable.

Rights Issue comparable analysis

As part of our analyses, we have identified those rights issue transactions conducted by companies (the “**Comparables**”) from 4 July 2023 up to the Last Trading Day, being three-month period prior to and including the Last Trading Day (“**Comparables Review Period**”).

We found 11 transactions which met the said criteria. The 11 Comparables have been identified through our research using public information. We believe that it is an exhaustive list based on our selection criteria. Shareholders should note that the subject companies in the Comparables may have different principal business activities, market capitalisations, profitability and financial positions as compared to those of the Company. Although the circumstances surrounding such Comparables may be different from those relating to the Company, we consider that the Comparables Review Period of three-month period is exhaustive and representative, adequate and fair and reasonable to capture the current market conditions of companies listed on the Stock Exchange in view of the rapid changing market condition in Hong Kong.

Summarised below are our relevant findings:

Company name (Stock Code)	Announcement date	Basis of entitlement	(Discount)/ premium of subscription price to)/over the theoretical ex-rights/ price		Potential maximum dilution of shareholding (Note 1)	Theoretical dilution effect (Note 2)	Underwriting Commission	Placing Commission	Minimum Underwriting/ Placing fee
			(Discount)/ premium of subscription price to)/over the share price on the last trading day	(Discount)/ premium of subscription price to)/over the theoretical ex-rights/ price					
Royal Century Resources Holdings Limited (stock code: 8125)	15-Sep-23	5 for 1	(19.3%)	(3.8%)	83.3%	(16.1%)	N/A	1.0%	N/A
Asian Citrus Holdings Limited (stock code: 73)	11-Sep-23	1 for 2	(34.0%)	(25.5%)	33.3%	(11.3%)	2.5%	N/A (Note 5)	50,000
Oriental Securities International Holdings Limited (stock code: 8001)	6-Sep-23	1 for 2	(50.8%)	(40.4%)	33.3%	(17.5%)	N/A (Note 4)	0.5%	N

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Company name (Stock Code)	Announcement date	Basis of entitlement	(Discount)/ (Discount)/ premium of premium of subscription subscription price price to)/over the share price on the last trading day	(Discount)/ premium of subscription price to)/over the theoretical ex-rights/ entitlement price	Potential maximum dilution of shareholding (Note 1)	Theoretical dilution effect (Note 2)	Underwriting Commission	Placing Commission	Underwriting/ Placing fee	Minimum
Rare Earth Magnesium Technology Group Holdings Limited (stock code: 601)	3-Sep-23	1 for 2	(39.9%)	(23.8%)	33.3% (Note 7)	(13.5%)	7.1%	N/A (Note 5)	N	N
Wisdomcome Group Holdings Limited (stock code: 8079)	15-Aug-23	3 for 1	(22.4%)	N/A (Note 3)	75.0%	(16.8%)	7.1%	N/A (Note 5)	N	N
Almana Limited (stock code: 8186)	11-Aug-23	3 for 1	(26.7%)	(8.3%)	75.0%	(22.6%)	N/A (Note 4)	1.0%	N	N
Artgo Holdings Limited (stock code: 3313)	28-Jul-23	2 for 1	(29.4%)	(11.2%)	66.7%	(19.6%)	N/A (Note 4)	1.0%	N	N
China Best Group Holding Limited (stock code: 370)	26-Jul-23	2 for 5	(37.3%)	(31.0%)	28.6% (Note 6)	(11.1%)	N/A (Note 4)	1.0%	300,000	N
Platt Nera International Limited (stock code: 1949)	24-Jul-23	1 for 2	(58%)	(47.9%)	33.3%	(19.3%)	N/A (Note 4)	3.0%	N	N
Tasty Concepts Holding Limited (stock code: 8096)	14-Jul-23	5 for 2	4.7%	1.5%	71.4%	– (Note 8)	N/A (Note 4)	2.5% (Note 9)	100,000	N
Classified Group (Holdings) Limited (stock code: 8232)	6-Jul-23	3 for 2	(15%)	(6.6%)	60.0%	(8.8%)	N	N	38,000	N
		Average:	(33.3%) (Note 10)	(22.1%) (Note 10)	53.9%	(15.7%)	5.6%	1.4%		
		Min:	(58.0%)	(47.9%)	28.6%	(22.6%)	2.5%	0.5%		
		Max:	4.7%	1.5%	83.3%	(8.8%)	7.1%	3.0%		
		Median:	(29.4%)	(17.5%)	60.0%	(16.5%)	7.1%	1.0%		
The Company	3-Oct-23	3 for 2	(14.81)	(8.0%)	60.0%	(11.06%)	Nil	1.5%	–	–

Source: The Stock Exchange's website

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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. 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 “benchmark price” of shares. “Theoretical diluted price” refers to the sum of (i) the issuer’s total market capitalization (by reference to the “benchmark 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 “benchmark 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.
3. This information is not disclosed in the relevant announcement.
4. The rights issue is on a non-underwritten basis as disclosed in the relevant announcement.
5. There is no placing arrangement as disclosed in the relevant announcement.
6. The potential maximum dilution effect of this Comparable is derived by “assuming all Vested Share Options having been exercised as at the date of the 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.
7. 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.
8. 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.
9. 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.
10. Calculation of this figure has excluded Tasty Concepts Holding Limited as its subscription price is at a premium to the last trading price.

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As shown on the above table, out of the 11 Comparables, 10 Comparables offered rights shares at a discount to (i) their respective closing price on the last trading day (“**LTD Price**”); and/or (ii) respective theoretical ex-rights price (“**Ex-right Price**”). These reveal that it is a common practice in the market for setting subscription price at a discount to the LTD Price and the Ex-right Price.

The discount to LTD Price of the 10 Comparables ranged from approximately 15.0% to 58.0%, with an average of approximately 33.3%. We note that the Company’s Subscription Price, which is at a discount of approximately 14.81% to the LTD Price falls within the aforesaid range and lower than the average discount of approximately 33.3%.

The discount to Ex-right Price of the 10 Comparables ranged from a discount of approximately 3.8% to 47.9%, with an average discount of approximately 22.1%. The Company’s Subscription Price represents a discount of approximately 8.0% to the Ex-right Price, which falls within such range and is also lower than the average discount of approximately 22.1%.

As further shown on the above table, among those Comparables with disclosure on the theoretical dilution effect in its rights issue announcement, the theoretical dilution effect range from 8.8% to approximately 22.6% with an average of approximately 15.7%. The Company’s Rights Issue has a theoretical dilution effect of approximately 11.06%, falls within such range and is also lower than the average of approximately 15.7%.

We have also considered the comparison to the price-to-earnings ratio and net asset value per Share for analysis. However, given that the Company was loss making for the past few years and is relatively asset-light in nature with net current liabilities of approximately HK\$16.6 million and net liabilities of HK\$0.7 million as at 31 March 2023, such comparisons are not feasible.

Taking into account that (i) it is a normal market practice that the subscription price of a rights issue be set at a discount to the LTD Price and the Ex-right Price in order to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (ii) the discounts of the Subscription Price to the LTD Price and to the Ex-right Price fall within discount ranges of the Comparables; (iii) the theoretical dilution effect of the Rights Issue of approximately 11.06% is within the range of the Comparables and below 25% as required under Rule 10.44A of the GEM Listing Rules; and (iv) the Subscription Price was determined after considering the downward trend and the prevailing market price of the Shares as well as the financial conditions of the Group, we consider that the Subscription Price is fair and reasonable.

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4.3 No application for excess Rights Shares

In comply with Rule 10.31(1)(b) of the GEM Listing Rules, there will be no excess application arrangement in relation to the Rights Issue and the Company has arranged for the Compensatory Arrangements and the Placing.

5. Compensatory Arrangements and the Placing

The Company has made arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule to dispose of the Untaken Shares and the NQS Unsold Rights Shares by offering the Untaken Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the relevant No Action Shareholders and Non-Qualifying Shareholders.

The Company and the Placing Agent entered into (i) the Placing Agreement on 5 October 2023; (ii) the First Supplemental Placing Agreement on 19 October 2023 (after trading hours); (iii) the Second Supplemental Placing Agreement on 3 November 2023 (after trading hours); and (iv) the Third Supplemental Placing Agreement on 16 November 2023 (after trading hours), pursuant to which the Company conditionally agreed to appoint the Placing Agent and the Placing Agent conditionally agreed to act as the placing agent of the Company to procure, on a best effort basis, Placee(s) to subscribe for the Placing Shares (i.e. the Untaken Shares and/or the NQS Unsold Rights Shares during the Rights Issue) on the terms and subject to the conditions set out in the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements).

Set out below are the principal terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements):

Placing commission and expenses:

1.5% of the gross proceeds from the subscription of the Placing Shares successfully placed by the Placing Agent under the Placing Agreement. The Company shall also be responsible for all costs and expenses reasonably incurred in connection with or arising out of the Placing.

Placing price:

The placing price of each of the Untaken Share and/or the NQS Unsold Rights Share (as the case maybe) shall be not less than the Subscription Price. The final price determination will be determined based on the demand for and market conditions of the Untaken Shares and the NQS Unsold Rights Shares during the process of Placing.

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Please refer to the paragraphs headed “Procedure in respect of the Untaken Shares and the NQS Unsold Rights Shares and the Placing” and “The Placing” in the Letter from the Board for further details.

5.1 Placing Price

Pursuant to the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the placing price (the “**Placing Price**”) of each of the Untaken Share and/or the NQS Unsold Rights Share shall be not less than the Subscription Price. The final price determination will be determined based on the demand for and market conditions of the Untaken Shares and the NQS Unsold Rights Shares during the process of the Placing.

Given that (i) the Placing Price shall be not less than the Subscription Price, which is not prejudicial to the interests of the Qualifying Shareholders; and (ii) the Subscription Price is fair and reasonable as discussed in the paragraph headed “4.2 Subscription Price” above, we consider that the Placing Price is fair and reasonable so far as the Independent Shareholders are concerned.

5.2 Placing Commission

Pursuant to the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), the Company shall pay the Placing Agent a placing commission (the “**Placing Commission**”) of 1.5% of the gross proceeds from the subscription of the Placing Shares successfully placed by the Placing Agent under the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements). As advised by the Company, the Placing Commission was determined after arm’s length negotiation between the Company and the Placing Agent and is on normal commercial terms, and the Directors, have taken into account the range of placing commission from 0.6% to 4.0% with median of 1.5% for recent rights issues conducted by listed issuers according to their then latest publication on the Stock Exchange.

