
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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

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

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

SUN KONG HOLDINGS LIMITED 申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

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

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



GLOBAL MASTERMIND SECURITIES LIMITED
環球大通證券有限公司

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

A letter from the Board is set out on pages 12 to 39 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 40 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 41 to 60 of this circular.

A notice convening the EGM to be held at Yuen Long Town Hall, 4 Yuen Long Tai Yuk Road, Yuen Long, New Territories, Hong Kong on Thursday, 15 February 2024 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. Tuesday, 13 February 2024 at 11:00 a.m.) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

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

24 January 2024

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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EXPECTED TIMETABLE

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

Event	2024
Latest time for lodging transfer of Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Tuesday, 6 February
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM (both days inclusive)	Wednesday, 7 February to Thursday, 15 February
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Tuesday, 13 February
Record date for attendance and voting at the EGM	Thursday, 15 February
Expected time and date of the EGM	11:00 a.m. on Thursday, 15 February
Announcement of the poll results of the EGM	Thursday, 15 February
<p>The following events are conditional on the fulfilment of the condition(s) for the implementation of the Share Consolidation and the Rights Issue and therefore the dates are tentative only.</p>	
Effective date for the Share Consolidation	Monday, 19 February
Commencement of dealings in the Consolidated Shares	9:00 a.m. on Monday, 19 February
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Monday, 19 February

EXPECTED TIMETABLE

Event	2024
Temporary counter for trading in the Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) opens	9:00 a.m. on Monday, 19 February
First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Consolidated Shares	Monday, 19 February
Last day of dealings in the Consolidated Shares on a cum-entitlement basis of the Rights Issue	Monday, 19 February
First day of dealings in the Consolidated Shares on an ex-entitlement basis of the Rights Issue	Tuesday, 20 February
Latest time for lodging transfer documents of the Consolidated Shares to qualify for the Rights Issue	4:30 p.m. on Wednesday, 21 February
Closure of register of members of the Company to determine the entitlements to the Rights Issue	Thursday, 22 February to Wednesday, 28 February (both days inclusive)
Record Date for determining entitlements to the Rights Issue	Wednesday, 28 February
Re-opening of the register of members of the Company	Thursday, 29 February
Despatch of the Prospectus Documents (including the Prospectus and the PALs; in the case of the Excluded Shareholders, the Prospectus with the Overseas Letter only)	Thursday, 29 February
First day of dealings in nil-paid Rights Shares	Monday, 4 March
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Monday, 4 March

EXPECTED TIMETABLE

Event	2024
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Monday, 4 March
Parallel trading in the Consolidated Shares (in the form of both existing share certificates in board lots of 1,000 Consolidated Shares and new share certificates in board lots of 10,000 Consolidated Shares) commences	9:00 a.m. on Monday, 4 March
Latest time for splitting of the PAL(s)	4:30 p.m. on Wednesday, 6 March
Last day of dealings in nil-paid Rights Shares	Monday, 11 March
Latest Time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the Compensatory Arrangement	4:00 p.m. on Thursday, 14 March
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Thursday, 14 March
Announcement of the number of Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Compensatory Arrangements	Monday, 18 March
Commencement of placing of Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent	Tuesday, 19 March
Designated broker ceases to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Friday, 22 March
Temporary counter for trading in Consolidated Shares in board lots of 1,000 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Friday, 22 March
Parallel trading in the Consolidated Shares (in the form of both existing share certificates in board lots of 1,000 Consolidated Shares and new share certificates in board lots of 10,000 Consolidated Shares) ends	4:10 p.m. on Friday, 22 March

EXPECTED TIMETABLE

Event	2024
Latest time of placing of Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent	4:00 p.m. on Tuesday, 26 March
Latest Time for termination of the Placing Agreement	4:00 p.m. on Wednesday, 27 March
Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Consolidated Shares	Thursday, 28 March
Announcement of results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and ES Unsold Rights Shares by the Placing Agent and the amount of the Net Gain per Rights Share under the Compensatory Arrangements)	Wednesday, 3 April
Despatch of share certificates for the Rights Shares and refund cheques, if any	Friday, 5 April
First day of dealings in the fully-paid Rights Shares	Monday, 8 April
Payment of Net Gain to relevant No Action Shareholders (if any)	Monday, 22 April

All times and dates in this circular refer to Hong Kong local times and dates.

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

EXPECTED TIMETABLE

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

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 14 March 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 Thursday, 14 March 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 in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. If the Latest Time for Acceptance does not take place on the currently scheduled Thursday, 14 March 2024, the dates mentioned in the “EXPECTED TIMETABLE” above may be affected. An announcement will be made by the Company in such event as soon as practicable.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 28 December 2023 in relation to the Share Consolidation and the Rights Issue
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Sun Kong Holdings Limited (申港控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange (Stock Code: 8631)
“Compensatory Arrangements”	the arrangements involving the placing of the Unsubscribed Rights Shares and ES Unsold Rights Shares, if any, by the Placing Agent on a best effort basis in accordance with Rule 10.31(1)(b) of the GEM Listing Rules
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consolidated Shares”	ordinary shares of HK\$0.1 each in the share capital of the Company after the Share Consolidation becoming effective
“controlling shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be convened and held at Yuen Long Town Hall, 4 Yuen Long Tai Yuk Road, Yuen Long, New Territories, Hong Kong on Thursday, 15 February 2024 at 11:00 a.m. (or any adjournment thereof) to consider and, if thought fit, approve the Share Consolidation and the Rights Issue
“ES Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholders (if any) in nil-paid form that has/ have not been sold by the Company
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Existing Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company prior to the Share Consolidation having become effective
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder

DEFINITIONS

“Independent Financial Adviser”	Global Mastermind Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate)
“Latest Placing Date”	Tuesday, 26 March 2024 or such other date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Placing Shares
“Last Trading Day”	28 December 2023, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	22 January 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 14 March 2024 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“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 Unsubscribed Rights Shares and the ES Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements

DEFINITIONS

“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/ or the Excluded Shareholders (if any)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement
“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the ES Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Cheong Lee Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the ES Unsold Rights Shares under the Compensatory Arrangements

DEFINITIONS

“Placing Agreement”	the placing agreement dated 28 December 2023 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the ES Unsold Rights Shares
“Placing Shares”	all the Unsubscribed Rights Shares and the ES Unsold Rights Shares
“Placing Period”	a period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Tuesday, 19 March 2024, and ending at the Tuesday, 26 March 2024 or such later date as the Company and the Placing Agent may agree in writing
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	Collectively, the Prospectus and the PAL
“Prospectus Posting Date”	Thursday, 29 February 2024 or such other date as may be agreed by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Wednesday, 28 February 2024 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the issue of the Rights Shares on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date at the Subscription Price

DEFINITIONS

“Rights Share(s)”	up to 80,000,000 new Consolidated Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no change in the number of Shares in issue on or before the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	the Existing Share(s) or Consolidated Share(s) (as the case may be)
“Share Consolidation”	the consolidation of every ten (10) Existing Shares of par value of HK\$0.01 each into one (1) Consolidated Share of par value of HK\$0.1 each
“Shareholder(s)”	holder(s) of issued Share(s) or the Consolidated Share(s) as the case may be
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.30 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent.

LETTER FROM THE BOARD

SUN KONG HOLDINGS LIMITED
申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

Executive Directors:

Mr. Law Ming Yik (*chairman*)

Mr. Li Isaiah (*chief executive officer*)

Independent non-executive Directors:

Mr. Fenn David

Mr. Wong Ka Chun, Matthew

Mr. Chan Ting Fung

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Principal place of business
in Hong Kong:*

Section C of

Lot No.1345 in D.D.121,

Yuen Long,

New Territories,

Hong Kong

24 January 2024

To the Shareholders

Dear Sir or Madam,

(I) PROPOSED SHARE CONSOLIDATION;
(II) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2)
RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE
HELD ON THE RECORD DATE;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

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

LETTER FROM THE BOARD

PROPOSED SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every ten (10) issued and unissued Existing Shares of par value of HK\$0.01 each be consolidated into one (1) Consolidated Share of par value of HK\$0.1 each.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$30,000,000 divided into 3,000,000,000 Existing Shares of HK\$0.01 each, of which 400,000,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Rights Issue and assuming no change in the number of Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the authorised share capital of the Company will become HK\$30,000,000 divided into 300,000,000 Consolidated Shares of HK\$0.1 each, of which 40,000,000 Consolidated Shares (which are fully paid or credited as fully paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other in accordance with the Company's articles of association. The Share Consolidation will not result in any change in the relative rights or proportionate interests of the holders of shares of the same class. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Currently, the Shares are traded on the Stock Exchange in the board lot size of 10,000 Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain as 10,000 Consolidated Shares.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation thereof will not alter the underlying assets, business operations, management or financial position of the Group or the interests or rights of the Shareholders, save for any fractional Consolidated Shares which may arise and the necessary professional expenses for the implementation of the Share Consolidation.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the fulfilment of the following conditions:

- (i). the passing of the ordinary resolution(s) by the Shareholders to approve the Share Consolidation at the EGM;

LETTER FROM THE BOARD

- (ii). the compliance with all relevant procedures and requirements under the laws of the Cayman Islands (where applicable) and the GEM Listing Rules to effect the Share Consolidation; and

- (iii). the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares arising from 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 Monday, 19 February 2024, being the second Business Day immediately after the EGM. As at the Latest Practicable Date, none of the conditions above had been fulfilled.

Listing application

An application has been made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

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

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

LETTER FROM THE BOARD

OTHER ARRANGEMENTS

Fractional entitlement to Consolidated Shares

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

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

Odd lots arrangements and matching services

In order to alleviate the difficulties arising from the existence of odd lots (if any) of the Consolidated Shares arising from the Share Consolidation, the Company has appointed GEO Securities Limited as an agent to provide matching services, on a best-efforts basis, to those Shareholders who wish to top-up acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares, during the period from Monday, 4 March 2024 to Friday, 22 March 2024 (both days inclusive). Holders of the Consolidated Shares in odd lots who wish to take advantage of this arrangement may directly or through their brokers contact Mr. Terry Chiu (telephone number: (852) 3896 2003) or Mr. Kevin Ho (telephone number: (852) 3896 2002) of GEO Securities Limited at Room 601-3, 6/F, Siu On Plaza, 482 Jaffe Road, Causeway Bay, Hong Kong during 9:00 a.m. to 4:00 p.m. within such period.

Holders of odd lots of the Consolidated Shares should note that successful matching of the sale and purchase of odd lots of the Consolidated Shares are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

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

Exchange of share certificates

Subject to the Share Consolidation having become effective, which is currently expected to be on Monday, 19 February 2024, Shareholders may, during the period from Monday, 19 February 2024 to Thursday, 28 March 2024, submit their existing share certificates in blue colour for the Existing Shares to the Registrar in Hong Kong, 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 in gold colour for the Consolidated Shares.

LETTER FROM THE BOARD

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

After 4:10 p.m. on Friday, 22 March 2024, trading will only be in Consolidated Shares and existing share certificates for the Existing Shares will continue to be good evidence of legal title and may be exchanged for new share certificates for the Consolidated Shares on the basis of ten Existing Shares for one Consolidated Share at any time but will cease to be valid for delivery, trading, registration and settlement purposes.

NO CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are currently traded on the Stock Exchange in board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 10,000 Consolidated Shares per board lot.

Based on the closing price of HK\$0.049 per Existing Share (equivalent to the theoretical closing price of HK\$0.49 per Consolidated Share) as at the Latest Practicable Date, (i) the value per board lot of 10,000 Existing Shares is HK\$490; and (ii) the value per board lot of 10,000 Consolidated Shares would be HK\$4,900 on the assumption that the Share Consolidation becomes effective.

Other securities of the Company

As at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities in issue which are convertible or exchangeable into or confer any right to subscribe for, convert or exchange into, any Existing Shares or Consolidated Shares, as the case may be.

REASONS FOR AND BENEFITS OF THE SHARE CONSOLIDATION

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. Further, the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the shares at a level less than HK\$0.10 each will be considered as trading at extremity; 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.

LETTER FROM THE BOARD

Based on the closing price of HK\$0.049 per Existing Share and board lot size of 10,000 Existing Shares as at the Latest Practicable Date, the existing board lot value is HK\$490, which is lower than HK\$2,000.

In view of the recent trading price of the Shares before the Last Trading Day, the Directors consider that the proposed Share Consolidation would enable the Company to comply with the trading requirement under the GEM Listing Rules. In addition, the proposed Share Consolidation will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the GEM Listing Rules, but would also make investing in the Shares more attractive to a broader range of investors and hence broaden the shareholder base of the Company.