As illustrated in the table above, the placing/underwriting commission rate of the Comparables ranged from 0.5% to 3.0% with an average of 1.4% (except those underwritten by connected person(s)). The Placing Commission falls below the range of the placing/underwriting commission rate of the Comparables and is close to the average. Accordingly, we consider that the Placing Commission is fair and reasonable.

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We have also reviewed other major terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements), including but not limited to the conditions and termination clause of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) (details of which are set out in the Letter from the Board) and we are not aware of any term which is unusual. As such, we are of the view that the terms of the Placing Agreement (as amended and supplemented by the Supplemental Placing Agreements) are fair and reasonable so far as the Independent Shareholders are concerned.

In view of the above, we consider that the implementation of the Compensatory Arrangements and the Placing is in the interests of the Company and the Shareholders as a whole.

6. The Underwriting Agreement

With reference the Letter from the Board, the Rights Shares (other than those agreed to be taken up by New Metro, Mr. Tsang and Mr. Chiu, pursuant to the Irrevocable Undertakings) will be fully underwritten by New Metro in accordance with the terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements). Set out below are the principal terms of the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) as extracted from the Letter from the Board:

Date:	The Underwriting Agreement: 3 October 2023 (after trading hours)
	The First Supplemental Rights Agreement: 5 October 2023
	The Second Supplemental Rights Agreement: 19 October 2023 (after trading hours)
	The Third Supplemental Rights Agreement: 3 November 2023 (after trading hours)
	The Fourth Supplemental Rights Agreement: 16 November 2023 (after trading hours)
Parties:	The Company as the issuer and New Metro as the underwriter

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New Metro is a controlling shareholder of the Company which beneficially holds 354,659,000 Shares, representing approximately 35.54% of the entire issued share capital of the Company as at the Latest Practicable Date. As such, New Metro complies with Rule 10.24A(2) of the GEM Listing Rules and New Metro is a connected person of the Company under Chapter 20 of the GEM Listing Rules. It is not in the ordinary course of business of New Metro to underwrite securities

Number of the Underwritten Shares:

The total number of the Underwritten Shares shall be in maximum 163,602,300 Rights Shares, being such number of Rights Shares to be issued pursuant to the Rights Issue less the 135,797,700 Rights Shares to be subscribed by New Metro, Mr. Tsang and Mr. Chiu pursuant to the Irrevocable Undertakings

Underwriting commission: Nil

For further details of the underwriting arrangement, please refer to the section headed “THE UNDERWRITING AGREEMENT AND THE SUPPLEMENTAL RIGHTS AGREEMENTS” of the Letter from the Board.

Pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), New Metro will not charge any underwriting commission for the Rights Issue. We consider that this is beneficial to the Company as it can avoid any additional transaction cost to be incurred should the Company appoint a willing independent broker to act as the underwriter for the Rights Issue.

Having considered that (i) the Untaken Shares will first be placed to the independent Placee(s) before underwritten by New Metro; (ii) the underwriting arrangement will enable the Group to secure funding if the level of subscription of the Rights Issue is low; (iii) the underwriting arrangement by New Metro is in compliance with Rule 10.31(1)(b) of the GEM Listing Rules and demonstrates New Metro’s continuous support to the Company’s development; (iv) the nil underwriting commission for New Metro under the Underwriting Agreement is beneficial to the Company; and (v) the Rights Issue (including its use of proceeds) is in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole, we are of the view that (1) the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the transactions contemplated thereunder are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; and (2) the terms in relation to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) are on normal commercial terms and are fair and reasonable.

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7. Possible Dilution effect on shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their proportionate shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. However, they and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue. As at the Latest Practicable Date, the existing public Shareholders held approximately 48.29% of the total issued share capital of the Company.

Upon the completion of the Rights Issue (assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and none of the Placing Shares are placed to the placees under the compensatory arrangements), the shareholding of the existing public Shareholders will be diluted to approximately 25.21%.

For illustrative purposes only, set out below is the shareholding structure of the Company as at (i) the Latest Practicable Date; (ii) immediately after the Share Consolidation; and (iii) immediately after the Share Consolidation and the completion of the Rights Issue in different

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scenarios, in each case assuming there is no change in the issued share capital of the Company as at the Latest Practicable Date and up to and including the Record Date:

Shareholders	As at the Latest Practicable Date		Immediately after the Share Consolidation		Scenario (A) Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming full acceptance by all Shareholders under the Rights Issue		Scenario (B) Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and all the Placing Shares are placed to the places under the compensatory arrangements		Scenario (C) Immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and none of the Placing Shares are placed to the places under the compensatory arrangements	
	<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>		<i>Number of Shares</i>	
		<i>%</i>		<i>%</i>		<i>%</i>		<i>%</i>		<i>%</i>
New Metro and parties acting in concert with it										
New Metro ^(Notes 1 & 2)	354,659,000	35.54	70,931,800	35.54	177,329,500	35.54	177,329,500	35.54	340,931,800	68.32
Mr. Lam ^(Notes 1 & 2)	-	-	-	-	-	-	-	-	-	-
Mr. Chau ^(Note 2)	41,366,000	4.14	8,273,000	4.14	20,683,000	4.14	8,273,200	1.66	8,273,200	1.66
Mr. Hsu ^(Note 2)	110,500,000	11.07	22,100,000	11.07	55,250,000	11.07	22,100,000	4.43	22,100,000	4.43
Ms. Au ^(Note 3)	9,500,000	0.95	1,900,000	0.95	4,750,000	0.95	1,900,000	0.38	1,900,000	0.38
Sub-total	<u>516,025,000</u>	<u>51.71</u>	<u>103,205,000</u>	<u>51.71</u>	<u>258,012,500</u>	<u>51.71</u>	<u>209,602,700</u>	<u>42.00</u>	<u>373,205,000</u>	<u>74.79</u>
Public Shareholders										
Mr. Tsang	49,000,000	4.91	9,800,000	4.91	24,500,000	4.91	24,500,000	4.91	24,500,000	4.91
Mr. Chiu	49,000,000	4.91	9,800,000	4.91	24,500,000	4.91	24,500,000	4.91	24,500,000	4.91
Placees	-	-	-	-	-	-	163,602,300	32.79	-	-
Other Public Shareholders	<u>383,975,000</u>	<u>38.47</u>	<u>76,795,000</u>	<u>38.47</u>	<u>191,987,500</u>	<u>38.47</u>	<u>76,795,000</u>	<u>15.39</u>	<u>76,795,000</u>	<u>15.39</u>
Sub-total	<u>481,975,000</u>	<u>48.29</u>	<u>96,395,000</u>	<u>48.29</u>	<u>240,987,500</u>	<u>48.29</u>	<u>289,397,300</u>	<u>58.00</u>	<u>125,795,000</u>	<u>25.21</u>
Total	<u><u>998,000,000</u></u>	<u><u>100.00</u></u>	<u><u>199,600,000</u></u>	<u><u>100.00</u></u>	<u><u>499,000,000</u></u>	<u><u>100.00</u></u>	<u><u>499,000,000</u></u>	<u><u>100.00</u></u>	<u><u>499,000,000</u></u>	<u><u>100.00</u></u>

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Notes:

1. New Metro beneficially holds 354,659,000 Existing Shares (or 70,931,800 Consolidated Shares after the Share Consolidation having become effective) as at the Latest Practicable Date. As New Metro is beneficially wholly owned by Mr. Lam, the chairman of the Board and an executive Director, Mr. Lam is deemed to be interested in the Shares which New Metro beneficially holds.
2. New Metro, Mr. Lam (the sole ultimate beneficial owner of New Metro), Mr. Chau (a former executive Director) and Mr. Hsu (a former executive Director) entered into the Deed of Acting in Concert Undertaking dated 4 April 2022, pursuant to which the parties have agreed to consolidate their respective interests in the Company and control directly and/or indirectly in the Company and to vote on any resolution to be passed at any shareholders' meeting of the Company in an unanimous manner, and each of them is deemed to be interested in the Shares held by the others.
3. Ms. Au is the spouse of Mr. Yip, an executive Director who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert.
4. By virtue of the SFO, (i) Mr. Yip, an executive Director, is deemed to be interested in the 9,500,000 Existing Shares (representing approximately 0.95% of the issued share capital of the Company) in which his spouse, Ms. Au, is interested in; and (ii) Mr. Lam, a chairman of the Board and an executive Director, is deemed to be interested in (a) 354,659,000 Existing Shares (representing approximately 35.54% of the issued share capital of the Company) held by New Metro; and (b) 151,866,000 Existing Shares (representing approximately 15.22% of the issued share capital of the Company) held by Mr. Chau and Mr. Hsu (the former executive Directors), both being the parties acting in concert with Mr. Lam and New Metro, as at the Latest Practicable Date. Save as disclosed above, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares as at the Latest Practicable Date.

As set out in the table under the above section headed "Rights Issue comparable analysis", the maximum dilution of the Comparables ranged from approximately 28.6% to approximately 83.3% with an average dilution of approximately 53.9%. For the Non-Qualifying Shareholders and those Qualifying Shareholders who do not take up their full provisional allotments under the Rights Issue, depending on the extent to which they subscribe for the Rights Shares, their shareholding interests in the Company upon completion of the Rights Issue will be diluted by up to a maximum of approximately 60.0%, which falls within the range of the Comparables. As set out in the Letter from the Board, the theoretical dilution impact is approximately 11.06% which is within the range of the Comparables from approximately 8.8% to approximately 22.6% and lower than average of 15.7%. Hence, we consider that it is reasonable for the Rights Issue with such a theoretical dilution impact.

In all cases of rights issue, the dilution on the shareholding of those qualifying shareholders who do not take up in full their provisional allotments under the rights issue is inevitable. In fact, the dilution magnitude of any rights issue depends mainly on the extent of the basis of entitlement under such exercise since the higher offering ratio of new shares to existing shares is, the greater the dilution on the shareholding would be.

Having considered (i) the dilution effect is not prejudicial as all Qualifying Shareholders are offered an equal opportunity to participate in the enlargement of the capital base of the Company and Independent Shareholders' interests in the Company will not be diluted if they elect to exercise their full provisional allotments under the Rights Issue; (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) shareholding dilution is inherent in rights issue

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in general; and (iv) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed “8. Financial effects” below, we are of the view that the potential dilution effect on the shareholding, which may only happen to the Qualifying Shareholders who decide not to subscribe for their pro-rata Rights Shares, is justifiable.

8. Financial effects

It should be noted that the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

8.1 Net tangible assets

According to the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, had the Rights Issue been completed in full on 30 September 2023, being the made up date of the Company’s latest published unaudited financial statements, the Group would be turnaround from the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company of approximately HK\$6.85 million as at 30 September 2023 to an unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company of approximately HK\$25.97 million immediately after the completion of the Rights Issue.

8.2 Liquidity

As at 31 March 2023, the Group had audited net current liabilities of approximately HK\$16.6 million, of which the cash and cash equivalents were approximately HK\$5.0 million. The Group’s current ratio as at 31 March 2023 was approximately 0.44 time.

As at 30 September 2023, the Group had unaudited net current liabilities of approximately HK\$8.4 million, of which the cash and cash equivalents were approximately HK\$2.5 million. The Group’s current ratio as at 30 September 2023 was approximately 0.68 time.

The estimated net proceeds from the Rights Issue are expected to enhance the Group’s current assets by HK\$32.81 million before the utilisation of which as disclosed in the Circular and the Rights Issue is expected to improve the Group’s liquidity position immediately after its completion.

8.3 Gearing

The gearing ratio of the Company, which is calculated on the basis of the Group’s total lease liabilities over the total equity, was approximately 0.59 as at 31 March 2023. Since the Rights Issue will strengthen the capital base of the Company, it is expected that the Rights Issue will have a positive effect on the gearing ratio (assuming there is no material change in the total lease liabilities of the Group).

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Based on the above analysis, we are of the view that the Rights Issue would have positive effects on the Group's net tangible assets, bank balances, liquidity and gearing which is in the interests of the Company and the Independent Shareholders as a whole.

TAKEOVERS CODE IMPLICATION

As at the Latest Practicable Date, New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau and Mr. Hsu pursuant to the Deed of Acting in Concert Undertaking dated 4 April 2022, and Ms. Au (the spouse of Mr. Yip, an executive Director, who is presumed to be acting in concert with other Directors by virtue of class (6) of the definition of acting in concert)) are, in aggregate, interested in 516,025,000 Shares, representing approximately 51.71% of the issued share capital of the Company of which 354,659,000 Shares, representing approximately 35.54% of the entire issued share capital of the Company are beneficially held by New Metro.

New Metro has entered into the NMI Irrevocable Undertaking in favour of the Company that, among other things, it will not dispose of the 354,659,000 Existing Shares (or 70,931,800 Consolidated Shares, as the case may be) and it will subscribe for the Rights Shares to which it is entitled under the Rights Issue in full.

Based on the table illustrating the aggregate shareholding interest of New Metro in the Company under the scenario of immediately after the Share Consolidation and upon the completion of the Rights Issue assuming no subscription by the Shareholders (other than those subscriptions pursuant to the Irrevocable Undertakings) and none of the Placing Shares are placed to the places under the compensatory arrangements (i.e. Scenario C), the Shareholding of New Metro in the Company, will be increased by a maximum of 270,000,000 Rights Shares including 106,397,700 Rights Shares to be taken up by New Metro pursuant to the NMI Irrevocable Undertaking and a maximum of 163,602,300 Rights Shares to be underwritten pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) assuming no changes in the issued share capital of the Company up to and including the Record Date. In such circumstances, New Metro will beneficially hold a maximum of 340,931,800 Shares, representing approximately 68.32% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Accordingly, New Metro will be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by it and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au), unless the Whitewash Waiver is granted.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders, and assuming no Rights Shares are taken up by the Qualifying Shareholders (other than those to be taken up by New Metro pursuant to the Irrevocable Undertaking) and no Placing Shares are successfully placed under the compensatory arrangements, the shareholding of New Metro in the Company will exceed 50%. New Metro may increase their shareholding without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer for the securities of the Company.

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Based on our analysis of the benefits and terms of the Rights Issue, we consider that the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. As such, we are of the view that the approval of the Whitewash Waiver, which is a prerequisite for the implementation of the Rights Issue, is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole for the purpose of proceeding with the Rights Issue.

RECOMMENDATION

(a) Rights Issue

Having considered the above principal factors and reasons, we are of the view that:

- (i) given the Company's Material Uncertainty Related to Going Concern, low cash balance, net current liabilities and net liabilities positions as at 31 March 2023 and 30 September 2023, the Company has an imminent need to enhance its liquidity;
- (ii) it is in the interests of the Company and the Independent Shareholders as a whole to conduct the Rights Issue;
- (iii) the Rights Issue is currently the most appropriate and equity fund raising method available to the Company; and
- (iv) the terms of the Rights Issue (including the Subscription Price) are fair and reasonable.

Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder.

(b) Placing

Having considered the above principal factors and reasons, we are of the view that:

- (i) the terms of the Placing Agreement (including the commission payable and Placing Price) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole; and
- (ii) the Compensatory Arrangement and the Placing are in compliance with Rule 10.31(1)(b) of the GEM Listing Rules.

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Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Placing Agreement, the Supplemental Placing Agreements and the transactions contemplated thereunder.

(c) Whitewash Waiver

Having taking into account,

- (i) the reasons for and possible benefits of the Rights Issue;
- (ii) the terms of the Rights Issue are fair and reasonable; and
- (iii) that the Rights Issue is conditional upon, amongst other things, the Whitewash Waiver having been granted by the Executive and all conditions (if any) attached to the Whitewash Waiver having been satisfied,

we are of the view that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Proton Capital Limited

Alvin H. Y. Leung
Managing Director

Josephine Lau
Director – Corporate Finance

Notes:

1. Mr. Alvin H. Y. Leung has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2003. Mr. Leung has years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.
2. Ms. Josephine Lau has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2007. Ms. Lau has years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated financial information of the Group for the years ended 31 March 2021, 2022 and 2023, and for the six months ended 30 September 2022 and 2023 as extracted from the published annual reports and the Interim Report of the Company, respectively:

	For the year ended 31 March			For the six months ended 30 September	
	2021 HK\$ (audited)	2022 HK\$ (audited)	2023 HK\$ (audited)	2022 HK\$ (unaudited)	2023 HK\$ (unaudited)
Revenue	103,132,516	113,651,958	95,473,879	50,341,607	35,916,221
Cost of sales	(82,834,952)	(89,255,875)	(80,781,580)	(42,982,983)	(30,344,465)
Gross profit	20,297,564	24,396,083	14,692,299	7,358,624	5,571,756
Other income	8,778,429	1,232,745	3,875,812	3,718,874	89,385
Other gains	919,523	229,155	1,184,460	226,095	2,442,068
Selling, administrative and other expenses	(30,701,809)	(28,814,535)	(36,978,233)	(20,053,777)	(17,075,636)
Impairment loss on property, plant and equipment, right-of-use assets and intangible assets	(11,833,694)	–	(2,390,000)	–	–
Loss from operations	(12,539,987)	(2,956,552)	(19,615,662)	(8,750,184)	(8,972,427)
Finance cost	(942,792)	(702,584)	(824,601)	(371,997)	(409,310)
Loss before taxation	(13,482,779)	(3,659,136)	(20,440,263)	(9,122,181)	(9,381,737)
Income tax credit/(expense)	946,463	(787,629)	(62,543)	(122,470)	(52,028)
Loss and total comprehensive income for the year/period attributable to:					
Owners of the Company	(12,536,316)	(4,446,765)	(20,502,806)	(9,244,651)	(9,428,441)
Non-controlling interests	–	–	–	–	(5,324)
Loss per share					
Basic and diluted (<i>HK cents</i>)	(1.39)	(0.49)	(2.28)	(1.03)	(0.96)

Except as disclosed in the above summary, there were no items of income or expenses which are material during the years ended 31 March 2021, 2022 and 2023, and the six months ended 30 September 2022 and 2023.

No dividend was paid or proposed by the Company during the years ended 31 March 2021, 2022 and 2023, and the six months ended 30 September 2022 and 2023.

The Group did not record any non-controlling interests during the years ended 31 March 2021, 2022 and 2023. On 24 August 2023, the Group established a joint venture company with an Independent Third Party and the Company indirectly owned 91% of the interests in this joint venture company. Therefore, the Company recorded an unaudited total comprehensive loss attributable to non-controlling interests of approximately HK\$5,000 during the six months ended 30 September 2023.

The Group's consolidated financial statements for the years ended 31 March 2021, 2022 and 2023 had been audited by the Company's independent auditor, BDO Limited ("BDO"). No modified or qualified opinion, emphasis of matter or material uncertainty related to going concern was contained in the auditor's report of BDO in respect of the consolidated financial statements of the Group for the years ended 31 March 2021, 2022 and 2023. Both of the Group's consolidated financial statements for the six months ended 30 September 2022 and 2023 had been reviewed by the audit committee of the Board and had not been audited.

The Company is required to set out or refer to in this circular the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in the consolidated financial information of the Group for the years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2023, together with significant accounting policies and the notes to the relevant published financial statements which are of major relevance to the appreciation of the above financial information.

Details of the audited financial information of the Group for each of the years ended 31 March 2021, 2022 and 2023 and the six months ended 30 September 2022 and 2023 are disclosed in the following annual reports of the Company for the years ended 31 March 2021, 2022 and 2023 and the Interim Report respectively which have been published and are available on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.uprintshop.hk):

- (a) the annual report of the Company for the year ended 31 March 2021 published on 30 June 2021 (pages 55 to 105) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0630/2021063000652.pdf>);
- (b) the annual report of the Company for the year ended 31 March 2022 published on 30 June 2022 (pages 64 to 115) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0630/2022063001019.pdf>);
- (c) the annual report of the Company for the year ended 31 March 2023 published on 29 June 2023 (pages 68 to 119) in relation to the financial information of the Group for the same year (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0629/2023062900516.pdf>); and

- (d) the Interim Report for the six months ended 30 September 2023 published on 10 November 2023 (pages 21 to 32) in relation to the financial information of the Group for the same period (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1110/2023111001541.pdf>).

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

	Approximately <i>HK\$'000</i>
Current	
Lease liabilities	9,576
Non-current	
Lease liabilities	<u>17,014</u>
Total	<u><u>26,590</u></u>

There were no material contingent liabilities as at 31 October 2023.