Accordingly, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract potential investors and to extend the shareholder base of the Company. The Board believes that the Share Consolidation is in the interests of the Company and the Shareholders as a whole and that will not have any material adverse effect on the financial position of the Group nor result in any changes in the relative rights of the Shareholders.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, among other things, the Share Consolidation having become effective and the approval by the Independent Shareholders at the EGM, the Rights Issue with the terms set out as follows:

Issue statistics

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

Basis of the Rights Issue:	Two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price:	HK\$0.30 per Rights Share

LETTER FROM THE BOARD

Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue):	Approximately HK\$0.29 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	400,000,000 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective:	40,000,000 Consolidated Shares (assuming no further issue or repurchase of Shares up to the effective date of the Share Consolidation)
Number of Rights Shares to be issued pursuant to the Rights Issue:	Up to 80,000,000 Rights Shares (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date)
Aggregate nominal value of the Rights Shares:	Up to HK\$8,000,000 (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date)
Number of Consolidated Shares in issue immediately upon completion of the Rights Issue:	Up to 120,000,000 Consolidated Shares (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)
Gross proceeds from the Rights Issue:	Up to approximately HK\$24.0 million before expenses (assuming no further issue or repurchase of Shares or Consolidated Shares on or before the Record Date)

As at the Latest Practicable Date, the Company has no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange into Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming that there will not be any further issue or repurchase of Shares or Consolidated Shares on or before the Record Date, the 80,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) 200.0% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) approximately 66.7% of the total number of issued Consolidated Shares as enlarged by the issue of the Rights Shares.

LETTER FROM THE BOARD

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Places under the Compensatory Arrangements. Any Unsubscribed Rights Shares or ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

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

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

Subscription Price

The Subscription Price of HK\$0.30 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and, where applicable, when a transferee of the nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of 38.78% to the theoretical closing price of HK\$0.49 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.049 per Existing Share as quoted on the Stock Exchange on the Last Practicable Date;
- (ii) a discount of approximately 34.78% to the theoretical closing price of HK\$0.460 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.046 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

LETTER FROM THE BOARD

- (iii) a discount of approximately 34.78% to the theoretical closing price of HK\$0.460 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.046 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.76% to the theoretical closing price of approximately HK\$0.482 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0482 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 15.49% to the theoretical ex-rights price of approximately HK\$0.355 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the benchmarked price of approximately HK\$0.464 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.046 and the average closing price of HK\$0.0464 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day);
- (vi) a discount of approximately 70.0% to the audited consolidated net asset value per Consolidated Share of approximately HK\$1.00 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$39.96 million as disclosed in the annual report of the Company for the year ended 31 March 2023 and 40,000,000 Consolidated Shares assuming the Share Consolidation has become effective);
- (vii) a discount of approximately 70.87% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$1.03 (based on the latest published unaudited consolidated net asset value of the Group of approximately HK\$41.26 million as disclosed in the interim report of the Company for the six months ended 30 September 2023 and 40,000,000 Consolidated Shares assuming the Share Consolidation has become effective); and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.49% represented by the theoretical diluted price of approximately HK\$0.355 to the benchmarked price of approximately HK\$0.464 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.046 and the average closing price of HK\$0.0464 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

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The Subscription Price was determined with reference to, among other things, (i) the prevailing market price and recent trading performance of the Shares which includes the daily closing price and daily trading volume of the Shares during the six months prior to the Last Trading Day (“**Six-month Period**”), where the closing price of the Shares demonstrated an overall downward trend from HK\$0.09 per Existing Share on 25 July 2023 to HK\$0.046 per Existing Share on the Last Trading Day with an average daily trading volume amounting to approximately 0.06% of the total issued Shares as at the Last Trading Day, which indicated a lack of liquidity and demand for the Shares; (ii) the latest business performance and financial position of the Group, particularly the consecutive loss-making performance of the Group recorded since the year ended 31 March 2021; (iii) the Existing Share has been trading substantially below the net asset value of the Company (based on the average closing price of approximately HK\$0.061 per Existing Share during the Six-month Period and the unaudited consolidated net asset value per Existing Share of approximately HK\$0.103 as at 30 June 2023); (iv) the prevailing market conditions of the capital market in Hong Kong; and (v) the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS” below in this circular.

The Board (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee) 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. Given the above, the Board considers that the terms of the Rights Issue, including the Subscription Price as stated above, 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 upon:

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (ii) the Share Consolidation having become effective by no later than the Prospectus Posting Date;
- (iii) the GEM Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and such listing and permission to deal not having been withdrawn or revoked;

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- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Companies Registry in Hong Kong respectively one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Excluded Shareholder(s), if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (vi) the Company having complied with the requirements under all applicable laws and regulations; and
- (vii) the Placing Agreement not being terminated.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. If any of the conditions above are not fulfilled, the Rights Issue will not proceed.

As the proposed Rights Issue is subject to the fulfilment of the above conditions, it may or may not proceed.

Status of the Rights Shares

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

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders and will not be available to the Excluded Shareholders on the Record Date. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Excluded Shareholder.

Shareholders whose Shares are held by nominee companies should note that the Board will regard a nominee company as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors should consult their professional advisers if they are in any doubt as to their status.

LETTER FROM THE BOARD

In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Consolidated Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Wednesday, 21 February 2024. It is expected that the last day of dealings in the Consolidated Shares on a cum-rights basis is Monday, 19 February 2024, and the Consolidated Shares will be dealt with on an ex-rights basis from Tuesday, 20 February 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Monday, 4 March 2024 to Monday, 11 March 2024 (both dates inclusive).

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

For Shareholders with an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date, please refer to the paragraph headed “Rights of the Overseas Shareholders (if any)” below.

Rights of the Overseas Shareholders (if any)

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

If there is any Overseas Shareholder at the close of business on the Record Date, pursuant to Rule 17.41(1) of the GEM Listing Rules, the Directors will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place to exclude such Overseas Shareholder(s) from the Rights Issue, no Rights Shares (whether in nil-paid or fully-paid form) will be offered to such Overseas Shareholder(s). In such circumstances, the Rights Issue will not be extended to the Excluded Shareholder(s). The basis for excluding the Excluded Shareholders, if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus to the Excluded Shareholders (if any) for their information only but will not send any PAL to them. The results of the enquiries will be included in the Prospectus.

LETTER FROM THE BOARD

Based on the register of members of the Company, as at the Latest Practicable Date, the controlling Shareholder of the Company, Fully Fort Group Limited, is the only Overseas Shareholder with registered address located in BVI. Please refer to the paragraph headed “Effects on the Shareholding Structure of the Company” below in this circular for details of its shareholding. The Company has sought legal opinion regarding the legal restrictions under the applicable securities legislation of such jurisdiction and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to the Overseas Shareholders located in BVI. The legal advisers to the Company as to the BVI law advised that there is no restrictions under securities law or other similar laws in BVI which would prevent the Company from including the Overseas Shareholder(s) with registered address(es) located in BVI in the Rights Issue. Based upon such advice, the Overseas Shareholders having registered address in BVI will not be excluded from the Rights Issue and shall therefore be the Qualifying Shareholders. Accordingly, the Rights Issue will be extended to such Overseas Shareholders having registered address in BVI.

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

Arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders in their nil-paid form, to be sold in the market as soon as practicable after dealings in the nil-paid Rights Shares commence, and in any event before the last day for dealings in nil-paid Rights Shares if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of not less than HK\$100 will be paid pro-rata (rounded down to the nearest cent) to the relevant Excluded Shareholder(s) in Hong Kong dollars. In view of administrative costs, the Company will retain individual amounts of less than HK\$100 for its own benefit.

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

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

LETTER FROM THE BOARD

Closure of register of members for the Rights Issue

The register of members of the Company will be closed from Thursday, 22 February 2024 to Wednesday, 28 February 2024 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be allotted on the basis of two (2) Rights Shares for every one (1) Consolidated Share held by the Qualifying Shareholders as at the close of business on the Record Date.

The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

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

Procedures in respect of Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements

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

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the ES Unsold Rights Shares after the Latest Time for Acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Excluded Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m., on Tuesday, 26 March 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the ES 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 Unsubscribed Rights Shares and the ES Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

LETTER FROM THE BOARD

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

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL (unless that person is covered by (iii) below);
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS (unless that person is covered by (iii) below);
- (iii) if the Rights Issue is extended to the Overseas Shareholders and where an entitlement to the Rights Shares was not taken up by such Overseas Shareholders, to that Overseas Shareholders.

It is proposed that Net Gain to any of the No Action Shareholder(s) mentioned in (i) to (iii) above 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 Excluded Shareholders may or may not receive any Net Gain.

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

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for the fully-paid Rights Shares; and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares are expected to be sent on or before Friday, 5 April 2024 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

Fractional entitlement to the Rights Shares

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

LETTER FROM THE BOARD

Taxation

Qualifying Shareholders are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for the Rights Shares, or about purchasing, holding or disposals of, or dealings in or exercising any rights in relation to the Shares or the Rights Shares, and similarly, the Excluded Shareholders (if any) as regards their receipt of the net proceeds of sale of the Rights Shares otherwise falling to be issued to them under the Rights Issue under the laws of jurisdictions in which they are liable to taxation. It is emphasised that none of the Company, the Directors nor any other parties involved in the Rights Issue accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposal of, dealings in or exercising any rights in relation to the Shares or the Rights Shares.

Application for listing

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

The nil-paid Rights Shares shall have the same board lot size as the Consolidated Shares (i.e. 10,000 Consolidated Shares in one board lot).

Rights Shares will be eligible for admission into CCASS

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

Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests if they are in any doubt.

LETTER FROM THE BOARD

Stamp duty and other applicable fees and charges

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

PLACING AGREEMENT

On 28 December 2023, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as part of the Compensatory Arrangements. Details of the Placing Arrangement are as follows:

Date:	28 December 2023
Issuer:	The Company
Placing Agent:	Cheong Lee Securities Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the SFO, was appointed as the Placing Agent to procure, on a best efforts basis, Placees to subscribe for Unsubscribed Rights Shares and the ES Unsold Rights Shares.
	The Placing Agent confirmed that each of it and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected person or any of their respective associates.
Placing fee:	1% of the aggregate placing price of the Unsubscribed Rights Shares and the ES Unsold Rights Shares successfully placed by or on behalf of the Placing Agent.
Placing price:	The placing price of each of the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares (as the case may be) shall be not less than the Subscription Price.

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The determination of the final price is dependent on the demand and market conditions for the Unsubscribed Rights Shares and/or the ES Unsold Rights Shares during the process of Placing.

Placees: The Unsubscribed Rights Shares and the ES Unsold Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).

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

Condition Precedent: The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon, among other things, the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):

- (i). the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Share Consolidation, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (ii). the Share Consolidation having become effective by no later than the Prospectus Posting Date;
- (iii). the GEM Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and such listing and permission to deal not having been withdrawn or revoked;

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- (iv). none of the representations, warranties or undertakings contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion of the Placing, 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;
- (v). all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
- (vi). the Placing Agreement not having been terminated in accordance with the provisions thereof.

Conditions (i), (ii) and (iii) shall not be waived by the Company or the Placing Agent. In the event any of the conditions precedent is not fulfilled on or before Wednesday, 27 March 2024 (or such later date as may be agreed between the parties hereto), all rights, obligations and liabilities of the parties to the Placing Agreement shall cease and terminate and neither of the parties shall have any claim against the other, save for any antecedent breach under the Placing Agreement prior to such termination.

Latest Placing Date:

Tuesday, 26 March 2024 or such other date as the Company and the Placing Agent may agree in writing

LETTER FROM THE BOARD

Termination:

Notwithstanding anything contained in the Placing Agreement, the Placing Agent may terminate the Placing Agreement without any liability to the Company save for antecedent breach under the Placing Agreement prior to such termination, by notice in writing given to the Company at any time prior to the first business day after the Latest Placing Date upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, to be material in the context of the Placing or has or may have a material adverse effect on the business or financial conditions or prospects of the Group or the success of the Placing or the full placement of all of the Placing Shares or has or may otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i). the Company fails to comply with its material obligations under the Placing Agreement;
- (ii). the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (iii). any of the warranties of the Company under the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in material respect by reference to the facts subsisting at the time.

LETTER FROM THE BOARD

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiations between the Placing Agent and the Company by reference to the financial position of the Group, the size of the Rights Issue and the prevailing market conditions. The Directors (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee) consider that the terms of the Placing Agreement, including the placing fee charged, are fair and reasonable and the transactions contemplated under the Placing Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Placing Agent shall ensure that the Placing Shares are placed only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties, such that:

- (i). the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and
- (ii). the Placing will not result in the Company incapable of complying with the public float requirements under Rule 11.23(7) of the GEM Listing Rules immediately following the Placing.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares to the Company; (ii) channel of participation in the Rights Issue for independent investors; and (iii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Directors considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Group is principally engaged in the sale of diesel oil and related products in Hong Kong. The services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong.

Assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$24.0 million and the relevant expenses would be approximately HK\$1.0 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$23.0 million.

LETTER FROM THE BOARD

As disclosed in the interim report (“**Interim Report**”) of the Company for the six months ended 30 September 2023, the high level of crude oil prices creates pressure on the operating cash flow of the Company. Bank balance and cash of the Company as at 30 September 2023 amounted to approximately HK\$40,000 only as the Company had net cash used in operating activities and had to rely on bank borrowings and bank overdrafts for its working capital needs. Bank borrowings and bank overdrafts of the Company amounted to approximately HK\$7.5 million and HK\$5.0 million respectively as at 30 September 2023. In addition to the above, the Company had trade payables and other payables of approximately HK\$2.7 million and HK\$5.2 million as current liabilities as at 30 September 2023. In view of the above, the Group has an immediate need for financial resources to meet the falling due liabilities and replenish its working capital.

Having taken into account the low level of bank balance and cash for daily operations as well as the finance costs associated with bank borrowings and bank overdrafts, the Directors consider that the Rights Issue represents an opportunity for the Company to settle the majority of outstanding liabilities, strengthen the Group’s financial position and raise additional funding for the business operations of the Group without any interest burden.

Intended use of proceeds

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$23.0 million from the Rights Issue (assuming no other change in the number of Consolidated Shares in issue on or before the Record Date) for the following purposes:

- (i). approximately HK\$5.0 million will be used for repayment of bank overdrafts of the Group within around three months upon completion of the Rights Issue;
- (ii). approximately HK\$5.0 million will be used for repayment of bank borrowings of the Group within around three months upon completion of the Rights Issue;
- (iii). approximately HK\$6.0 million will be used for repayment of trade payables and other payables of the Group within around three months upon completion of the Rights Issue; and
- (iv). Approximately HK\$7.0 million will be used for general working capital of the Group for the forthcoming 15 months upon completion of the Rights Issue.

In the event that the Rights Issue is undersubscribed and the Placing Shares are not fully placed, the net proceeds will be reduced and utilised on a pro rata basis as set out above.

LETTER FROM THE BOARD

Repayment of bank overdrafts and bank borrowings

With reference to the Interim Report, as at 30 September 2023, bank overdrafts and bank borrowing of the Group amounted to approximately HK\$5.0 million and HK\$7.5 million respectively. The bank overdrafts bear interest at prevailing market rate of Hong Kong Interbank Offered Rate plus 4% per annum, while the bank borrowings carry variable interest rates 2.5% per annum below Hong Kong dollar prime rate (i.e. effectively 3.625% per annum). While the bank borrowings are repayable in various monthly instalments up to 2032 (as at the Latest Practicable Date, there are two outstanding bank borrowings, with 117 and 105 outstanding monthly instalments remaining respectively), they contain a repayment on demand clause. Having considered the low level of bank balance and cash of the Group (i.e. approximately HK\$40,000 as at 30 September 2023) and the associated interest expenses, the Directors (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee) consider that it is prudent to obtain fund for partial repayment and also save part of the associated interest expenses. Accordingly, the Company intends to utilise approximately HK\$5.0 million from the net proceeds of the Rights Issue for the repayment of bank overdrafts and approximately HK\$5.0 million for the repayment of bank borrowings;

Repayment of trade and other payables

With reference to the Interim Report, as at 30 September 2023, the trade payables and other payables of the Group amounted to approximately HK\$2.73 million and HK\$5.20 million respectively, which the Group is normally granted with credit terms within one month. As stable supply of goods is crucial to the operation of the Group, the Company intends to utilise approximately HK\$6.0 million from the net proceeds of the Rights Issue for repayment of trade and other payables.

General working capital

According to the annual report (“**Annual Report**”) of the Company for the year ended 31 March 2023 (“**FY2023**”), the administrative expenses and other operating expenses amounted to approximately HK\$9.0 million for FY2023. The Company intends to utilise approximately HK\$7.0 million as general working capital of the Group, which mainly consist of staff costs, professional service fees, rent and rate.

LETTER FROM THE BOARD

Fund-raising alternatives

Apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer. The Company has tried to secure additional bank borrowings but received no positive feedback. The Board also notes that additional bank borrowings, if available, would result in additional interest burden of the Company and create pressure to the liquidity of the Company. Hence, the Board does not consider it to be beneficial to the Company. As for placing of new Shares, the Company has approached a securities firm to inquire about their interest in acting as a placing agent for placing of new Shares. However, they expressed no interest. Moreover, placing of new Shares 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 and it is relatively smaller in scale as compared to fund raising through rights issue. As for open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to open offer, Rights Issue would allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares. In order to secure the amount of net proceeds from the Rights Issue, the Company has approached two securities firms to inquire about their interest in acting as underwriter(s) of the Rights Issue, but both of them indicated no interest. Subsequently, the Company entered into Placing Agreement with the Placing Agent.

Having considered all the other fund-raising alternatives, 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 Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that it is an appropriate fund-raising method to strengthen the capital base of the Company and support the Company's continuing business development and growth.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities; and (ii) has no other plan or intention to carry out any future corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Rights Issue.

LETTER FROM THE BOARD

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares or Consolidated Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon the Share Consolidation becoming effective; (iii) immediately upon completion of the Share Consolidation and the Rights Issue, assuming full acceptance of the Rights Shares by the Qualifying Shareholders; (iv) immediately upon completion of the Share Consolidation and the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent; and (v) immediately upon completion of the Share Consolidation and the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date		Immediately upon the Share Consolidation becoming effective		assuming full acceptance of the Rights Shares by the existing Shareholders		Immediately upon Share Consolidation becoming effective and completion of the Rights Issue and assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and none of Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent		assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and ES Unsold Rights Shares have been placed by the Placing Agent	
	No. of Existing Shares	Approx. %	No. of Consolidated Shares	Approx. %	No. of Consolidated Shares	Approx. %	No. of Consolidated Shares	Approx. %	No. of Consolidated Shares	Approx. %
Fully Fort Group Limited (Note 1)	251,110,000	62.8	25,111,000	62.8	75,333,000	62.8	25,111,000	62.8	25,111,000	20.9
Independent Placees (Note 2)	-	-	-	-	-	-	-	-	80,000,000	66.7
Other public Shareholders	148,890,000	37.2	14,889,000	37.2	44,667,000	37.2	14,889,000	37.2	14,889,000	12.4
Total	400,000,000	100.0	40,000,000	100.0	120,000,000	100.0	40,000,000	100.0	120,000,000	100.0

Notes:

- These Shares were held by Fully Fort Group Limited which is wholly owned by Mr. Law Ming Yik, the Chairman and an executive Director. Under the SFO, Mr. Law Ming Yik is deemed to be interested in the Shares held by Fully Fort Group Limited.
- Pursuant to the terms of the Placing Agreement, the Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies). None of the placees will be under any obligation to make a general offer under the Takeovers Code.
- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.

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 Share Consolidation and 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.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The Company had not carried out any equity fundraising activities in the 12 months immediately preceding the Last Trading Day.

GEM LISTING RULES IMPLICATIONS

The Share Consolidation

The Share Consolidation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as none of the Shareholders or their associates would have any interest in the Share Consolidation, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Share Consolidation 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 months period immediately preceding the date of the 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.

As at the Latest Practicable Date, Fully Fort Group Limited, being a controlling shareholder of the Company, directly holds 251,110,000 Shares (representing approximately 62.8% of the issued share capital of the Company as at the Latest Practicable Date). Fully Fort Group Limited is a company wholly owned by Mr. Law Ming Yik who is an executive Director. Accordingly, Fully Fort Group Limited, Mr. Law Ming Yik and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of the Announcement, or prior to such 12-month period where dealing in respect of the Shares issued pursuant thereto commenced within such 12-month period, nor has it issued any bonus securities, warrants or other convertible securities as part of any rights issue, open offer and/or specific mandate placings within such 12-month period.

The Rights Issue will 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.

LETTER FROM THE BOARD

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

Shareholders and potential investors of the Company should note that the 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 of the Company. If they are in doubt, they should consult their professional advisers.

The Rights Issue is subject to the fulfilment of conditions including, among other things, the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this circular. Shareholders and potential investors of the Company should note that if the conditions to the Rights Issue are not satisfied, the Rights Issue will not proceed, in which case a further announcement will be made by the Company at the relevant time.

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

EGM

A notice convening the EGM to be held at Yuen Long Town Hall, 4 Yuen Long Tai Yuk Road, Yuen Long, New Territories, Hong Kong on Thursday, 15 February 2024 at 11:00 a.m. at which ordinary resolutions will be proposed to consider and approve the Share Consolidation and the Rights Issue is set out on pages EGM-1 to EGM-4 of this circular. All the resolutions to be proposed at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company after the EGM.

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon in any event no later than Tuesday, 13 February 2024 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish, and in such event, the form of proxy shall be deemed to be revoked.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7 February 2024 to Thursday, 15 February 2024 (both days inclusive) for determining the entitlement for attendance and voting at the EGM. No transfer of Shares will be registered during the above book closure periods.

RECOMMENDATION

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

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

ADDITIONAL INFORMATION

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

On behalf of the Board
Sun Kong Holdings Limited
Law Ming Yik
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 Shareholder in respect of the Rights Issue.

SUN KONG HOLDINGS LIMITED

申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

24 January 2024

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 24 January 2024 (“**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms defined in the Circular shall have the same meanings when used in this letter.

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

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

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

Yours faithfully,

For and on behalf of
the Independent Board Committee
Sun Kong Holdings Limited

Mr. Fenn David

Mr. Wong Ka Chun, Matthew
Independent non-executive Directors

Mr. Chan Ting Fung

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of advice from Global Mastermind Securities Limited, the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders, in relation to the Rights Issue which has been prepared for the purpose of inclusion in this circular.



GLOBAL MASTERMIND SECURITIES LIMITED
環球大通證券有限公司

Unit 1201-02, 12/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

24 January 2024

*To Independent Board Committee and the Independent Shareholders of
Sun Kong Holdings Limited*

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO (2) RIGHTS SHARES FOR EVERY ONE (1) CONSOLIDATED SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue, details of which are set out in the “Letter from the Board” (the “**Board’s Letter**”) contained in the circular of the Company dated 24 January 2024 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 28 December 2023, the Company announced, amongst others, the Rights Issue. The Company proposed, subject to, among other things, the Share Consolidation becoming effective, to raise gross proceeds of up to approximately HK\$24.0 million before expenses (assuming full subscription under the Rights Issue) by issuing up to 80,000,000 Rights Shares (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.30 per Rights Share, on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date. The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any).

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 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Fully Fort Group Limited, being a controlling shareholder of the Company, directly held 251,110,000 Shares (representing approximately 62.8% of the issued share capital of the Company as at the Latest Practicable Date). Fully Fort Group Limited is a company wholly owned by Mr. Law Ming Yik who is an executive Director. Accordingly, Fully Fort Group Limited, Mr. Law Ming Yik and their respective associates shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Rights Issue will 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.

THE INDEPENDENT BOARD COMMITTEE

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Fenn David, Mr. Wong Ka Chun Matthew and Mr. Chan Ting Fung, to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser.

We, Global Mastermind Securities 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 have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Rights Issue, and accordingly, are eligible to give independent advice and recommendations on the Rights Issue. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, among other things, (i) the information contained or referred to in the Circular; (ii) the annual report of the Company for the year ended 31 March 2023 (the “**Annual Report 2022/23**”) and the interim report of the Company for the six months ended 30 September 2023 (the “**Interim Report 2023/24**”); and (iii) the information and opinions provided by the Directors and/or the management of the Group (the “**Management**”).

We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true in all material respects at the time they were made and continue to be true in all material respects as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to suspect the truth, accuracy and completeness of such information and representations provided to us by the Directors and the Management. The Directors have confirmed to us that no material facts have been omitted from the information supplied and opinions expressed. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We will notify the Shareholders of any material change of information in the Circular up to the date of the EGM.

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 the 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 in the Circular misleading.

We consider that we have been provided with sufficient information and have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business, financial conditions, affairs and future prospect of the Group.

We have not considered the tax and regulatory implications on the Independent Shareholders regarding the Rights Issue since these depend on their individual circumstances. In particular, the Independent Shareholders who are resident overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions, and if in any doubt, should consult their own professional adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

This letter is issued for the Independent Board Committee and the Independent Shareholders, solely in respect of the Rights Issue and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the sale of diesel oil and related products in Hong Kong. The services of the Group include sourcing and transportation of diesel oil and related products in Hong Kong.