Save as aforesaid and apart from normal trade and other payables in the ordinary course of business, as at the close of business on 31 October 2023, the Group did not have any material outstanding:

- (i) debt securities issued and outstanding, and authorised or otherwise created but unissued, and term loans (whether they were guaranteed, unguaranteed, secured (whether the security was provided by the Company or by third parties) or unsecured);
- (ii) other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether they were guaranteed, unguaranteed, secured (whether the security was provided by the Company or by third parties) or unsecured);
- (iii) mortgages and charges;
- (iv) lease liabilities or hire purchase commitments; or
- (v) contingent liabilities or guarantees.

3. MATERIAL CHANGE

Save as disclosed below, the Directors confirmed that there had been no material change in the financial or trading position or outlook of the Group since 31 March 2023 (being the date to which the latest published audited financial statements of the Group were made up) and up to and including the Latest Practicable Date:

1. As disclosed in the announcement of the Company dated 18 April 2023, the Company disposed of a six-colour offset press and recorded an unaudited gain on disposal of approximately HK\$1.80 million;
2. As disclosed in the announcement of the Company dated 3 May 2023, the Company completed a subscription of new Shares under general mandate to raise a net proceeds of approximately HK\$3.73 million which was intended to be applied towards settlement of the Group's current liabilities;
3. As disclosed in the circular of the Company dated 31 May 2023, the Company acquired two sets of brand new FUJIFILM four-colour digital inkjet printing machines (model: Jet Press 750S) at a total consideration of HK\$18.70 million which is financed under a bank hire purchase facility at an interest rate of one month HIBOR plus 2.50%;
4. As disclosed in the Interim Report of the Company for the six months ended 30 September 2023 dated 10 November 2023, the unaudited loss and total comprehensive income attributable to owners of the Company for the six months ended 30 September 2023 increased by approximately 1.99% as compared with the same period in 2022 mainly due to the following factors:
 - (i) the decrease in unaudited revenue of the Company by approximately 28.65% mainly due to the reduced demand for and downward pressures in prices of the Company's printing services;
 - (ii) the decrease in unaudited gross profit of the Company by approximately 24.28% which is in line with the decline in revenue; and
 - (iii) the decrease in government grant of the Company by approximately 97.38% mainly due to the decrease in the grant under the Employment Support Scheme of the Anti-epidemic Fund launched by the Hong Kong government in response to the COVID-19 pandemic and the technology voucher programme.

5. As disclosed in the announcement of the Company dated 28 August 2023, (i) the Company formed a joint venture company, namely Elegance Technology Printing Limited, which entered into an agreement to provide printing and production services to the Independent Third Party; and (ii) Universe Printing Holdings Limited, an indirect wholly-owned subsidiary of the Company, entered into two lease agreements (as lessee) with the Independent Third Parties for a 26-month lease of premises with total rent of approximately HK\$4.73 million. As further disclosed in the announcements of the Company dated 19 and 20 November 2023, the aforesaid agreements were subsequently terminated on 17 November 2023 by relevant parties; and
6. As disclosed in the announcement of the Company dated 20 November 2023, Universe Printing Holdings Limited entered into a lease agreement (as lessee) with an Independent Third Party for a 26-month lease of premises for expansion with total rent of approximately HK\$5.5 million.

4. WORKING CAPITAL

The Directors, having taking into account (i) the internal resources of the Group; (ii) expected cash flows from the Group's operations; and (iii) the estimated net proceeds from the Rights Issue, and in the absence of unforeseen circumstances, are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The outbreak of COVID-19 in Hong Kong has affected the business and market activities of the Group's customers. These activities were reduced significantly due to the prolonged COVID-19 outbreak. During the nine months ended 31 December 2022, the Group opened two flagship stores under the brand "Print Shop" in Kwun Tong and Wan Chai respectively and relocated two stores in Mong Kok and Yuen Long. As at the Latest Practicable Date, the new store in Wan Chai had been relocated to Sheung Wan while the store in Yuen Long has been closed. The Group believes that relocation of stores may increase its competitiveness in the market. The Group is exploring market opportunities for horizontal expansion and services diversification.

During the year ended 31 March 2023, the Group recorded (i) revenue of approximately HK\$95.5 million representing a decrease of approximately 16.0% as compared to approximately HK\$113.7 million for the year ended 31 March 2022 mainly due to the reduced demand for printing services, which was a result of the continuing impact of the COVID-19 pandemic in Hong Kong; and (ii) gross profit margin of approximately 15.4% as compared to approximately 21.5% for the year ended 31 March 2022 mainly due to the increase in per unit fixed costs resulting from the reduced production volume of the Group's printing services.

To cope with the current challenging operating environment, the Group has strategically reviewed its existing business model and customers' demand and decided to optimise its production in Hong Kong by balancing the proportion of offset printing and digital printing. In the first quarter ended 30 June 2023, the Company acquired two sets of brand new four-colour digital inkjet printing machine manufactured by FUJIFILM (model: Jet Press 750S) accompanied with servers and FUJIFILM XMF Workflow system with a view to enhance its printing management for higher efficiency and consistency as well as to reduce unit fixed costs while reducing its carbon footprint (for details, please refer to the circular of the Company dated 31 May 2023). In November 2023, the Group has early terminated the lease of certain premises in Kwun Tong and leased certain premises in Tsing Yi at the same building of the existing logistics centre of the Group with a view to enhance the overall business efficiency and reduce operational costs of the Group (for details, please refer to the announcements of the Company dated 19 November 2023 and 20 November 2023).

During the six months ended 30 September 2023, the Group recorded (i) an unaudited revenue of approximately HK\$35.9 million representing a decrease of approximately 28.65% as compared to approximately HK\$50.3 million for same period in previous year mainly due to the reduced demand for and downward pressures in prices of the Company's printing services; and (ii) gross profit margin of approximately 15.51% which is comparable to approximately 14.62% for the same period in previous year.

The Board believes that the expansion of the digital printing services together with the introduction of new businesses would enable the Group to increase its revenue while reducing its per unit fixed costs and thus improve the future financial performance. The Group will continue to review and implement its business plan to enhance its market share, image, recognition and market reputation.

6. MAJOR CUSTOMERS AND SUPPLIERS

(a) Financial year ended 31 March 2022

During the year ended 31 March 2022, the purchases attributable to the five largest suppliers of the Group accounted for approximately 59.8% of the total purchases for the year and the purchases to the largest supplier included therein accounted for approximately 40.8%.

During the year ended 31 March 2022, the percentage of sales attributable to the five largest customers in aggregate is less than 30% of the Group's total revenue.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors, who owns more than 5% of the share capital of the Company) had an interest in these major suppliers or customers.

(b) Financial year ended 31 March 2023

During the year ended 31 March 2023, the purchases attributable to the five largest suppliers of the Group accounted for approximately 69.0% of the total purchases for the year and the purchases to the largest supplier included therein accounted for approximately 58.5%.

During the year ended 31 March 2023, the percentage of sales attributable to the five largest customers in aggregate is less than 30% of the Group's total revenue.

None of the Directors, their close associates or any shareholder (which to the knowledge of the Directors, who owns more than 5% of the share capital of the Company) had an interest in these major suppliers or customers.

For illustrative purposes, the unaudited pro forma financial information of the Group prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules is set out here to provide prospective investors with further information about how the financial information of the Group might be affected by the completion of the Rights Issue as if the Rights Issue had been completed on 30 September 2023. The statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the Group's financial position on the completion of the Rights Issue.

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

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 September 2023 as if the Rights Issue had taken place on 30 September 2023.

The Unaudited Pro Forma Financial Information is prepared based on the unaudited consolidated net liabilities of the Group attributable to the owners of the Company as at 30 September 2023, as extracted from the unaudited condensed consolidated financial statements for the six months ended 30 September 2023 set out in the published interim report of the Company, after incorporating the unaudited pro forma adjustments described in the accompanying notes.

2. The estimated net proceeds from the Rights Issue are based on 299,400,000 Rights Shares to be issued at the Subscription Price of HK\$0.115 per Rights Share, after deduction of the estimated related transaction costs of approximately HK\$1,621,000 which is directly attributable to the Rights Issue.
3. The unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company per Consolidated Share as at 30 September 2023 before the completion of the Rights Issue is calculated based on the unaudited consolidated net tangible liabilities of the Group attributable to the owners of the Company as at 30 September 2023 of approximately HK\$6,845,000, divided by 199,600,000 Consolidated Shares as if the Share Consolidation had occurred on 30 September 2023.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Consolidated Share as at 30 September 2023 immediately after the completion of the Rights Issue is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 immediately after the completion of the Rights Issue of approximately HK\$25,965,000 and 499,000,000 Shares in issue, which comprises (i) 199,600,000 Consolidated Shares in issue before the Rights Issue; and (ii) 299,400,000 Rights Shares to be issued under the Rights Issue, as if the Share Consolidation and the Rights Issue had occurred on 30 September 2023.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading or other transactions of the Group entered into subsequent to 30 September 2023.

**(B) REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION OF THE GROUP**

Tel : +852 2218 8288
Fax : +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話 : +852 2218 8288
傳真 : +852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the directors of Universe Printshop Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Universe Printshop Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2023 and related notes as set out on pages II-1 to II-3 of Appendix II of the Company’s circular dated 30 November 2023 (the “**Circular**”) in connection with the proposed rights issue on the basis of three rights shares for every two consolidated shares held by the Qualifying Shareholders (as defined in the Circular) on the Record Date (as defined in the Circular) (the “**Proposed Rights Issue**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages II-1 to II-3 of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Rights Issue on the Group’s consolidated financial position as at 30 September 2023 as if the Proposed Rights Issue had taken place at 30 September 2023. As part of this process, information about the Group’s consolidated financial position has been extracted by the directors of the Company from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2023.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

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

Our 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.

Our 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” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity 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 Proposed Rights Issue at 30 September 2023 would have been as presented.