(a) *Financial performance*

Set out below is the consolidated financial information of the Group for the two years ended 31 March 2022 and 2023 as extracted from the Annual Report 2022/23 and the six months ended 30 September 2022 and 2023 as extracted from the Interim Report 2023/24:

	For the six months ended		For the year ended	
	30 September		31 March	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	56,306	36,238	67,722	230,915
Gross profit	4,902	1,167	3,273	6,889
Profit/(Loss) for the year/period	1,305	(2,941)	(12,066)	(3,134)

For the year ended 31 March 2023 (“FY2022/23”)

For FY2022/23, the Group recorded a revenue of approximately HK\$67.7 million, representing a decrease of approximately 70.7%, as compared to the revenue of approximately HK\$230.9 million for the year ended 31 March 2022 (“FY2021/22”). As stated in the Annual Report 2022/23, the decrease was mainly due to decrease in the sale of diesel oil as a result of the COVID-19 outbreak which caused severe disruption to manufacturing and logistic activities between Hong Kong and the People’s Republic of China (the “PRC”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Despite the decrease in gross profit by approximately 52.2% from approximately HK\$6.9 million for FY2021/22 to approximately HK\$3.3 million for FY2022/23, the Group's gross profit margin increased from approximately 3.0% for FY2021/22 to approximately 4.8% for FY2022/23. As disclosed in the Annual Report 2022/23, such increase in margin was mainly attributable to more diesel oil being sold to higher margin customers of construction sector and reduction in repairing costs of diesel tank wagons during FY2022/23.

The Group recorded loss for the year of approximately HK\$12.1 million for FY2022/23, representing an increase of approximately 290.3% as compared to approximately HK\$3.1 million as recorded for FY2021/22. Based on the Annual Report 2022/23 and advised by the Management, such increase in loss was primarily due to (i) the drop in gross profit for FY2022/23 as discussed above; and (ii) the increase in impairment loss on trade and other receivables of approximately HK\$5.4 million for FY2022/23 attributable to overdue trade receivables from logistic customers.

For the six months ended 30 September 2023 (“1H2023/24”)

For 1H2023/24, the Group recorded a revenue of approximately HK\$56.3 million, representing an increase of approximately 55.5%, as compared to the Group's revenue of approximately HK\$36.2 million for the six months ended 30 September 2022 (“1H2022/23”). As referred to the Interim Report 2023/24 and advised by the Management, the increase was mainly due to increase in the sale of diesel oil during 1H2023/24 due to market demand recovery.

The Group recorded an increase in gross profit by approximately 308.3% from approximately HK\$1.2 million for 1H2022/23 to approximately HK\$4.9 million for the 1H2023/24 which was in line with the increase in revenue for the same period. The Group's gross profit margin increased from approximately 3.2% for 1H2022/23 to approximately 8.7% for the 1H2023/24. As advised by the Management, the increase was mainly due to more sales to higher gross profit customers in construction sector.

The Group recognised net profit of approximately HK\$1.3 million for 1H2023/24, as compared to a loss of approximately HK\$2.9 million for 1H2022/23. As referred to the Interim Report 2023/24 and advised by the Management, such turnaround was mainly due to (i) the increase in gross profit for 1H2023/24 as discussed above; and (ii) the decrease in administrative expenses and other operating expenses of approximately HK\$1.2 million for 1H2023/24 due to strengthen cost control in staff costs and other operating expenses.

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(b) Financial position

Set out below is a summary of the consolidated statements of financial position of the Group as at 31 March 2023 as extracted from the Annual Report 2022/23 and as at 30 September 2023 as extracted from the Interim Report 2023/24:

	As at 30 September 2023 (Unaudited) <i>HK\$'000</i>	As at 31 March 2023 (Audited) <i>HK\$'000</i>
Non-current assets	8,902	9,975
Current assets	52,788	48,257
Trade receivables	51,933	45,901
Other receivables	815	1,980
Bank balances and cash	40	376
Current liabilities	20,427	18,274
Trade payables	2,725	2,239
Other payables	5,204	3,850
Bank overdrafts	4,959	4,255
Bank borrowings	7,539	7,930
Net current assets	32,361	29,983
Net assets	41,263	39,958

The decrease of the Group's non-current assets from approximately HK\$10.0 million as at 31 March 2023 to approximately HK\$8.9 million as at 30 September 2023 was mainly due to the decrease in property, plant and equipment during 1H2023/24 mainly attributable to the annual depreciation over diesel tank wagons, as advised by the Management. Current assets of the Group increased from approximately HK\$48.3 million as at 31 March 2023 to approximately HK\$52.8 million as at 30 September 2023. Such increase was mainly a result of the increase in trade receivables of approximately HK\$6.0 million during 1H2023/24 attributable to the increase in revenue and more sale to construction sector customers which have longer credit period, as advised by the Management. The Group's bank balances and cash amounted to HK\$40,000 as at 30 September 2023.

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The current liabilities of the Group increased from approximately HK\$18.3 million as at 31 March 2023 to approximately HK\$20.4 million as at 30 September 2023. Such increase was primarily attributable to the increase in other payables of approximately HK\$1.4 million mainly due to the unpaid salary to senior management during the period of COVID-19 pandemic.

The Group's current ratio was around the same at approximately 2.6 as at 31 March 2023 and 30 September 2023 respectively. The gearing ratio was stabled at approximately 0.303 as at 30 September 2023 (as at 31 March 2023: approximately 0.305).

(c) Prospect

In the first quarter of 2023 and the late fourth quarter of 2022, a series of precautionary and quarantine control measures in Hong Kong and the PRC were cancelled respectively. As discussed in the Interim Report 2023/24, the demand in diesel oil from cross-boundary transportation sector was improved accordingly. However, it is noted by the Group that the demand is still below the level before the COVID-19 pandemic. Despite the decrease of average crude oil price in 1H2023/24, crude oil prices maintained at high level. The high purchase cost of diesel oil directly creates pressure on the operating cash flow of the Group. For 1H2023/24, the Group had negative cashflow in operating activities.

2. Reasons for and benefits of the Rights Issue and use of proceeds

(a) Use of proceeds

As stated in the Board's Letter, assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$24.0 million and the relevant expenses would be approximately HK\$1.0 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$23.0 million. The Company intends to use the net proceeds from the Rights Issue as to (i) approximately HK\$5.0 million for the repayment of bank overdrafts of the Group; (ii) approximately HK\$5.0 million for the repayment of bank borrowings of the Group; (iii) approximately HK\$6.0 million for repayment of trade payables and other payables of the Group; and (iv) approximately HK\$7.0 million for general working capital of the Group. The repayments of bank overdrafts, bank borrowings and trade payables and other payables of the Group are expected to be within around three months upon completion of the Rights Issue whereas the remaining proceeds are expected to be the general working capital of the Group for the forthcoming 15 months upon completion of the Rights Issue.

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As shown in the paragraphs headed “Background information of the Group” above, the Group recorded bank overdrafts and bank borrowings of approximately HK\$5.0 million and HK\$7.5 million respectively as at 30 September 2023. According to the Interim Report 2023/24 and as stated in the Board’s Letter, the bank overdrafts of the Group are interest bearing, being Hong Kong Interbank Offered Rate plus 4% per annum. We reviewed the relevant monthly statement from August 2023 to November 2023 provided by the Management and noted that the interest of bank overdrafts varied monthly due to the change of the Hong Kong Interbank Offered Rate every month and ranged between approximately 6.5% to 9.7% during such period. It is also noted that the bank borrowings of the Group are interest bearing, being 2.5% below Hong Kong dollar prime rate per annum (i.e. effectively 3.625% per annum). As noted from the abovementioned monthly statements provided by the Management, the bank borrowings are repayable in various monthly instalments up to 2032 and 2033. Taking into account the above, we concur with the view of the Directors that it is prudent to obtain fund for partial repayment and also save part of the associated interest expenses having considered the low level of bank balance and cash of the Group (i.e. approximately HK\$40,000 as at 30 September 2023) and the related interest expenses.

As shown in the paragraphs headed “Background information of the Group” above, the Group recorded trade payables and other payables of approximately HK\$2.7 million and HK\$5.2 million respectively as at 30 September 2023. As disclosed in the Interim Report 2023/24, the trade payables are non-interest bearing and the Group is normally granted with credit terms of within 30 days. As maintaining stable supply is crucial to the operation of the Group, we concur with the view of the Directors that repaying trade payables and other payables is beneficial to the Group.

As discussed in the paragraphs headed “Background information of the Group” above, the high purchase cost of diesel oil directly creates pressure on the operating cash flow of the Group and the Company had negative cashflow in operating activities for 1H2023/24. As at 30 September 2023, the Group’s bank balances and cash amounted to HK\$40,000. We enquired with the Management regarding the working capital to be required by the Group. It is expected that the related expenses would be generally approximately HK\$0.45 million per month, which include legal and professional fees, staffs cost and director emoluments, utilities and office expenses and rental repayment. We consider the use of proceeds of the Group for general working capital can enhance the liquidity of the Group.

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Having considered (i) the latest bank balance and cash position of the Group; (ii) the decrease in interest cost after the settlement of the bank overdrafts and bank borrowings; (iii) the obligation of the Group to repay the trade payables and other payables and the default of which may adversely affect the relation between the Group and its suppliers; (iv) the enhanced liquidity of the Group after utilising the net proceeds for general working capital; and (v) the financial position and liquidity of the Group will be enhanced after the repayment of the indebtedness of the Group, we are of the view that the intended use of proceeds from the Rights Issue is fair and reasonable.

(b) *Fund-raising alternatives*

As stated in the Board's Letter, apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer.

We noted from the Board that given the outstanding bank borrowings and bank overdrafts of the Group, bank borrowings, if available, would result in additional interest burden of the Company and create further pressure to the liquidity of the Company. Hence, the Board does not consider it to be beneficial to the Company. We are advised by the Management that, despite the above, the Company still tried to obtain further bank facilities but no positive feedback had been received.

As for placing 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 and it is relatively smaller in scale as compared to fund raising through rights issue. We understood from the Management that during previous negotiation with a securities firm, such securities firm expressed no interest in relation to be the placing agent for placing of new Shares under general mandate of the Company.

As for open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. Under rights issue, the Qualifying Shareholders can increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability) or reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). The Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market. We noted from the Management that the Company had approached two securities firms for being the underwriter(s) of the Rights Issue. However, such two securities firms both indicated that they had no interest in becoming the underwriter of the Rights Issue. The Company further asked the Placing Agent to be the placing agent of the Rights Issue. After several rounds of negotiations, the Company entered into the Placing Agreement with the Placing Agent.

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After taking into account the reasons for the Company for not adapting the various fund-raising alternatives as well as the works done by the Company to seek for alternative fund-raising activities, we consider, under the current circumstances, the Company has exhausted all possible fund-raising options and concur with the view of the Directors that the Rights Issue is an appropriate fund-raising method to the Group.

3. Principal terms of the Rights Issue

The Company proposed, subject to, among other things, the Share Consolidation becoming effective, to raise gross proceeds of up to approximately HK\$24.0 million before expenses (assuming full subscription under the Rights Issue) by issuing up to 80,000,000 Rights Shares (assuming no further issue or repurchase of the Shares or Consolidated Shares on or before the Record Date) by way of rights issue at the Subscription Price of HK\$0.30 per Rights Share, on the basis of two (2) Rights Shares for every one (1) Consolidated Share held on the Record Date. The Rights Issue is not underwritten and will not be extended to the Excluded Shareholder(s) (if any). Please refer to the section headed “Proposed Rights Issue” in the Board’s Letter for details of the Rights Issue.