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

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Company; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

BDO Limited

Certified Public Accountants

Hong Kong

30 November 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.

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

The sole director of New Metro, namely Mr. Lam, accepts full responsibility for the accuracy of the information contained in this circular and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the end of the last financial year; (ii) as at the Latest Practicable Date; (iii) immediately following the Increase in Authorised Share Capital and the Share Consolidation becoming effective but before the completion of the Rights Issue; and (iv) immediately following the Increase in Authorised Share Capital, the Share Consolidation and the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company on or before the Record Date) are as follows:

(i) As at the end of the last financial year (i.e. 31 March 2023)

<i>Authorised:</i>	<i>HK\$</i>
<u>2,000,000,000</u> Existing Shares of HK\$0.01 each	<u>20,000,000</u>
<i>Issued and fully-paid:</i>	
<u>900,000,000</u> Existing Shares of HK\$0.01 each	<u>9,000,000</u>

(ii) As at the Latest Practicable Date

Authorised: HK\$

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

<u>998,000,000</u>	Existing Shares of HK\$0.01 each	<u>9,980,000</u>
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(iii) Immediately following the Increase in Authorised Share Capital and the Share Consolidation becoming effective but before the completion of the Rights Issue

Authorised: HK\$

<u>4,000,000,000</u>	Consolidated Shares of HK\$0.05 each	<u>200,000,000</u>
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Issued and fully-paid:

<u>199,600,000</u>	Consolidated Shares of HK\$0.05 each	<u>9,980,000</u>
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(iv) Immediately following the Increase in Authorised Share Capital, the Share Consolidation and the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company on or before the Record Date)

Authorised: HK\$

<u>4,000,000,000</u>	Consolidated Shares of HK\$0.05 each	<u>200,000,000</u>
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Issued and fully-paid:

199,600,000	Consolidated Shares of HK\$0.05 each	9,980,000
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<u>299,400,000</u>	Rights Shares of HK\$0.05 each to be issued pursuant to the Rights Issue	<u>14,970,000</u>
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<u>499,000,000</u>	Consolidated Shares of HK\$0.05 each in issue immediately after completion of the Rights Issue	<u>24,950,000</u>
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All of the Rights Shares when issued and fully-paid will rank *pari passu* in all respects with the Shares then in issue. Holder of the Rights Shares in their fully-paid form will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the fully-paid Rights Shares. The Rights Shares to be issued will be listed on the Stock Exchange.

The Company has adopted a share option scheme on 26 February 2018 pursuant to which the total number of Shares in respect of which options may be granted under the Share Option Scheme shall not exceed 90,000,000 Existing Shares (equivalent to 18,000,000 Consolidated Shares assuming the Share Consolidation has become effective). As at the Latest Practicable Date, the scheme mandate limit had not been refreshed and no options had been granted since the date of adoption of the share option scheme.

Save as abovementioned, as at the Latest Practicable Date, the Company did not have any other derivatives, options, warrants, other securities or conversion rights or other similar rights which are convertible or exchangeable into, any Existing Shares or Consolidated Shares and no capital of any member of the Group was under option, or agreed conditionally or unconditionally to be put under option. The Company has no intention to issue or grant any convertible securities, warrants and/or options on or before the Record Date.

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

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

3. MARKET PRICES

The table below shows the closing price(s) of the Shares as quoted on the Stock Exchange (i) on the Last Trading Day, (ii) at the end of each calendar months during the Relevant Period and (iii) on the Latest Practicable Date:

Date	Closing price per Share HK\$
28 April 2023	0.027
31 May 2023	0.033
30 June 2023	0.031
31 July 2023	0.029
31 August 2023	0.024
29 September 2023	0.027
3 October 2023 (Last Trading Day)	0.027
31 October 2023	0.022
27 November 2023 (Latest Practicable Date)	0.027

The highest and lowest closing prices per Share as quoted on the Stock Exchange during the period commencing from 3 April 2023, being the first day of the Relevant Period, and ending on the Latest Practicable Date are HK\$0.035 on 21 and 24 April 2023 and HK\$0.022 on 11, 12 and 31 October 2023 respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to

Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Long position in the Shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding (%)
Mr. Lam	Interest in controlled corporation <i>(Notes 1 and 2)</i>	354,659,000	35.54
	Interest held jointly with another person <i>(Note 3)</i>	151,866,000	15.21
Mr. Yip	Interest of spouse <i>(Note 4)</i>	9,500,000	0.95

Notes:

1. Mr. Lam holds 100% of the issued share capital of New Metro. Under the SFO, Mr. Lam is deemed to be interested in the 354,659,000 Shares held by New Metro.
2. Pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), New Metro (as the underwriter) conditionally agreed to underwrite up to 163,602,300 Rights Shares after, among other things, the Share Consolidation having become effective, which are equivalent to 818,011,500 Existing Shares. Save for the Shares disclosed in this table, New Metro is interested in such Underwritten Shares under the SFO.
3. Pursuant to the Deed of Acting in Concert Undertaking entered into among New Metro, Mr. Lam, Mr. Chau and Mr. Hsu (collectively the “**Concerted Controlling Shareholders**”), each of them is deemed to be interested in the Shares held by the others. New Metro is the beneficial owner of 354,659,000 Shares, Mr. Chau is the beneficial owner of 41,366,000 Shares and Mr. Hsu is the beneficial owner of 110,500,000 Shares. Accordingly, the Concerted Controlling Shareholders are each interested in 506,525,000 Shares, representing approximately 50.75% of the entire issued share capital of the Company as at the Latest Practicable Date, together with the Underwritten Shares set out in Note 2 above.
4. Mr. Yip is the spouse of Ms. Au. By virtue of the SFO, Mr. Yip is deemed to be interested in all the Shares in which Ms. Au is interested or deemed to be interested under the SFO.

Long position in ordinary shares of the associated corporation

Name of Director	Name of associated corporation	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of shareholding (%)
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Mr. Lam	New Metro	Beneficial owner	1	100.00
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Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) 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 they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders

As at the Latest Practicable Date, so far as any Directors are aware, the interest or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company (%)
New Metro	Beneficial owner ^(Note 1)	354,659,000	Long position	35.54
	Interest held jointly with another person ^(Note 2)	151,866,000	Long position	15.21

Name of Shareholders	Capacity/Nature of interest	Number of Shares	Long/short position	Approximate percentage of shareholding in the Company (%)
Mr. Chau	Beneficial owner	41,366,000	Long position	4.14
	Interest held jointly with another person <i>(Note 2)</i>	465,159,000	Long position	46.61
Mr. Hsu	Beneficial owner	110,500,000	Long position	11.07
	Interest held jointly with another person <i>(Note 2)</i>	396,025,000	Long position	39.68
Ms. Fung Chi Kuen	Interest of spouse <i>(Notes 1 and 3)</i>	506,525,000	Long position	50.75
Ms. Siu Man Yam	Interest of spouse <i>(Notes 1 and 4)</i>	506,525,000	Long position	50.75
Ms. Ng Lai Nga	Interest of spouse <i>(Notes 1 and 5)</i>	506,525,000	Long position	50.75

Notes:

- Pursuant to the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements), New Metro (as the underwriter) conditionally agreed to underwrite up to 163,602,300 Rights Shares after, among other things, the Share Consolidation having become effective, which are equivalent to 818,011,500 Existing Shares. Save for the Shares disclosed in this table, New Metro is interested in such Underwritten Shares under the SFO.
- Pursuant to the Deed of Acting in Concert Undertaking, each of the Concerted Controlling Shareholders is deemed to be interested in the Shares held by the others. The Concerted Controlling Shareholders are each interested in 506,525,000 Shares, representing approximately 50.75% of the entire issued share capital of the Company as at the Latest Practicable Date, together with the Underwritten Shares set out in Note 1 above.
- Ms. Fung Chi Kuen is the spouse of Mr. Lam. By virtue of the SFO, Ms. Fung Chi Kuen is deemed to be interested in all the Shares in which Mr. Lam is interested or deemed to be interested under the SFO.
- Ms. Siu Man Yam is the spouse of Mr. Chau. By virtue of the SFO, Ms. Siu Man Yam is deemed to be interested in all the Shares in which Mr. Chau is interested or deemed to be interested under the SFO.
- Ms. Ng Lai Nga is the spouse of Mr. Hsu. By virtue of the SFO, Ms. Ng Lai Nga is deemed to be interested in all the Shares in which Mr. Hsu is interested or deemed to be interested under the SFO.

Save as disclosed above and as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO.

Save as disclosed above and as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which (i) (including both continuous and fixed terms contracts) had been entered into or amended within six months before the date of the Initial Announcement; (ii) was a continuous contract with a notice period of 12 months or more; (iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or (iv) is not determinable by the Group within one year without payment of compensation (other than statutory compensation), other than those as set out below:

Director	Members of the Group	Commencement date of the service contract/letter of appointment	Expiry date of the service contract/letter of appointment	Amount of fixed annual remuneration/fee payable under the service contract/letter of appointment	Amount of variable remuneration/fee (e.g. commission on profit) payable under the service contract/letter of appointment
Mr. Yip	The Company	1 July 2023	No fixed term	HK\$900,000	None
Mr. Lam	The Company	1 July 2023 <i>(date of further appointment as chief executive officer and compliance officer)</i>	No separate contract was entered into for additional roles of Mr. Lam and increment in remuneration	HK\$1,200,000 <i>(increment from HK\$96,000)</i>	None
Ms. Li Shuang	The Company	1 July 2023	No fixed term	HK\$600,000	None
Mr. Kao Jung	The Company	1 July 2023	No fixed term	HK\$600,000	None
Mr. Wong Chun Kwok	The Company	1 July 2022	30 June 2025	HK\$144,000	None
Mr. Ho Kar Ming	The Company	1 July 2022	30 June 2025	HK\$144,000	None
Ms. So Shuk Wan	The Company	1 July 2022	30 June 2025	HK\$144,000	None

6. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the controlling shareholders of the Company (i.e. New Metro, Mr. Lam, Mr. Chau and Mr. Hsu) and employees of the Company nor their respective close associates had any business or interest which competed or might compete, either directly or indirectly, with the business of the Group or any other conflict of interest which any such person had or might have with the Group which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules.

7. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS OF THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to, 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 financial statements of the Company were made up.