(a) *The Subscription Price*

The Subscription Price of HK\$0.30 represents:

- (i) a discount of 38.78% to the theoretical closing price of HK\$0.490 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.049 per Existing Share as quoted on the Stock Exchange on the Last Practicable Date;
- (ii) a discount of approximately 34.78% to the theoretical closing price of HK0.460 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.046 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 34.78% to the theoretical closing price of HK\$0.460 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of HK\$0.046 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 37.76% to the theoretical closing price of approximately HK\$0.482 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.0482 per Existing Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;

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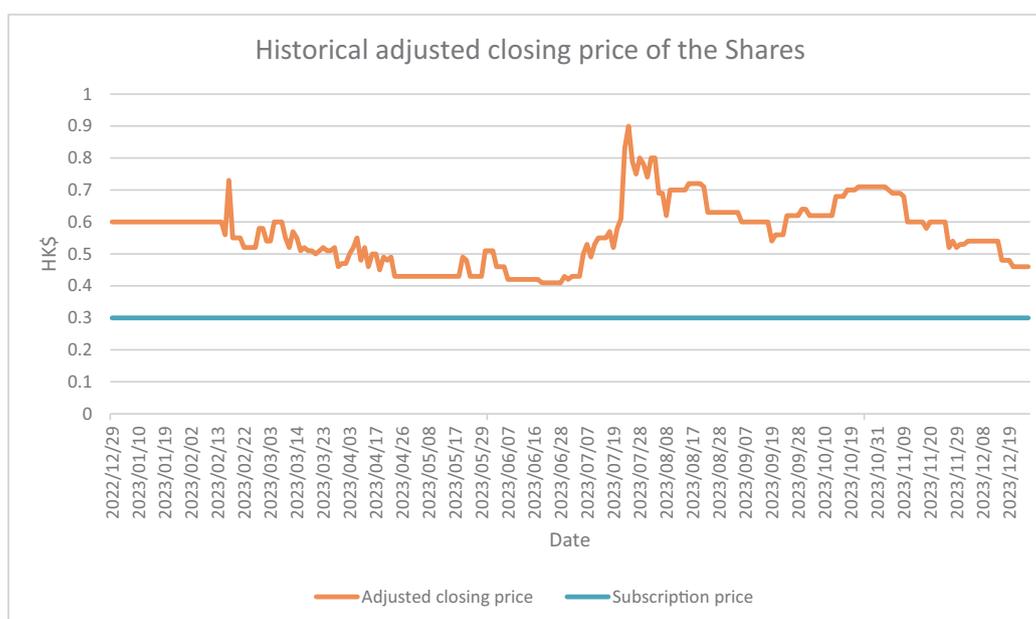
- (v) a discount of approximately 15.49% to the theoretical ex-rights price of approximately HK\$0.355 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the benchmarked price of approximately HK\$0.464 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.046 and the average closing price of HK\$0.0464 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day);
- (vi) a discount of approximately 70.0% to the audited consolidated net asset value per Consolidated Share of approximately HK\$1.00 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$39.96 million as disclosed in the annual report of the Company for the year ended 31 March 2023 and 40,000,000 Consolidated Shares assuming the Share Consolidation has become effective);
- (vii) a discount of approximately 70.87% to the unaudited consolidated net asset value per Consolidated Share of approximately HK\$1.03 (based on the latest published unaudited consolidated net asset value of the Group of approximately HK\$41.26 million as disclosed in the interim report of the Company for the six months ended 30 September 2023 and 40,000,000 Consolidated Shares assuming the Share Consolidation has become effective); and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.49% represented by the theoretical diluted price of approximately HK\$0.355 to the benchmarked price of approximately HK\$0.464 per Consolidated Share (after taking into account the effect of the Share Consolidation) (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.046 and the average closing price of HK\$0.0464 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day).

As mentioned in the Board's Letter, the Subscription Price was determined with reference to, among other things, (i) the prevailing market price and recent trading performance of the Shares; (ii) the latest business performance and financial position of the Group; (iii) the Existing Share has been trading substantially below the net asset value of the Company; (iv) the prevailing market conditions of the capital market in Hong Kong; and (v) the amount of funds the Company intends to raise under the Rights Issue.

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(i) **Historical price performance of the Shares**

In order to assess the fairness and reasonableness of the Subscription Price, we performed a review on the historical closing price of the Shares during the period from 29 December 2022, being 12 months immediately preceding the Last Trading Day, and up to the Last Trading Day (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares which reflect prevailing market sentiments and the comparison between the closing price of the Shares and the Subscription Price is relevant for the assessment of the fairness and reasonableness of the Subscription Price. The chart below illustrates the historical adjusted closing price of the Shares during the Review Period:



Source: The Stock Exchange (www.hkex.com.hk)

After a steady period of around two months after the start of the Review Period, the adjusted closing price of the Shares gradually dropped to the lowest of HK\$0.41 in late June and then rocketed and peaked at HK\$0.90 on 25 July 2023. After that, the adjusted closing price of the Shares fluctuated in an overall downward trend. The closing price per Share ranged from HK\$0.41 and HK\$0.90 with an average closing price of approximately HK\$0.56 during the Review Period.

It is noted that the Subscription Price of HK\$0.30 per Rights Share is below the adjusted closing prices per Share throughout the Review Period and represents (i) a discount of approximately 66.7% to the highest closing price; (ii) a discount of approximately 26.8% to the lowest closing price; and (iii) a discount of approximately 46.4% to the average daily closing price during the Review Period.

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With reference to the paragraph headed “Comparison with recent rights issue exercises” below, we note that it is a common market practice that the subscription price of a rights issue is set at a discount to the prevailing market prices of the relevant shares to enhance its attractiveness and to encourage the existing shareholders to participate in a rights issue as to meet the companies’ need for additional funding. We concur with the view of the Directors that the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general practice and is acceptable.

(ii) Historical liquidity of the Shares

The table below sets out information of the market trading liquidity of the Shares during the Review Period:

Month/period	Total trading volume <i>No. of Shares</i>	Number of trading days	Average daily trading volume <i>No. of Shares</i>	Percentage of the average daily trading volume to the total number of issued Shares <i>(Note 1)</i>
2022				
December (from 29 December 2022)	180,000	2	90,000	0.02%
2023				
January	1,410,000	18	78,333	0.02%
February	10,620,000	20	531,000	0.13%
March	5,160,000	23	224,348	0.06%
April	6,450,000	17	379,412	0.09%
May	1,410,000	21	67,143	0.02%
June	3,340,000	21	159,048	0.04%
July	21,140,000	20	1,057,000	0.26%
August	1,560,000	23	67,826	0.02%
September	1,080,000	19	56,842	0.01%
October	2,570,000	20	128,500	0.03%
November	1,830,000	22	83,182	0.02%
December (up to the Last Trading Day)	1,340,000	18	74,444	0.02%

Source: The Stock Exchange (www.hkex.com.hk)

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Note:

1. It is calculated by dividing the average daily trading volume for the month/period by the total number of Shares in issue at the end of each month/period.

As shown in the table above, the average daily trading volume of the Shares in each month/period ranged from 56,842 Shares in September 2023 to 1,057,000 Shares in July 2023 during the Review Period, representing approximately 0.01% to approximately 0.26% of the total number of issued shares as at the end of the month/period respectively. The Shares were generally illiquid in the open market.

Having considered the thin trading volume of the Shares, we are of the view that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount to the prevailing Share price. It is also difficult to attract the existing Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at discount to the historical closing prices of the Shares. To attract the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the development of the Group, we consider that the Subscription Price being set at discount to the prevailing market price of the Shares is reasonable and acceptable.

(iii) Comparison with recent rights issue exercises

To assess the fairness and reasonableness of the terms of the Rights Issue, we conducted market research on recent proposed rights issue transactions which were announced in the six-month period preceding the last trading day i.e. from 29 June 2023 to 28 December 2023. We identified an exhaustive list of 16 rights issue comparables (the “**Comparables**”) based on the selection criteria that (i) the shares of the company are listed on the Stock Exchange; and (ii) the maximum gross proceeds are less than HK\$50 million (taking into account the maximum gross proceeds from the Rights Issue is up to approximately HK\$24.0 million). While the Comparables may have different principal business activities, scale of operations, market capitalisations, profitability and financial positions as compared to those of the Company, having considered that our analysis is mainly concerned with the principal terms of the rights issues under the prevailing market sentiment, we are of the view that the Comparables can provide a reasonable reference as to how the recent market generally perceives rights issues. Set out below are the details of the Comparables:

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No.	Company name	Stock code	Date of announcement	Basis of entitlement	Maximum gross proceeds HK\$ million	Premium/ (discount) of the subscription price over/(to) the theoretical ex-right price based on the closing price on the respective last trading day %	Premium/ (discount) of the subscription price over/(to) the latest consolidated net asset value per share (Note 1) %	Theoretical dilution effect %	Excess application Y/N	Fully underwritten Y/N	Placing commission (Note 2) %
1	Huasheng International Holding Limited	1323	28/12/2023	1 for 2	28.97	(12.21)	(8.75)	3.82	N	N	3.0
2	Major Holdings Limited	1389	14/12/2023	2 for 3	30.16	(53.10)	(40.46)	21.24	N	Y	3.0
3	Imperium Financial Group Limited	8029	8/12/2023	1 for 2	45.69	(11.11)	(7.69)	3.70	N	N	2.0
4	Finsoft Financial Investment Holdings Limited	8018	5/12/2023	3 for 1	27.98	(28.16)	(8.92)	21.12	N	N	3.5
5	China Financial Leasing Group Limited	2312	1/12/2023	1 for 1	20.81	(32.58)	(19.46)	16.29	Y	Y	NA
6	Lapco Holdings Limited	8472	24/11/2023	3 for 1	43.20	(30.23)	(9.77)	22.67	N	N	2.5
7	Gameone Holdings Limited	8282	21/11/2023	1 for 2	13.20	6.80	4.46	NA	Y	Y	NA
8	Universe Printshop Holdings Limited	8448	3/10/2023	3 for 2	34.43	(14.81)	(8.00)	11.06	N	Y	1.5
9	Royal Century Resources Holdings Limited	8125	15/9/2023	5 for 1	36.06	(19.30)	(3.77)	16.14	N	N	1.0
10	Asian Citrus Holdings Limited	73	11/9/2023	1 for 2	43.74	(31.37)	(24.57)	11.11	Y	(best effort)	NA
11	Orient Securities International Holdings Limited	8001	6/9/2023	1 for 2	7.46	(50.82)	(40.79)	17.47	N	N	0.5
12	Rare Earth Magnesium Technology Group Holdings Limited	601	3/9/2023	1 for 2	15.80	(39.85)	(23.81)	13.53	Y	Y	NA
13	Almana Limited	8186	11/8/2023	3 for 1	18.79	(26.67)	(8.33)	22.22	N	N	1.0
14	Platt Nera International Limited	1949	24/7/2023	1 for 2	20.00	(57.98)	(47.92)	19.33	N	N	3.0
15	Tasty Concepts Holding Limited	8096	14/7/2023	5 for 2	27.50	4.71	1.52	2.59	N	N	fixed fee of HK\$100,000 +2.5% (Note 4)
16	Classified Group (Holdings) Limited	8232	6/7/2023	3 for 2	14.25	(14.80)	(6.58)	8.80	N	Y	fixed fee of HK\$38,000 (Note 4)
					Minimum	(57.98)	(47.92)	2.59			0.5
					Maximum	6.80	4.46	22.67			3.5
					Median	(27.42)	(8.83)	16.14			2.3
	The Company	8631	28/12/2023	2 for 1	24.00	(34.78)	(15.49)	23.49	N	N	1.0

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Notes:

1. NA denotes that net asset value is not applicable due to the net liabilities position of the respective Comparable.
2. NA denotes that the respective Comparable did not involve placing agents.
3. It is considered as outlier. As such, it is excluded from the analysis.
4. Different from usual market practice of placing commission charging on a percentage, the placing commission of rights issue this Comparable is fixed or include a fixed fee. As such, it is excluded from the analysis.

It is noted from the above table that there are 14 out of 16 Comparables set the subscription price at a discount to their prevailing market price. It indicates that it is common to set the subscription price of a rights issue at a discount to its prevailing market price in order to enhance the attractiveness and encourage shareholders to participate.

As noted from the above table,

- (i) the subscription price to the closing price on the respective last trading day of the Comparables ranged from a discount of approximately 57.98% to a premium of approximately 6.80%, with a median discount of approximately 27.42%. The Subscription Price represents a discount of approximately 34.78% to the theoretical closing price per Consolidated Shares on the Last Trading Day, which is within the range of that of the Comparables, and represents a slightly higher discount than the median of that of the Comparables;
- (ii) the subscription price to the theoretical ex-right price on the respective last trading day of the Comparables ranged from a discount of approximately 47.92% to a premium of approximately 4.46%, with a median discount of approximately 8.83%. The Subscription Price represents a discount of approximately 15.49% to the theoretical ex-rights price per Consolidated Shares on the Last Trading Day, which is within the range of that of the Comparables, and represents a slightly higher discount than the median of that of the Comparables;
- (iii) the subscription price to the latest consolidated net asset value per share of the Comparables ranged from a discount of approximately 97.12% to a premium of approximately 22.22%, with a median discount of approximately 63.96%. The Subscription Price represents a discount of approximately 70.87% to the net asset value of the Group based on the latest published unaudited consolidated net asset value of the Group of

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approximately HK\$41.26 million as at 30 September 2023 and 40,000,000 Consolidated Shares, which is within the range of that of the Comparables, and represents a slightly higher discount than the median of that of the Comparables; and

- (iv) the theoretical dilution effect of the Comparables ranged from approximately 2.59% to approximately 22.67%, with a median of approximately 16.14%. The theoretical dilution effect of the Rights Issue of approximately 23.49% is slightly above the range of that of the Comparables.