8. SHAREHOLDING AND DEALINGS IN SECURITIES

As at the Latest Practicable Date,

- (i) there was no agreement, arrangement or understanding pursuant to which the Rights Shares to be taken up by New Metro under the Rights Issue will be transferred, charged or pledged to other persons;
- (ii) New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) did not own, control or have control or direction over any voting rights and right over Shares, outstanding options, warrants, or any securities that are convertible into Shares or any outstanding derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) (the “**Relevant Securities**”) in the Company, save for (a) 354,659,000 Shares held by New Metro; (b) 41,366,000 Shares held by Mr. Chau; (c) 110,500,000 Shares held by Mr. Hsu; and (d) 9,500,000 Shares held by Ms. Au, and none of them had dealt for value in any Relevant Securities of the Company and acquired any voting rights in the Company during Relevant Period;

- (iii) save for Mr. Lam's and Mr. Yip's interests in the Company as disclosed in the paragraph headed "4. Disclosure of interests" in this appendix, none of the Directors had any interest in the Relevant Securities of the Company, and save for the interests in the Rights Shares under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the NMI Irrevocable Undertaking, none of the Directors had dealt for value in the Relevant Securities of the Company during the Relevant Period;
- (iv) none of the subsidiaries of the Company, pension funds of the Company or of any member of the Group, or a person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of acting in concert or who is an associate of the Company by virtue of class (2) of the definition of associate under the Takeovers Code but excluding exempt principal traders and exempt fund managers (as defined under the Takeovers Code) had owned or controlled any of the Relevant Securities of the Company, and none of them had dealt for value in any Relevant Securities in the Company during the Relevant Period;
- (v) save for Mr. Lam's and Mr. Yip whose interests in the Company are disclosed in the paragraph headed "4. Disclosure of interests" in this appendix, no person who had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate had owned or controlled any of the Relevant Securities of the Company, and, save for the interests in the Rights Shares under the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) and the NMI Irrevocable Undertaking, none of them had dealt for value in any Relevant Securities in the Company during the Relevant Period;
- (vi) no Relevant Securities of the Company were managed on a discretionary basis by fund managers (other than exempt fund managers) connected with the Company, and none of them had dealt for value in any Relevant Securities in the Company during the Relevant Period;
- (vii) the Company and the Directors (except Mr. Lam) did not hold and had not dealt for value in any Relevant Securities of New Metro during the Relevant Period;
- (viii) New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) and the Company have not received any irrevocable commitment from any Shareholders to vote for or against the proposed resolutions relating to the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and/or the Whitewash Waiver at the EGM;

- (ix) save for the Irrevocable Undertakings, the Company has not received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;
- (x) New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) did not have any arrangements referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Relevant Securities of the Company or New Metro, which might be material to the Rights Issue and/or the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and/or the Whitewash Waiver, with any other persons, save for the Underwriting Agreement, the Supplemental Rights Agreements and the NMI Irrevocable Undertaking therein given by New Metro in respect of the interests in the Shares held by it;
- (xi) New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au), the Company and the Directors have not borrowed or lent any Relevant Securities of the Company;
- (xii) no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Rights Issue, the Placing Agreement, the Supplemental Placing Agreements, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder, and the Whitewash Waiver;
- (xiii) save for the Underwriting Agreement, the Supplemental Rights Agreements and the NMI Irrevocable Undertaking, there was no agreement, arrangement or understanding (including any compensation arrangement) existed between New Metro or any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements and the transaction contemplated thereunder and the Whitewash Waiver;
- (xiv) New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) did not have any agreement or arrangement to which it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements and/or the Whitewash Waiver, except that the Rights Issue and the Underwriting Agreement (as amended and supplemented by the Supplemental Rights Agreements) are conditional upon, among other things, obtaining of the Whitewash Waiver by New Metro as disclosed in the conditions of the Rights Issue in this circular;

- (xv) save for (a) the Placing Agreement and the Supplemental Placing Agreements entered into between the Company and Sorrento Securities; (b) the Underwriting Agreement and the Supplemental Rights Agreements entered into between the Company and New Metro; and (c) the NMI Irrevocable Undertaking given by New Metro to the Company, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (xvi) there was no agreement or arrangement between any of the Directors and any other person which was conditional on or dependent upon the outcome of the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements and the transactions contemplated thereunder and the Whitewash Waiver;
- (xvii) save for the Deed of Acting in Concert Undertaking, the Underwriting Agreement, the Supplemental Rights Agreements and the NMI Irrevocable Undertaking, there was no material contract entered into by New Metro and parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) in which any Director had a material personal interest;
- (xviii) the Company has not paid and will not pay any consideration, compensation or benefit in whatever form to New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) in connection with the Rights Issue, the Underwriting Agreement and the Supplemental Rights Agreements;
- (xix) save for the Subscription Price, there is no other consideration, compensation, or benefit in whatever form paid or to be paid by New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) to the Group in relation to the Rights Issue;
- (xx) apart from the Underwriting Agreement, the Supplemental Rights Agreements and the NMI Irrevocable Undertaking, there is no understanding, arrangement, agreement or special deal between the Group on the one hand, and New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) on the other hand;

- (xxi) apart from the Underwriting Agreement, the Supplemental Rights Agreements and the NMI Irrevocable Undertakings, there was no understanding, arrangement or agreement or special deal between (a) any Shareholder; and (b) (i) New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au); or (ii) the Company, its subsidiaries or associated companies; and
- (xxii) New Metro and any parties acting in concert with it (i.e. Mr. Lam, Mr. Chau, Mr. Hsu and Ms. Au) have not entered into any derivative in respect of the relevant securities in the Company which are outstanding.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against any member of the Group.

10. MATERIAL CONTRACTS

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

- (i) the Underwriting Agreement;
- (ii) the Supplemental Rights Agreements;
- (iii) the Placing Agreement;
- (iv) the Supplemental Placing Agreements;
- (v) the shareholders' agreement dated 28 August 2023 entered into among Universe Printing Holdings Limited (“UPHL”, an indirect wholly-owned subsidiary of the Company), Elegance Printing & Book Binding (Holdings) Limited and Elegance Technology Printing Limited (a newly set up joint venture company by UPHL and Elegance Printing & Book Binding (Holdings) Limited) (please refer to announcement of the Company dated 28 August 2023 for details);
- (vi) the tenancy agreement dated 28 August 2023 entered into between UPHL (as tenant) and Elegance Printing & Book Binding Co. Limited (as landlord) in relation to the tenancy for certain premises at Hoi Bun Industrial Building, Kowloon with total rent of approximately HK\$4.2 million (please refer to announcement of the Company dated 28 August 2023 for details);

- (vii) the tenancy agreement dated 28 August 2023 entered into between UPHL (as tenant) and Hoi Bun Printing Limited (as landlord) in relation to the tenancy for certain premises at Hoi Bun Industrial Building, Kowloon with total rent of HK\$0.5 million (please refer to announcement of the Company dated 28 August 2023 for details);
- (viii) the surrender deed dated 17 November 2023 entered into between UPHL and Elegance Printing & Book Binding Co. Limited in relation to early termination of the tenancy for certain premises at Hoi Bun Industrial Building, Kowloon pursuant to which UPHL could save rent of approximately HK\$4.0 million (please refer to announcements of the Company dated 19 November 2023 and 20 November 2023 for details);
- (ix) the surrender deed dated 17 November 2023 entered into between UPHL and Hoi Bun Printing Limited in relation to early termination of the tenancy for a premises at Hoi Bun Industrial Building, Kowloon pursuant to which the UPHL could save rent of approximately HK\$0.5 million (please refer to announcements of the Company dated 19 November 2023 and 20 November 2023 for details);
- (x) the termination agreement dated 17 November 2023 entered into between Elegance Technology Printing Limited (a non wholly-owned subsidiary of the Company) and Elegance Printing & Book Binding Co. Limited in relation to the termination of their production agreement dated 28 August 2023 and refund of security deposit of HK\$5 million (please refer to announcement of the Company dated 19 November 2023 for details);
- (xi) the lease agreement dated 20 November 2023 entered into between UPHL (as lessee) and Mutual Benefit Limited (as lessor) in relation to the lease for certain premises at Tsing Yi Industrial Centre Phase 1, New Territories with total rent of approximately HK\$5.5 million (please refer to announcement of the Company dated 20 November 2023 for details);
- (xii) the conditional agreement dated 16 May 2023 entered into among UPHL, 素位科技(深圳)有限公司 (transliterated as Suwei Technology (Shenzhen) Co., Ltd. for identification purposes) and 重慶保晟國際貿易有限公司 (transliterated as Chongqing Polysun International Trade Co., Ltd. for identification purposes) for the acquisition of two sets of brand new FUJIFILM four-colour digital inkjet printing machines (the “**Acquisition Agreement**”) (please refer to circular of the Company dated 31 May 2023 for details);
- (xiii) the agreement between UPHL and The Bank of East Asia, Limited dated 6 September 2023 in relation to the financing arrangement for the transaction contemplated under the Acquisition Agreement (please refer to circular of the Company dated 31 May 2023 for details);

- (xiv) the subscription agreement dated 19 April 2023 entered into between the Company (as issuer), Mr. Tsang (as subscriber) and Mr. Chiu (as subscriber) in relation to the subscription of 98,000,000 new Shares with gross proceeds of HK\$3.92 million (please refer to announcements of the Company dated 19 April 2023 and 3 May 2023 for details);
- (xv) the sale and purchase agreement dated 18 April 2023 entered into between UPHL (as vendor) and Advance Graphic Systems Limited (as purchaser) in relation to the disposal of a six-colour offset press at a consideration of HK\$5.2 million (please refer to announcement of the Company dated 18 April 2023 for details);
- (xvi) the surrender deed dated 30 August 2022 entered into between UPHL (as tenant) and Universe Printing Company Limited (as landlord) in relation to early termination of the tenancy for premises at Kwun Tong Industrial Centre, Kowloon pursuant to which UPHL could save rent of at least approximately HK\$0.7 million (please refer to announcement of the Company dated 30 August 2022 for details);
- (xvii) the surrender deed dated 30 August 2022 entered into between UPHL (as tenant) and Universe Samfine Limited (as landlord) in relation to early termination of the tenancy for premises at Kwun Tong Industrial Centre, Kowloon pursuant to which UPHL could save rent of approximately HK\$0.3 million (please refer to announcement of the Company dated 30 August 2022 for details);
- (xviii) the tenancy agreement dated 18 February 2022 entered into between UPHL (as tenant) and Universe Printing Company Limited (as landlord) in relation to the tenancy for premises at Kwun Tong Industrial Centre, Kowloon with total rent of HK\$2.7 million (please refer to announcement of the Company dated 18 February 2022 for details); and
- (xix) the tenancy agreement dated 18 February 2022 entered into between UPHL (as tenant) and Universe Samfine Limited (as landlord) in relation to the tenancy for premises at Kwun Tong Industrial Centre, Kowloon with total rent of approximately HK\$0.5 million (please refer to announcement of the Company dated 18 February 2022 for details).

11. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$1.62 million, which are payable by the Company.

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	:	Mr. LAM Shing Tai Ms. LI Shuang Mr. KAO Jung Mr. YIP Chi Man Mr. WONG Chun Kwok Mr. HO Kar Ming Ms. SO Shuk Wan
Registered office	:	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	:	Shop B3, G/F, Block 3 Kwun Tong Industrial Centre 448–458 Kwun Tong Road Kwun Tong, Hong Kong
Underwriter	:	New Metro Inc. Mandar House 3rd Floor, Johnson's Ghut Tortola, British Virgin Islands
Placing Agent	:	Sorrento Securities Limited Room 1208, 12/F Wing On Centre 111 Connaught Road Central Sheung Wan, Hong Kong
Financial advisers to the Company	:	Sorrento Capital Limited Room 1208, 12/F Wing On Centre 111 Connaught Road Central Sheung Wan, Hong Kong
Independent financial adviser to the Independent Board Committee and the Independent Shareholders	:	Proton Capital Limited Room 2503, 25th Floor China Insurance Group Building 141 Des Voeux Road Central Central, Hong Kong

Legal adviser to the Company as to Hong Kong law	:	Howse Williams 27F Alexandra House 18 Chater Road, Central Hong Kong
Reporting accountants	:	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Principal bankers in Hong Kong	:	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central, Hong Kong
Principal share registrar and transfer office	:	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	:	Tricor Investor Services Limited 17/F Far East Finance Centre 16 Harcourt Road Hong Kong
Authorised representatives	:	Mr. LAM Shing Tai Mr. SO Hang Fung
Compliance officer	:	Mr. LAM Shing Tai

- Company secretary** : Mr. SO Hang Fung
- Member of:
 - (i) Hong Kong Institute of Certified Public Accountants
 - (ii) Association of Chartered Certified Accountants
 - (iii) Institute of Chartered Accountants of England and Wales
 - Chartered Secretary
 - Chartered Governance Professional
 - Fellow of The Hong Kong Chartered Governance Institute
 - Fellow of The Chartered Governance Institute

13. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Sorrento Capital Limited	A corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO
Proton Capital	A corporation licensed by the SFC to carry out type 6 (advising on corporate finance) regulated activity under the SFO
BDO Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the above experts:

- (a) had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinions or advice and references to its name, in the form and context in which they respectively appear;

- (b) did not have any shareholding, directly or indirectly, 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; and
- (c) did not have any direct or indirect interest 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, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts was not materially interested, directly or indirectly, in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

14. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. LAM Shing Tai (“**Mr. Lam**”), aged 57, was appointed as an executive Director and the chairman of the Board with effect from 1 July 2022, and was further appointed as the chief executive officer of the Company with effect from 1 July 2023. Mr. Lam is primarily responsible for the overall management, strategic planning and development of the Group. Mr. Lam is also a director of certain subsidiaries of the Company, namely, All In 1 Printing (Group) Limited, Universe Printing Holdings Limited, Print Shop Limited, Startec Colour Separation Printing Limited, Net Printshop Limited, Quick Quick Logistics Company Limited, South Sea International Press Limited, Universe Printshop Limited and Elegance Technology Printing Limited.

Ms. LI Shuang (“**Ms. Li**”), aged 53, was appointed as an executive Director with effect from 1 July 2023, primarily responsible for providing general business advice to the Group. Ms. Li has over 20 years of experience in the import and export industry and over 7 years of experience in financial leasing. Ms. Li obtained her bachelor of arts degree in French from Sichuan School of Foreign Language* (四川外語學院) (currently known as Sichuan International Studies University) in 1992. Ms. Li is currently an executive director and manager of Yihua Financial Leasing (Chongqing) Co., Ltd.* (怡華融資租賃(重慶)有限公司), and is primarily responsible for developing financing and leasing business for equipment procured by companies for revitalising enterprise assets and supporting the technological improvement of corporate entities.

Mr. KAO Jung (“**Mr. Kao**”), aged 54, was appointed as an executive Director with effect from 1 July 2023, primarily responsible for providing advice in relation to printing business. Mr. Kao has over 30 years of experience in the printing industry. He has experience in overseeing printing equipment affairs of company and leading sales of digital product equipment. Mr. Kao founded Mao Hua Enterprise Co., Ltd. (茂華實業股份有限公司) in July 2006 and has been serving as a general manager since then. Mr. Kao is

currently a general manager of Home Making Creative Printing Co., Ltd. (家裡蹲創意印刷股份有限公司). Mr. Kao completed a two-year course in electronic engineering at the computing engineering department of Kuang Wu Industry Junior College (currently known as Taipei City University of Science and Technology) in 1990.

Mr. YIP Chi Man (“**Mr. Yip**”), aged 58, was appointed as an executive Director with effect from 1 July 2023. Mr. Yip has over 30 years of experience in the printing industry with involvements along the printing process ranging from production and product research and development to marketing. He joined the Group in April 2022 as the assistant to the chairman of the Board and the chief operating officer of the Company and is mainly responsible for the day-to-day operations of the Company. Prior to joining the Group, Mr. Yip was employed at Promise Network Printing Limited from October 2014 to August 2021 as the business development director. Mr. Yip is also a director of certain subsidiaries of the Company, namely, All In 1 Printing (Group) Limited, Universe Printing Holdings Limited, Print Shop Limited, Startec Colour Separation Printing Limited, Net Printshop Limited, Quick Quick Logistics Company Limited, South Sea International Press Limited, Universe Printshop Limited and Elegance Technology Printing Limited.

Independent non-executive Directors

Mr. WONG Chun Kwok (“**Mr. Wong**”), aged 42, has over 17 years of experience in accounting and finance. Mr. Wong currently serves as a non-executive director of DW Consulting Corporation Limited, the chief financial officer of Huisen Household International Group Limited, a company listed on the Main Board of the Stock Exchange with stock code 2127 and an independent director of Datasea Inc. (NASDAQ: DTSS). He served as the financial controller from February 2017 to January 2018 and the chief financial officer from January 2018 to August 2020 of Fitness World (Group) Limited. He was a senior associate in the assurance practice of PricewaterhouseCoopers Limited (PwC) from January 2016 to January 2017. He worked at Moore Stephens Associates Limited (Hong Kong) as an audit senior associate from October 2010 to December 2015. He worked at KLC CPA Limited from October 2005 to August 2010 with his last position being a supervisor. Mr. Wong is a fellow member of Association of Chartered Certified Accountants and an affiliate member of The Society of Chinese Accountants & Auditors. Mr. Wong obtained his Bachelor of Commerce degree in Accounting from Macquarie University in Sydney, Australia in November 2005.

Mr. HO Kar Ming (“**Mr. Ho**”), aged 51, currently serves as the chief executive officer of Linpons Company Limited, a company established for provision of business advisory and promotion services, communication solution and language training, since September 2021 and the relationship manager of Infinity Asset Management Limited (a corporation licensed by the Securities and Futures Commission to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO) from July 2020 to May 2022. He served as the chief operating officer of Mastermind Strategy Advisors Limited, a company established for provision of business advisory services, from May 2019 to September 2021. He was a senior advisor of Di & Cooke Company Limited, a

company established for provision of business advisory services and corporate planning and training, from March 2011 to March 2019. Mr. Ho obtained his Bachelor of Business degree in Banking and Finance from Queensland University of Technology in Australia in March 1995.

Ms. SO Shuk Wan (“**Ms. So**”), aged 36, has over 10 years of experience in corporate governance. She currently serves as the Hong Kong Company Secretary of SouthGobi Resources Ltd. (“**SGQ**”), a mining company listed on the Main Board of the Stock Exchange with stock code 1878 and TSX Venture Exchange with stock code SGQ. Ms. So joined SGQ in February 2011 and has held various positions, including assistant company secretary before being appointed as the Hong Kong Company Secretary in January 2021. Ms. So obtained her Bachelor of Business Administration from the Bernard M. Baruch College of the City University of New York in June 2010 and a Master of Corporate Governance from the Hong Kong Polytechnic University in September 2019. Ms. So is an associate member of The Hong Kong Chartered Governance Institute, and a Certified ESG Planner of the International Chamber of Sustainable Development.

Senior Management

Mr. SO Hang Fung (“**Mr. So**”), aged 38, joined the Group in 2018 as a financial controller. Mr. So was appointed as chief financial officer and company secretary of the Group in February 2021. Mr. So is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants of England and Wales. Additionally, Mr. So is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators).

Mr. Anson Poon (“**Mr. Poon**”), aged 55, joined the Group in April 2022 as the customer service deputy director. Mr. Poon is responsible for planning and execution of customer service strategies in relation to the operation of The Group’s retail shops and management of our hotline call centre. Mr. Poon has over 30 years experience across various industries, including customer service, inbound and outbound call centre operation, printing, financial printing, telecom and banking through roles for a variety of corporations, including PCCW Limited, China Mobile Peoples Telephone Company Limited, Hang Seng Bank Limited, South China Morning Post Publishers Limited, Ming Pao, Recruit & Company Limited, Roman Financial Press Limited, Dow Jones – Asian Wall Street Journal, China Light and Power Limited and Datatrade Limited.

Mr. WANG Hsiung Yu (“**Mr. Wang**”), aged 49, joined the Group as a technician in September 2006 and has been the production manager of the Group since 2009. Mr. Wang was promoted to the position of production deputy director of the Group in May 2023. Mr. Wang is primarily responsible for overseeing and supervising workers in printing and further processing stage in production and a technical consultant of the Group. Mr. Wang has over 25 years’ experience in the printing industry.

The business address of the Directors and chief executive officer is the same as the Company’s head office and principal place of business in Hong Kong at Shop B3, G/F, Block 3, Kwun Tong Industrial Centre, 448–458 Kwun Tong Road, Kwun Tong, Hong Kong.

15. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Mr. WONG Chun Kwok (the Chairman of the Audit Committee), Mr. HO Kar Ming and Ms. SO Shuk Wan. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “14. Particulars of the Directors and Senior Management” in this appendix.

The primary role and function of the Audit Committee are to oversee the relationship with the external auditors, to review the Group’s preliminary quarterly results, interim results and annual results and to monitor compliance with statutory and listing requirements.