Although the theoretical dilution effect of the Rights Issue of is slightly above the range of that of the Comparables, having taken into account (i) it is a common market practice for listed issuers in Hong Kong to set subscription price of a rights issue at a discount to the market price in order to enhance the attractiveness of a rights issue; (ii) the discounts represented by the Subscription Price to the theoretical closing price, the theoretical ex-rights price and the latest published net asset value per Consolidated Share fall within the respective range of that of the Comparables; (iii) the closing price of the Shares was generally in downward trend since late October 2023; (iv) the trading volume of the Shares was thin and the Shares were generally illiquid in the open market; (v) the funding needs of the Group to repay its debts and payables as well as general working capital of the Group; and (vi) the fact that the interest of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price so long as they are offered with an equal opportunity to participate in the Rights Issue, we are of the view that the Subscription Price is fair and reasonable.

(b) *No excess application*

As mentioned in the Board's Letter, there will be no excess application arrangements in relation to the Rights Issue. Amongst the Comparables, 12 out of 16 Comparables did not offer excess application for its shareholders. As such, we consider the absence of excess application in rights issue is not an uncommon market practice. Instead of excess application arrangement, the Company has arranged the Compensatory Arrangements and the Placing.

(c) *Placing commission*

The Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares as part of the Compensatory Arrangements. For further details of the principal terms of the Placing Agreement, please refer to section headed "Placing Agreement" in the Board's Letter.

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As set out in the Board's Letter, the placing fee shall be 1.0% of the aggregate placing price of the Unsubscribed Rights Shares and the ES Unsold Rights Shares successfully placed by or on behalf of the Placing Agent. It is noted from the Comparables that the placing commission of the Comparables ranged from 0.5% to 3.5%, with a median of approximately 2.3%. The placing commission is within the range and below the median of that of the Comparables. Based on the above, we are of the view that the placing commission is in the interests of the Company and Independent Shareholders as a whole.

4. Potential dilution effects of the Rights Issue on the shareholding structure of the Group

All the 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 shareholding interests in the Company will remain unchanged after the Rights Issue. Referring to the section headed "Effects on the shareholding structure of the Company" in the Board's Letter, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 66.67%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including but not limited to the results of acceptance of the Rights Issue.

Having taken into account (i) all Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; (iii) shareholding dilution is generally inherent in all rights issue; (iv) the imminent need of financial resources for the Company to repay debts and payables, as well as general working capital taking into account the latest financial position of the Group; and (v) the positive impact on the financial position of the Group as a result of the Rights Issue as detailed in paragraph headed "Possible financial effects of the Rights Issue" below, we are of the view that the potential dilution effect on the shareholding is acceptable.

5. Possible financial effects of the Rights Issue

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Net tangible assets

The unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately HK\$41.3 million and HK\$1.03 per Share as at 30 September 2023. As set out in Appendix II to the Circular, upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company immediately after completion of the Rights Issue would increase to approximately HK\$64.2 million and decrease to approximately HK\$0.54 per Share. The decrease in net tangible asset per Share is mainly due to the increase in the number of shares outstanding upon completion of the Rights Issue as the Rights Share shall be issued at a discount as compared to the unaudited consolidated net tangible asset per Consolidated Share before completion of the Rights Issue. Despite the decrease in net tangible assets per share as a result of the Rights Issue, the Rights Issue is expected to have a positive impact on the financial position of the Group.

Liquidity

According to the Interim Report 2023/24, as at 30 September 2023, the bank balances and cash of the Group was HK\$40,000 and the Group had current assets of approximately HK\$52.8 million and current liabilities of approximately HK\$20.4 million. The current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 September was approximately 2.6 times.

Taking into account the debt and payables to be settled by the net proceeds from the Rights Issue in aggregate of approximately HK\$16.0 million and approximately HK\$7.0 million of the net proceeds from the Rights Issue would be used for general working capital of the Group, the total debt of the Group would be reduced whilst the capital base of the Group would be enlarged accordingly.

Immediately upon completion of the Rights Issue, the bank balances and cash of the Group is expected to increase and the debt and payables of the Group is expected to reduce. The current ratio of the Group will be increased to approximately 13.6 times.

Based on the above analysis, in particular, the improvement of the financial position, the liquidity and current ratio of the Group, we are of the view that the Rights Issue has positive financial effects on the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors, in particular,

- (i) the proceeds from the Rights Issue for repayments of the debt and payables, as well as general working capital of the Group;
- (ii) the Rights Issue represents an appropriate fund-raising method to the Group under the current circumstances as compared to other fund-raising means;
- (iii) the terms of the Rights Issue (including the Subscription Price and the Placing commission) are fair and reasonable; and
- (iv) all Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their assured entitlements under the Rights Issue,

we are of the view that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are 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 ordinary resolution to be proposed at the EGM to approve the Rights Issue.

Yours faithfully,

For and on behalf of

Global Mastermind Securities Limited

Michael Wong

Director

Chelsea Chong

Vice president

Mr. Michael Wong is a person licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and is a responsible officer of Global Mastermind Securities Limited who has over 20 years of experience in corporate finance industry.

Ms. Chelsea Chong is a person licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO and is a responsible officer of Global Mastermind Securities Limited who has over 9 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

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

- the annual report of the Company for the year ended 31 March 2021 published on 28 June 2021 (pages 123 to 199) (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0628/2021062800517.pdf>);
- the annual report of the Company for the year ended 31 March 2022 published on 29 June 2022 (pages 141 to 227) (<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0629/2022062900901.pdf>); and
- the annual report of the Company for the year ended 31 March 2023 published on 29 June 2023 (pages 144 to 231) (<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0629/2023062900540.pdf>).

2. STATEMENT OF INDEBTEDNESS**Bank loans and overdrafts**

At the close of business on 30 November 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding bank loans of approximately HK\$7,539,000 and bank overdrafts of approximately HK\$4,385,000. The bank loans carry variable interests 2.5% per annum below Hong Kong dollar prime rate and are repayable in various monthly instalments up to 24 October 2033. Bank overdrafts bear interest at prevailing market rates of Hong Kong interbank offered rate plus 4% per annum.

The bank loans and bank overdraft are secured by a corporate guarantee provided by the Company and a personal guarantee provided by an executive director, Mr. Law Ming Yik.

Commitment

At the close of business on 30 November 2023, being the latest practicable date for the purpose of this indebtedness statement, the Group had the capital expenditure contracted for but not yet transpired in respect of property, plant and equipment of approximately HK\$1,452,000.

Contingent liabilities

At the close of business on 30 November 2023, the Group had neither any guarantee nor any other contingent liabilities in existence.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 November 2023, the Group did not have any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans of other borrowings, indebtedness in the nature of borrowings, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

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

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 March 2023, the revenue of the Group decreased from approximately HK\$230.9 million for the year ended 31 March 2022 (“FY2022”) to HK\$67.7 million for FY2023 as a result of the sale of diesel oil and diesel exhaust fluid decreased from approximately HK\$230.4 million for FY2022 to approximately HK\$66.0 million for FY2023. The Group’s gross profit for the FY2023 also decreased from approximately HK\$6.9 million for FY2022 to approximately HK\$3.3 million for FY2023. However, The Group’s gross profit margin increased from approximately 3.0% for FY2022 to approximately 4.8% for FY2023 due to (i) more diesel oil were sold to higher margin customers of construction; and (ii) reduction in repairing costs of diesel tank wagons. For FY2023, the Group’s net loss increased by approximately HK\$9.0 million from approximately HK\$3.1 million for FY2022 to approximately HK\$12.1 million for FY2023.

For the six months ended 30 September 2023 (“**FP2023**”), the Group’s revenue increased by HK\$20.1 million from approximately HK\$36.2 million for the six months ended 30 September 2022 (“**FP2022**”) to approximately HK\$56.3 million for FP2023, which represents an increase of approximately 55.5%. Despite the average selling price of the Group’s diesel oil decreased during FP2023, which is in line with the decreasing trend in the prevailing market prices, the sales quantity of diesel oil increased by approximately 130.2% from approximately 4.3 million litres for FP2022 to approximately 9.9 million litres for FP2023. The Group recorded an increase in gross profit by approximately HK\$3.7 million or approximately 308.3% from approximately HK\$1.2 million for FP2022 to approximately HK\$4.9 million for FP2023 and the Group’s gross profit margin also increased from 3.2% for FP2022 to 8.7% for FP2023.

With the ongoing recovery of the global economy following the COVID-19 pandemic, the Group acknowledges the challenges posed by factors such as global freight overcapacity, stagflation, and geopolitical tensions. These factors have a significant impact on our business and operating environment. In response, the Group remains committed to closely monitoring the demand in the diesel market and diligently managing our cash flow. We will also focus on integrating our existing resources and proactively adjusting our business plans to ensure the stability of our operations during these challenging times. Moreover, we will be fully prepared to leverage opportunities for business recovery as they arise.

For illustrative purposes, the financial information prepared in accordance with paragraph 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 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 condition on the completion of the Rights Issue.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared by the Directors in accordance with Rule 7.31 of the GEM Listing Rules is set out to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 September 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at the date to which it is made up or at any future date.

The unaudited pro forma statement of adjusted consolidated net tangible assets is prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2023, as extracted from the published interim report of the Company for the six months ended 30 September 2023, with adjustments described below.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2023 HK\$'000 (Note i)	Estimated net proceeds from the Rights Issue HK\$'000 (Note ii)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue HK\$'000	Unaudited consolidated net tangible assets of the Group per share attributable to owners of the Company as at 30 September 2023 HK\$ (Note iii)	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to owners of the Company immediately after completion of the Rights Issue HK\$ (Note iv)
Rights Issue of 80,000,000 Rights Shares	41,263	22,961	64,224	1.03	0.54

Notes:

- (i) The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2023 of approximately HK\$41,263,000 is extracted from the published interim report of the Company for the six months ended 30 September 2023.
- (ii) The estimated net proceeds from the Rights Issue of approximately HK\$22,961,000 is calculated based on 80,000,000 Rights Shares to be issued at the subscription price of HK\$0.30 per Rights Shares, after deduction of the estimated related expenses of approximately HK\$1,039,000, assuming that the Rights Issue had been completed on 30 September 2023.
- (iii) The unaudited consolidated net tangible assets per share attributable to owners of the Company as at 30 September 2023 is approximately HK\$1.03, which is calculated based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2023 of approximately HK\$41,263,000 divided by 40,000,000 Consolidated shares immediately after the Share Consolidation having become effective.
- (iv) The unaudited pro forma adjusted consolidated net tangible assets per share attributable to owners of the Company immediately after completion of the Rights Issue is approximately HK\$0.54, which is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue of approximately HK\$64,224,000 divided by 120,000,000 Consolidated Shares, which represents the total of 40,000,000 Existing shares of the Company in issue as at 30 September 2023 and 80,000,000 Rights Shares to be issued, pursuant to the Rights Issue (in the proportion of two (2) Rights Shares for every one (1) consolidated share held as at the Rights Issue record date), are in issue assuming that the Share Consolidation has become effective and Rights Issue had been completed on 30 September 2023.
- (v) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2023.

The following is the text of a report received from Mazars CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

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

mazars

MAZARS CPA LIMITED
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24 January 2024

The Directors
Sun Kong Holdings Limited
Section C of Lot No. 1345 in D.D. 121
Yuen Long
New Territories
Hong Kong

Dear Sirs,

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

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sun Kong Holdings Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) 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 owners of the Company as at 30 September 2023 and related notes (the “**Unaudited Pro Forma Financial Information**”) as set out in Appendix II to the circular dated 24 January 2024 (the “**Circular**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the rights issue of 80,000,000 rights shares at HK\$0.30 per rights share (the “**Rights Shares**”) on the basis of two Rights Shares for every one consolidated share of the Company held on the rights issue record date (the “**Rights Issue**”) on the Group’s unaudited consolidated net tangible assets attributable to owners of the Company as at 30 September 2023 as if the share consolidation has become effective and Rights Issue had taken place on 30 September 2023. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s unaudited condensed consolidated financial statements for the six months ended 30 September 2023, on which an interim report has been published.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The Directors 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 (the “**HKICPA**”).

Reporting Accountants’ Independence and Quality Control

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 behavior.

We apply 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 and accordingly maintain a comprehensive system of quality control including documented policies and 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 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the share consolidation and 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 Group, 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 on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Mazars CPA Limited

Certified Public Accountants

Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately following the Share Consolidation becoming effective but before the completion of the Rights Issue; and (iii) immediately following the Share Consolidation becoming effective 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 Latest Practicable Date

<i>Authorised:</i>		<i>HK\$</i>
<u>3,000,000,000</u>	Existing Shares of HK\$0.01 each	<u>30,000,000</u>
<i>Issued and fully-paid:</i>		
<u>400,000,000</u>	Existing Shares of HK\$0.01 each	<u>4,000,000</u>

(ii) Immediately following the Share Consolidation becoming effective but before the completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
<u>300,000,000</u>	Consolidated Shares of HK\$0.1 each	<u>30,000,000</u>
<i>Issued and fully-paid:</i>		
<u>40,000,000</u>	Consolidated Shares of HK\$0.1 each	<u>4,000,000</u>

(iii) Immediately following the Share Consolidation becoming effective 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)

<i>Authorised:</i>		<i>HK\$</i>
<u>300,000,000</u>	Consolidated Shares of HK\$0.1 each	<u>30,000,000</u>
 <i>Issued and fully-paid:</i>		
40,000,000	Consolidated Shares of HK\$0.1 each	4,000,000
80,000,000	Rights Shares of HK\$0.1 each to be issued pursuant to the Rights Issue	8,000,000
<u>120,000,000</u>	Consolidated Shares of HK\$0.1 each to be issued pursuant to the Rights Issue	<u>12,000,000</u>

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

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.

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

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

3. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, 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. Law Ming Yik	Interest in a controlled corporation (Note 1)	251,110,000	62.8% (Note 2)

Notes:

- (1) The Company is owned as to 62.8% by Fully Fort Group Limited, which is wholly owned by Mr. Law, the chairman of the Board and the executive Director. Under the SFO, Mr. Law is deemed to be interested in Shares held by Fully Fort Group Limited.
- (2) The percentage was calculated based on 400,000,000 Shares in issue as at the Latest Practicable Date.

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

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

Long positions in the Shares and the underlying shares

Name of Shareholder	Capacity/ Nature of interest	Number of Existing Shares held	Approximate percentage of shareholding in the Company
Fully Fort Group Limited	Beneficial owner <i>(Note 1)</i>	251,110,000	62.8% <i>(Note 2)</i>

Notes:

Fully Fort is the beneficial owner of 251,110,000 Shares, representing 62.8% of the Company's issued share capital. Fully Fort is wholly owned by Mr. Law Ming Yik, the chairman of the Board and the executive Director.

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

4. DIRECTORS' SERVICE CONTRACTS

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

5. COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors and the controlling shareholders of the Company 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.

6. MATERIAL LITIGATION

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

7. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

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

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

8. RISKS FACTORS

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:

A substantial portion of our revenue relies on the sale of diesel oil, and any decline in demand for this product may have an adverse impact on our profitability

For FY2022 and FY2023, the sale of diesel oil remained the largest contributor to our revenue and accounted for approximately 99.8% and 97.5% of our total revenue for the relevant periods, respectively. Accordingly, we have a concentrated revenue portfolio as a significant portion of our revenue was attributable to the sale of diesel oil. There can be no assurance that we will be able to secure supply of diesel oil from our suppliers or demand for diesel oil from our customers. If the customers' requirements change or the demand for diesel oil declines for any reason, the potential loss in revenue would adversely affect our profitability.

Our company does not engage in long-term agreements with customers, and there are no minimum purchase requirements for customers to place orders with us

Our Company does not enter into long-term agreements with our customers and they place orders with us based on their needs on a case-by-case basis. Our customers are not subject to any minimum purchase requirement to place orders with us. There is no assurance that these customers will continue to purchase from us in the future. If any of our major customers terminates its business relationship with us, and we fail to secure new orders on a timely basis, there may be an adverse effect on our business operations, financial performance and profitability.

Our cash flows may deteriorate due to net operating cash outflow or potential mismatch in time between receipt from our customers and payments to our suppliers

As an established diesel oil provider, we source diesel oil from oil trading companies in Hong Kong and deliver diesel oil to different customers, a majority of which are logistics companies. We are generally required by our suppliers to settle the full payment of our purchase orders on the same day of our purchases. We also typically require our customers to settle the full payment on the same day of delivery. Depending on the credit terms of the customers, however, we may grant up to 30 days of credit period to our customers, resulting in a material cash flow mismatch. As such, we would record significant cash outflow in the event that we accept too many customers' orders at a particular period of time.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow depends on prompt settlement by our customers. Even if our customers settle such payments on time and in full, there is no assurance that we would not experience any significant cash flow mismatch or cash outflow. Further, there is no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch or significant cash outflow, our cash flow position may be adversely affected and we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

Any failure to renew the dangerous goods license for our diesel tank wagons for conveyance of diesel oil could adversely affect our business, operations and profitability

As at the Latest Practicable Date, we had a total of seven diesel tank wagons duly licensed by the Fire Services Department to convey diesel oil which is classified as category 5 dangerous goods under the Dangerous Goods Ordinance. Generally, the validity period of a dangerous goods licence lasts for one year, subject to annual review and renewal. If we fail to comply with the Dangerous Goods Ordinance and any of the relevant rules and regulations or pass the required annual assessments, we may not be able to renew the dangerous goods licences or such licences may be suspended or revoked. In such cases, our operations would be significantly disrupted or even suspended, thereby adversely affecting our business, operations and profitability.

We depend on key management personnel

Our success depends to a significant degree upon the expertise, experience, continuity, network and committed service of our senior management personnel, most of whom have an in-depth understanding of our industry and operations and would be difficult to replace. Our key management, including our executive Directors, are essential to our success because of their experience and connection in the diesel oil transport market in Hong Kong, market development skills and expertise in managing our operations. Details of their expertise and experience are set out in the paragraph headed “Particulars of the Directors and Senior Management” below in this Appendix. In addition, the relationship and reputation that our management team have established and maintained with our customers and suppliers contribute to our ability to maintain good business relationships with them.

If leakage of diesel oil occurs during the transportation process, we may be liable for related accidents and our reputation and business operation may be affected

We deliver diesel oil to our customers by our own fleet of diesel tank wagons. Our diesel tank wagons pick up the required quantity of diesel oil from the oil depots designated by our suppliers for delivery to our customers. Diesel is pumped from our diesel tank wagons directly to designed drums or containers as designated by customers. Oil leakage may occur during the transportation process. Leakage of diesel oil or other hazardous substances can cause health and environmental risks, including pollution, potential fire and explosion. If such accident occurs, we will be liable and subject to potential claims, penalty and criminal prosecutions. In such event, our reputation, business operation and operating results may be adversely affected.

Failure to comply with safety measures and procedures may lead to accidents, personal injuries, property damage or fatal accidents

In the course of our operations, we require our employees to comply with and implement all safety measures and procedures as stipulated in our in-house rules and those set by the Fire Services Department. Nevertheless, we cannot guarantee that there will be no violation of these safety measures or other related rules and regulations by our employees. Any such violation may lead to the occurrence of personal injuries, property damage or fatal accidents and exposed ourselves to claims and litigation, which may adversely affect our reputation, operations and financial results.

Our insurance may not cover every potential loss and claim, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

We maintain insurance coverage against, among other things, (i) liability for third party bodily injury occurred in our office premises; (ii) employees' compensation insurance for our employees; and (iii) third-party liability in relation to the use of our diesel tank wagons and other vehicles. However, certain types of risks, such as the risk in relation to the collectability of our trade receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks.

In addition, there is no guarantee that insurance coverage will always be available to us at economically favourable premiums (or at all) or that, in the event of a claim, the level of insurance maintained by us now or in the future is or will be adequate or cover the entire claim/liability. We may be subject to liabilities which have not been insured adequately at all. Therefore, if we are held liable for uninsured losses or amounts and claims for insured losses exceeding our insurance coverage, our operations and financial results may be materially and adversely affected. With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may be unable to recover the amount from the insurer.

We may fail to deliver diesel oil timely to our customers or maintain our reputation and this can adversely affect our Group's business, financial condition and results of operations

We believe that the reputation we have built over the years plays a significant role in attracting customers and securing our customers' orders. Whether or not we can maintain or promote our reputation depends largely on our ability to provide quality and timely services to our customers. If we fail to meet their needs or are unable to deliver diesel oil requested by them at the designated place in a timely manner, our customers no longer perceive our services to be of a high quality and our reputation could be adversely affected. This will in turn negatively affect our business, financial condition and results of operations.

We operate in a highly competitive industry, and failure to compete efficiently would materially and adversely affect our operations and financial results

We compete with a large number of diesel oil transport service providers for customers. The oil majors, and some of our competitors may, have longer track records, larger operational scale, greater financial and marketing resources and more established market reputation than us. There is no assurance that we can compete successfully in the future. In the event that we are unable to compete effectively with other market players, including other diesel distributors, authorised agents appointed by the oil majors and even the oil majors, our business, financial condition, results of operations and prospects will be materially and adversely affected.

The state of economy in Hong Kong may adversely affect our performance and financial condition

All of our revenue are generated from Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

9. MATERIAL CONTRACTS

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

- (a) the sale and purchase agreement dated 15 November 2022 and entered into between Wing Ko Petroleum Chemistry (China–HK) Limited (“**Purchaser**”), a wholly-owned subsidiary of the Company, and Universe Innovation and Technology (HK & CHINA) Limited (“**Vendor**”) in relation to the acquisition of the enterprise resources planning system;
- (b) the sales and purchase agreement dated 16 January 2023 and entered into between the Purchaser and the Vendor in relation to the acquisition of the advanced driver assistance system; and
- (c) the Placing Agreement.

10. QUALIFICATION AND CONSENT OF EXPERTS

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

Name	Qualification
Mazars CPA Limited	certified public accountants
Global Mastermind Securities Limited	a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO

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

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

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

11. EXPENSES

The expenses payable by the Company in connection with the Rights Issue, including Independent Financial Adviser fees, placing commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$1.0 million.

12. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE**Board of Directors***Executive Directors*

Mr. Law Ming Yik (*Chairman*)

Mr. Li Isaiah (*Chief Executive Officer*)

Independent non-executive Directors:

Mr. Fenn David

Mr. Wong Ka Chun Matthew

Mr. Chan Ting Fung

Audit committee	Mr. Wong Ka Chun Matthew (<i>Chairman</i>) Mr. Chan Ting Fung Mr. Fenn David
Nomination committee	Mr. Law Ming Yik (<i>Chairman</i>) Mr. Wong Ka Chun Matthew Mr. Fenn David
Remuneration committee	Mr. Fenn David (<i>Chairman</i>) Mr. Law Ming Yik Mr. Chan Ting Fung
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Section C of Lot No.1345 in D.D.121, Yuen Long, New Territories, Hong Kong
Authorised representatives	Mr. Law Ming Yik Mr. Li Isaiah
Compliance officer	Mr. Law Ming Yik
Company secretary	Mr. Leung Cheuk Wai – member of the Hong Kong Institute of Certified Public Accountants Ms. Kwok Wai Chun – associate member of The Hong Kong Chartered Governance Institute
Registrar in Hong Kong	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road, Hong Kong
Cayman Islands principal registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P. O. Box 2681, Grand Cayman KY1-1111, Cayman Islands

Principal bankers	DBS Bank (Hong Kong) Limited G/F, The Center, 99 Queen's Road Central, Central, Hong Kong Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong
Auditors	Mazars CPA Limited <i>Certified Public Accountants</i> 42nd Floor, Central Plaza 18 Harbour Road Wanchai, Hong Kong
Compliance adviser	Giraffe Capital Limited 3/F 8 Wyndham Street Central, Hong Kong
Legal adviser to the Company as to Hong Kong laws	Tang Tso & Lau Solicitors Room 209, 2/F, China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong
Financial adviser	Nuada Limited Unit 1606, 16/F OfficePlus @Sheung Wan 93-103 Wing Lok Street Sheung Wan, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Global Mastermind Securities Limited Unit 1201-02, 12/F West Tower, Shun Tak Centre 168-200 Connaught Road Central Hong Kong
Placing Agent	Cheong Lee Securities Limited Room 16B, 16/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong

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

Mr. Law Ming Yik (“**Mr. Law**”), aged 35, is the executive Director, chairman, compliance officer, chairman of the nomination Committee, member of the remuneration committee and the director of Wing Ko and Forever Treasure Holdings Limited, being the Group’s subsidiaries. He is responsible for overseeing all aspects of the Group’s operations, strategic planning and formulation of corporate policies. He was appointed as the Director on 31 October 2017 and was re-designated as an executive Director on 24 November 2017. Mr. Law is the cousin of Mr. Li Isaiah, one of the executive Directors.

Mr. Law has over 14 years of experience in the sale and transport of diesel oil and related products. Mr. Law joined Wing Ko in July 2006 and was appointed as the director of Wing Ko in March 2012. He was responsible for overseeing Wing Ko’s daily operation, including but not limited to maintaining stable relationship with the Group’s key customers and the Group’s key suppliers, which are mainly authorised agent(s) appointed by the oil major(s), monitoring the logistics of projects and managing its corporate accounting and administrative matters. In 2012, the Hong Kong Government started implementing Euro V vehicle emission standards in phases with an aim to reduce vehicle emission. Seeing the market potential for products which would help lower the diesel exhaust emissions from diesel engines, Mr. Law led the Group to expand the business into the sale of diesel exhaust fluid as its ancillary product in April 2013. The Directors believe that his insightful vision is instrumental to the success of the Group.