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

17. DOCUMENTS ON DISPLAY

Copies of the following documents are published on the website of the Stock Exchange at www.hkexnews.hk, the website of the SFC at www.sfc.hk and the website of the Company at www.uprintshop.hk from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association and articles of association of the Company;
- (b) the memorandum of association and articles of association of New Metro;
- (c) the annual report of the Company for the year ended 31 March 2021;

- (d) the annual report of the Company for the year ended 31 March 2022;
- (e) the annual report of the Company for the year ended 31 March 2023;
- (f) the Underwriting Agreement;
- (g) the Supplemental Rights Agreements;
- (h) the Placing Agreement;
- (i) the Supplemental Placing Agreements;
- (j) the Irrevocable Undertakings;
- (k) the letter from the Board, the text of which is set out on pages 19 to 55 of this circular;
- (l) the letter from the Independent Board Committee, the text of which is set out on pages 56 to 57 of this circular;
- (m) the letter from Proton Capital, the text of which is set out on pages 58 to 96 of this circular;
- (n) the accountant's report on the unaudited pro forma financial information of the Group issued by BDO Limited, the text of which is set out in Appendix II to this circular;
- (o) other material contracts referred to in the paragraph headed "10. Material contracts" in this appendix;
- (p) the service contracts referred in the paragraph headed "5. Directors' service contracts and letters of appointment" in this appendix;
- (q) the written consents referred to in the paragraph headed "13. Experts and consents" in this appendix; and
- (r) this circular.

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UNIVERSE PRINTSHOP HOLDINGS LIMITED

環球印館控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8448)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Universe Printshop Holdings Limited (the “**Company**”) will be held at Workshop A1, Ground Floor, Tsing Yi Industrial Centre Phase 1, No. 1 to 33 Cheung Tat Road, Tsing Yi, New Territories, Hong Kong on Thursday, 21 December 2023 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed with or without amendment as ordinary resolutions or special resolution (as the case may be) of the Company:

ORDINARY RESOLUTIONS

1. **“THAT**

- (i) the authorised share capital of the Company be and is hereby increased from HK\$20,000,000 divided into 2,000,000,000 shares of HK\$0.01 each to HK\$200,000,000 divided into 20,000,000,000 shares of HK\$0.01 each with immediate effect (the “**Increase in Authorised Share Capital**”); and
- (ii) any one of the Directors be and is hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Increase in Authorised Share Capital, on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Increase in Authorised Share Capital.”

2. **“THAT** subject to and conditional upon: (i) the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting the listing of, and permission to deal in, the Consolidated Shares (as defined below) upon the Share Consolidation (as defined below) becoming effective; and (ii) the compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the GEM Listing Rules to effect the Share Consolidation, with effect from the second business day after 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 (5) existing issued and unissued ordinary shares of par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of par value of HK\$0.05 each (the “**Consolidated Share(s)**”) and such Consolidated Share(s) shall rank *pari passu* in all respects with each other

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and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the second amended and restated memorandum of association and articles of association (the “**Articles**”) of the Company (the “**Share Consolidation**”) so that following the Share Consolidation, the authorised share capital of the Company will become HK\$200,000,000 divided into 4,000,000,000 Consolidated Shares;

- (ii) all fractional Consolidated Shares resulting from the Share Consolidation will be disregarded and will not be issued to the Shareholders but will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (the “**Directors**”) of the Company may think fit; and
 - (iii) any one of the Directors be and is hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Share Consolidation, on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Share Consolidation.”
3. “**THAT** subject to and conditional upon the passing of the resolutions numbered 1 and 2, and the fulfilment of all the conditions as set out in the paragraph headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the circular of the Company dated 30 November 2023:
- (i) the issue of 199,600,000 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\$0.115 per Rights Share (the “**Subscription Price**”) on the basis of three (3) Rights Shares for every two (2) Consolidated Shares held by the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Monday, 8 January 2024, or such other date as may be determined by the Company and New Metro Inc. (“**New Metro**”) for determining entitlements of the Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, based on legal opinions to be provided by the legal advisers to the Company, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Non-Qualifying Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

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- (ii) the underwriting agreement dated 3 October 2023 (the “**Underwriting Agreement**”) entered into between the Company and New Metro Inc. (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for the purpose of identification), in relation to the Rights Issue, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (iii) the supplemental underwriting agreement dated 5 October 2023 (the “**First Supplemental Rights Agreement**”) entered into between the Company and New Metro Inc. (a copy of which has been produced to the Meeting marked “B” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Underwriting Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (iv) the supplemental underwriting agreement dated 19 October 2023 (the “**Second Supplemental Rights Agreement**”) entered into between the Company and New Metro Inc. (a copy of which has been produced to the Meeting marked “C” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Underwriting Agreement and the First Supplemental Rights Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (v) the supplemental underwriting agreement dated 3 November 2023 (the “**Third Supplemental Rights Agreement**”) entered into between the Company and New Metro Inc. (a copy of which has been produced to the Meeting marked “D” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Underwriting Agreement, the First Supplemental Rights Agreement and the Second Supplemental Rights Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (vi) the supplemental underwriting agreement dated 16 November 2023 (the “**Fourth Supplemental Rights Agreement**”, together with the First Supplemental Rights Agreement, the Second Supplemental Rights Agreement and the Third Supplemental Rights Agreement, the “**Supplemental Rights Agreements**”) entered into between the Company and New Metro Inc. (a copy of which has been produced to the Meeting marked “E” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Underwriting Agreement, the First Supplemental Rights Agreement, the Second Supplemental Rights Agreement and the Third Supplemental Rights Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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- (vii) the placing agreement dated 5 October 2023 (the “**Placing Agreement**”) entered into between the Company and Sorrento Securities Limited (a copy of which has been produced to the Meeting marked “F” and signed by the chairman of the Meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (viii) the supplemental placing agreement dated 19 October 2023 (the “**First Supplemental Placing Agreement**”) entered into between the Company and Sorrento Securities Limited (a copy of which has been produced to the Meeting marked “G” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Placing Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ix) the supplemental placing agreement dated 3 November 2023 (the “**Second Supplemental Placing Agreement**”) entered into between the Company and Sorrento Securities Limited (a copy of which has been produced to the Meeting marked “H” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Placing Agreement and the First Supplemental Placing Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (x) the supplemental placing agreement dated 16 November 2023 (the “**Third Supplemental Placing Agreement**”, together with the First Supplemental Placing Agreement and the Second Supplemental Placing Agreement, the “**Supplemental Placing Agreements**”) entered into between the Company and Sorrento Securities Limited (a copy of which has been produced to the Meeting marked “I” and signed by the chairman of the Meeting for the purpose of identification), in relation to the amendment and supplement to certain terms and conditions of the Placing Agreement, the First Supplemental Placing Agreement and the Second Supplemental Placing Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

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- (xi) the board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the 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 Non-Qualifying 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 or the laws of, or the rules and regulations of any recognised 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
- (xii) any one of the Directors be and are hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement and the Supplemental Placing Agreements on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue, the Underwriting Agreement, the Supplemental Rights Agreements, the Placing Agreement and the Supplemental Placing Agreements, and the transactions contemplated thereunder.”

SPECIAL RESOLUTION

4. “**THAT:**

- (i) subject to the granting of the Whitewash Waiver (as defined below) by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegate(s) and the satisfaction of any conditions attached to the Whitewash Waiver granted, the waiver pursuant to Note 1 of the Notes on dispensations from Rule 26 of the Code on Takeovers and Mergers (“**Takeovers Code**”) waiving any obligation of New Metro to make a mandatory general offer to the Shareholders in respect of the Shares not already owned or agreed to be acquired by New Metro and parties acting in concert with it which would arise under Rule 26 of the Takeovers Code as a result of the fulfillment of the underwriting obligations by New Metro pursuant to the Underwriting Agreement (“**Whitewash Waiver**”) be and is hereby approved; and

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- (b) any one or more Director(s) be and is/are hereby authorised to do all such acts and things, to sign and execute all such further documents or deeds and to take such steps as he/they may in his/their absolute discretion consider necessary, appropriate, desirable or expedient to carry out or to give effect to or in connection with any matters relating to the Whitewash Waiver and the transactions contemplated thereunder.”

Yours faithfully,
By order of the Board
Universe Printshop Holdings Limited
Lam Shing Tai
Chairman and Executive Director

Hong Kong, 30 November 2023

Registered office:

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

Principal place of business in Hong Kong:

Shop B3, G/F, Block 3
Kwun Tong Industrial Centre
448–458 Kwun Tong Road
Kwun Tong
Hong Kong

Notes:

1. All resolutions set out in this notice of the EGM will be taken by poll pursuant to the GEM Listing Rules and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the GEM Listing Rules.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company. 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.
3. In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM, whether in person or by proxy, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
4. A form of proxy for use at the EGM is being despatched together with this notice. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for the holding of the EGM or any adjournment thereof. Whether or not you intend to attend the EGM in person, you are urged to complete and return the form of proxy in accordance with the instructions printed thereon.
5. Completion and return of the form of proxy will not preclude you from attending the EGM and voting in person if you so wish. In the event that you attend the EGM after having lodged the form of proxy, it will be deemed to have been revoked.

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6. The register of members of the Company will be closed from Friday, 15 December 2023 to Thursday, 21 December 2023 (both days inclusive), for the purpose of determining its shareholders' entitlement to attend and vote at the EGM, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the EGM, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Thursday, 14 December 2023.
7. If Typhoon Signal No. 8 or above remains hoisted and/or extreme conditions are in force at or at any time after 9:00 a.m. on the date of the EGM, the EGM will be postponed or adjourned. The Company will post an announcement on the Company's website at www.uptprintshop.hk and the website of the Stock Exchange at www.hkexnews.hk to notify shareholders of the date, time and place of the rescheduled meeting. The EGM will be held as scheduled when an Amber or Red or Black Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather condition bearing in mind their own situations.
8. In the event of any inconsistency, the English language text of this notice shall prevail over the Chinese language text.
9. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Directors are Mr. Lam Shing Tai, Ms. Li Shuang, Mr. Kao Jung and Mr. Yip Chi Man and the independent non-executive Directors are Mr. Wong Chun Kwok, Mr. Ho Kar Ming and Ms. So Shuk Wan.

This notice, 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 notice 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 notice misleading.

This notice will remain on the website of the Company at www.uptprintshop.hk and the website of the Stock Exchange at www.hkexnews.hk on the "Latest Listed Company Information" page for at least seven days from the date of its posting.