Mr. Law obtained a bachelor’s degree in design majoring in interior design from Raffles College of Design and Commerce in August 2009 and an advanced diploma in interior design from Raffles Design Institute in September 2009, in Shanghai, China.

Mr. Li Isaiah (“**Mr. Li**”), aged 38, was appointed as the Director and was redesignated as an executive Director on 24 November 2017. Mr. Isaiah Li is the cousin of Mr. Law. Mr. Li joined the Group in September 2009 and is responsible for the overall management of its business. He has more than five years of experience in the area of business administration and information technology (“**IT**”). Prior to joining the Group, Mr. Li worked as an IT support in the DBS Bank from July 2004 to December 2004. He had also been an IT support in the Audit Commission (HKSAR) from January 2005 to June 2005. From October 2005 to March 2006, he was also a training facilitator in Bright Long Company, a company principally engaged in tutoring primary school students. He had also been a sales representative in Gennett International Limited, a company principally engaged in sale of electronics, from April 2006 to September 2006. Mr. Li worked as an IT & Administrative Officer in Million Travel Co., a company principally engaged in management of carparks from October 2006 to August 2009.

Mr. Li has obtained a diploma in Computer Science in Chu Hai College of Higher Education in July 2006.

Independent non-executive Directors

Mr. Fenn David (“**Mr. Fenn**”), aged 42, was appointed as our independent non-executive Director on 7 March 2018. He is responsible for supervising, providing independent advice to our Board, serving as chairman of remuneration committee, and member of audit committee for our Group.

Mr. Fenn has over 15 years of experience in the legal industry. He was admitted as a solicitor in Hong Kong in September 2005. Mr. Fenn is currently the principal of David Fenn & Co., a solicitors’ firm in Hong Kong. Mr. Fenn obtained his bachelor of laws degree with honours from The University of Hong Kong in December 2002. He was awarded a postgraduate certificate in laws from The University of Hong Kong in June 2003. Mr. Fenn further obtained a master of laws degree in banking and finance from University College London, University of London in the United Kingdom in November 2006. Mr. Fenn has been appointed as a disciplinary panel member of the Hong Kong Institute of Certified Public Accountants since February 2016. He was an adjudicator of the Registration of Persons Tribunal of Hong Kong from November 2013 to November 2019, and a member of the Housing Appeal Panel of Hong Kong from April 2017 to April 2021. Mr. Fenn has been appointed as the chairman of the Building Appeal Tribunal Panel of Hong Kong since December 2021. Mr. Fenn has been appointed as an independent non-executive director of Bradaverse Education (Int’l) Investments Limited (formerly known as Hong Kong Education (Int’l) Investments Limited) (stock code: 1082), a company listed on the Main Board of the Stock Exchange since 10 May 2018 (resigned on 20 January 2023).

Mr. Fenn is also the company secretary of Wai Chun Bio-Technology Limited (stock code: 660) and Wai Chun Group Holdings Limited (stock code: 1013) since 4 February 2022, both companies of which are listed on the Main Board of the Stock Exchange.

Mr. Wong Ka Chun Matthew (“**Mr. Wong**”), aged 34, was appointed as the independent non-executive Director on 11 December 2018. Mr. Wong is the chairman of the audit Committee and the member of nomination committee for our Group.

Mr. Wong has over ten years of experience in corporate finance and auditing. Mr. Wong obtained a Bachelor’s degree in Business, specialised in Accounting, Banking and Finance from Monash University, Melbourne, Australia in September 2011. He has also been a member of the CPA Australia since January 2016, a member of the Chartered Institute of Management Accountants since December 2016, and a member of Chartered Global Management Accountant since December 2016.

Mr. Wong was an auditor in Deloitte Touche Tohmatsu from September 2011 to November 2013, an auditor in PricewaterhouseCoopers from December 2013 to March 2017, the assistant vice president in the investment banking division of Zhongtai International Capital Limited from March 2017 to December 2017 and the vice president in the investment banking division of GF Capital (Hong Kong) Limited from December 2017 to June 2019. He is currently the vice president in the corporate finance division of Ample Capital Limited. During his employment with Zhongtai International Capital Limited, GF Capital (Hong Kong) Limited and Ample Capital Limited, Mr. Wong executed a wide variety of capital markets and corporate finance transactions, including initial public offerings, mergers and acquisitions, equity fund raisings, structured finance and compliance advisory.

Mr. Chan Ting Fung (“Mr. Chan”), aged 39, was appointed as the independent non-executive Director, a member of each of the audit committee and remuneration committee of the Company with effect from 1 September 2022. Mr. Chan obtained a bachelor’s degree in Law from the Jinan University of Guangzhou in 2007. He has been working in the legal field for more than 15 years, with extensive experience in handling commercial matters in the mainland China, including merger and acquisition, joint ventures, finance, logistics, international trade, intellectual property, real estate and construction, employment, investment and cross-border dispute resolution.

Mr. Chan has been appointed as an independent non-executive director of Kingkey Financial International (Holding) Limited (stock code: 1468), a company whose shares are listed on Main Board of the Stock Exchange, since July 2022.

Senior management

Mr. Law Sung Fai (“Mr. S.F. Law”), aged 50, is our chief operating officer and is responsible for overseeing the daily operation of the Group. Mr. S.F. Law has joined the Group since July 2006. Mr. S.F. Law has over 21 years of experience in the business of sale and transportation of diesel oil. Prior to joining the Group, from May 1999 to May 2006, Mr. S.F. Law was the manager of Centre Transportation Co., a company principally engaging in the business of transportation of diesel oil, and was responsible for managing, repairing and maintaining its fleet of tank wagons and its business operations.

Ms. Mo Yan Ting (“Ms. Mo”), aged 54, is the Group chief financial officer and is responsible for the general financial management of the Group. Ms. Mo has joined the Group since October 2017. Ms. Mo obtained a diploma in business from the Auckland University of Technology in October 2000. She subsequently obtained a bachelor’s degree in business in accounting also in Auckland University of Technology in April 2003. Ms. Mo completed the graduate conversion course in accounting in the Sydney University of Technology in December 2006. Since January 2007, she has been a member of the CPA Australia.

Ms. Mo has over 22 years of experience in the accounting industry, especially with presence in Australia. From May 1997 to February 2003, she worked in Westpac Bank New Zealand in Auckland and her last position was an accountant assistant. From April 2003 to June 2005, she was an accountant at Longway Industrial & Development Pty Ltd in Sydney. She then worked as an accountant in Western Union Financial Services (Australia) Pty Ltd in Sydney from June 2005 to June 2007. Later, she moved her accounting practice back to Hong Kong. From August 2007 to March 2013, she was an accountant manager at Greatsino International (HK) Ltd. From April 2013 to August 2017, she was an accountant manager at O’Laughlin Corporation Ltd in Hong Kong.

The business address of the Directors and senior management is the same as the Company’s head office and principal place of business in Hong Kong at Section C of Lot No.1345 in D.D.121, Yuen Long, New Territories, Hong Kong.

14. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board comprises all the independent non-executive Directors, namely Mr. Wong Ka Chun, Matthew, Mr. Fenn David and Mr. Chan Ting Fung, being The primary duties of the audit committee include the review of the Group’s financial reporting process and the internal control systems as well as risk management of the Group.

15. DOCUMENTS ON DISPLAY

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

- (a) the amended and restated articles of association of the Company;
- (b) the annual reports of the Company for each of the three financial years ended 31 March 2021, 2022 and 2023;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 40 of this circular;
- (d) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 41 to 60 of this circular;
- (e) the accountants’ report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (f) the material contracts referred to in the paragraph headed “9. Material Contracts” of this appendix; and

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

16. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) As at the Latest Practicable Date, the Company has no significant exposure to foreign exchange liabilities;
- (c) As at the Latest Practicable Date, save as disclosed elsewhere in this circular, there was no material contract for the hire or hire purchase of plant to or by any member of the Group for a period of over a year which is substantial in relation to the Group’s business; and
- (d) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

NOTICE OF EGM

SUN KONG HOLDINGS LIMITED 申港控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8631)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Sun Kong Holdings Limited (the “**Company**”) will be held at Yuen Long Town Hall, 4 Yuen Long Tai Yuk Road, Yuen Long, New Territories, Hong Kong on Thursday, 15 February 2024 at 11:00 a.m. for the purpose of considering and passing the following resolutions with or without amendments as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon, among other things, the GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) granting approval for the listing of, and permission to deal in, the Consolidated Shares (as defined below) in issue, with effect from the second business day immediately following the day of passing of this resolution, being a day on which the shares of the Company are traded on the Stock Exchange:
 - (i) every ten issued and unissued shares with a par value of HK\$0.01 each in the share capital of the Company (the “**Existing Share(s)**”) be consolidated into one (1) share with a par value of HK\$0.10 each (the “**Consolidated Share(s)**”), and such Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of shares contained in the memorandum and articles of association of the Company (the “**Share Consolidation**”) so that following the Share Consolidation, the authorised share capital of the Company will be changed from HK\$30,000,000 divided into 3,000,000,000 Existing Shares with a par value of HK\$0.01 each to HK\$30,000,000 divided into 300,000,000 Consolidated Shares with a par value of HK\$0.10 each;
 - (ii) all fractional Consolidated Shares resulting from the Share Consolidation will not be issued to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company in such manner and on such terms as the directors (each a “**Director**”) of the Company may think fit; and

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- (iii) any one Director be and is hereby authorised to approve, sign and execute such documents and do and/or procure to be done any and all acts, deeds and things which in his/her opinion may be necessary, desirable or expedient to effect and implement the Share Consolidation.”
2. “**THAT** subject to and conditional upon the passing of the resolution numbered 1, and the fulfilment of all the conditions as set out in the section headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the circular of the Company dated 24 January 2024:
- (i) the issue of a maximum of 80,000,000 new Consolidated Shares (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\$0.30 per Rights Share (the “**Subscription Price**”) on the basis of two Rights Shares for every one Consolidated Share held by the Shareholders (the “**Qualifying Shareholders**”) whose names appear on the register of members of the Company on Wednesday, 28 February 2024, or such other date as may be determined by the Company for determining entitlements of the Shareholders to participate in the Rights Issue (as defined below) (the “**Record Date**”), as described in further details in a circular issued by the Company dated 24 January 2024 (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the Meeting for purpose of identification), save for the Shareholders whose addresses as of the Record Date are outside of Hong Kong (if any) to whom the Directors, consider it necessary or expedient not to offer the Rights Shares on account either of the legal restrictions under the laws of the relevant place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s) (the “**Excluded Shareholders**”), and on and subject to such terms and conditions as may be determined by the Directors (the “**Rights Issue**”) be and are hereby approved, confirmed and ratified;
- (ii) the placing agreement (the “**Placing Agreement**”) dated 28 December 2023 and entered into between the Company and Cheong Lee Securities Limited (a copy of which marked “B” is produced to the meeting and initialed 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 Shares which would otherwise has/have been provisionally allotted to the Excluded 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;

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- (iii) the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other arrangements in relation to any Excluded Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the articles of the Company or the laws of, or the rules and regulations of any relevant regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution; and
- (iv) any one of the Directors be and are hereby authorised to do all such acts and things and execute all such documents as they may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue, the Placing Agreement and the transactions contemplated thereunder.”

By order of the Board
Sun Kong Holdings Limited
Law Ming Yik
Chairman and executive Director

Hong Kong, 24 January 2024

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company but must be in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the offices of the Company's share registrar and transfer office, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the Meeting (i.e. 11:00 a.m. on Tuesday, 13 February 2024) or any adjournment thereof. Completion and return of a form of proxy will not preclude a shareholder of the Company from attending in person and voting at the Meeting or any adjournment thereof, should he so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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3. The register of members of the Company will be closed from Wednesday, 7 February 2024 to Thursday, 15 February 2024 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the Meeting, all transfers accompanied by the relevant share certificate(s), must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harcourt Road , Hong Kong, not later than 4:30 p.m. on Tuesday, 6 February 2024.
4. A form of proxy for use at the Meeting is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.skhl.com.hk).
5. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Government of Hong Kong is/are in effect any time after 7:00 a.m. on the date of the Meeting, the meeting will be adjourned according to the articles of association of the Company. The Company will post an announcement on the websites of the Company at www.skhl.com.hk and the Stock Exchange at www.hkexnews.hk to notify members of the date, time and place of the rescheduled meeting.