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Hi-Level Technology Holdings Limited

揚宇科技控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8113)

**(A) PROPOSED RIGHTS ISSUE
ON THE BASIS OF ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) SHARE HELD ON THE RECORD DATE;
AND
(B) APPLICATION FOR WHITEWASH WAIVER**

**Financial adviser to the Rights Issue only and
Placing Agent to the Rights Issue**



**Independent Financial Adviser to the Company
ALTUS CAPITAL LIMITED**

PROPOSED RIGHTS ISSUE OF THE COMPANY

The Board proposes to implement the Rights Issue on the basis of one (1) Rights Share for every one (1) Share held on the Record Date at the Subscription Price of HK\$0.12 per Rights Share, to raise up to approximately HK\$78.3 million before expenses by way of issuing up to 652,770,000 Rights Shares.

The Company will provisionally allot to the Qualifying Shareholders one (1) Rights Share in nil-paid form for every one (1) Share in issue and held on the Record Date. The Rights Issue will not be available to the Non-Qualifying Shareholders. There will be no excess application arrangements in relation to the Rights Issue.

The Rights Issue is conditional upon, among other things, the Executive having granted the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM.

The estimated net proceeds of the Rights Issue, if fully subscribed, will be up to approximately HK\$77.1 million.

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.

As at the date of this announcement, SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company. Pursuant to the Undertakings, SAS Investment and Dr. Yim have provided undertakings to the Company respectively that subject to SAS Investment and Dr. Yim having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares provided that the obligations of SAS Investment and Dr. Yim are, however, subject to the public float requirement under the GEM Listing Rules and the total number of the Rights Shares to be subscribed by SAS Investment and Dr. Yim will be scaled down to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

THE COMPENSATORY ARRANGEMENTS AND THE PLACING AGREEMENT

The Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. On 8 June 2023 (after trading hours), the Company therefore entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has agreed to procure placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance. The placing price of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares shall be not less than the Subscription Price but the final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the date of this announcement, SAS Investment and Dr. Yim are controlling Shareholders. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company. Accordingly, the Concert Group and those Shareholders who are involved in, or interested in, the Rights Issue and the Placing Agreement shall abstain from voting in favour of the Rights Issue and the Placing Agreement at the EGM under the GEM Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% (with the shareholding interest of SAS Investment increases from approximately 34.4% to 47.2% and the shareholding interest of Dr. Yim increases from approximately 6.6% to 9.1% respectively) of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

Insofar as the Concert Group is concerned, assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of the Concert Group will increase from approximately 66.1% to 74.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by the Concert Group, unless a waiver is granted by the Executive.

In light of the above, SAS Investment and Dr. Yim will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Rights Issue, the Placing Agreement and the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group, no other Shareholder is involved or interested in the Rights Issue, the Placing Agreement and/or the Whitewash Waiver, and hence, is required to abstain from voting in favour of the proposed resolution(s) approving the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Placing Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Independent Shareholders; and (ii) how to vote on the resolution(s) relating to the Rights Issue, the Placing Agreement and the Whitewash Waiver. As Mr. Wong Wai Tai, a non-executive Director of the Company, is also an executive director of SAS Dragon and a member of the Concert Group, he is regarded as being interested in the transactions contemplated under the Rights Issue, the Placing Agreement and the Whitewash Waiver and therefore will not be a member of the Independent Board Committee.

In this connection, the Independent Financial Adviser has been appointed (with the approval of the Independent Board Committee) by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards.

The Circular containing, among other things, (i) further details of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (ii) the letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement and Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (iv) the notice convening the EGM; and (v) other disclosure requirements under the GEM Listing Rules and the Takeovers Code, is required to be despatched to all Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before Thursday, 29 June 2023). Having taken into account the estimated time required for the Company to compile the information required for the Circular, the Circular is expected to be despatched on or before Monday, 3 July 2023, which is beyond the aforesaid deadline. An application will be made by the Company to seek the consent from the Executive for the extension of the deadline for the despatch of the Circular.

The Rights Issue is conditional, *inter alia*, upon fulfilment of the conditions set out in the paragraphs headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” of this announcement. In particular, the Rights Issue is subject to the grant of the Whitewash Waiver by the Executive and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM. Accordingly, the Rights Issue may or may not proceed. Any Shareholders or potential investors contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled will bear the risk that the Rights Issue could not become unconditional and may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

PROPOSED RIGHTS ISSUE

The Rights Issue is proposed to take place on the following terms:

Issue statistic

| | | |
|---|---|---|
| Basis of the Rights Issue | : | One (1) Rights Share for every one (1) Share held on the Record Date |
| Subscription Price | : | HK\$0.12 per Rights Share |
| Number of Shares in issue as at the date of this announcement | : | 652,770,000 Shares |
| Total number of Rights Shares | : | Up to 652,770,000 Rights Shares (assuming no further Shares will be issued or repurchased on or before the Record Date) |

Number of Rights Shares being : 267,545,861 Rights Shares, of which 224,423,000 Rights Shares undertaken by SAS Investment and Dr. Yim are undertaken by SAS Investment and 43,122,861 Rights Shares are undertaken by Dr. Yim

Gross proceeds to be raised : From approximately HK\$27.4 million to approximately HK\$78.3 million from the Rights Issue

Assuming there is no change in the number of issued Shares on or before the Record Date, the maximum number of 652,770,000 Rights Shares to be issued represents:

- (a) 100% of the number of issued Shares (based on the Company's issued share capital as at the date of this announcement); and
- (b) 50% of the enlarged issued share capital of the Company immediately following completion of the Rights Issue.

As at the date of this announcement, the Company does not have any derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares. The Company also has no intention to issue or grant any convertible securities, options and/or warrants on or before the Record Date.

Subscription Price

The Subscription Price is HK\$0.12 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 35.5% to the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 35.5% to the average closing price of approximately HK\$0.186 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 32.5% to the average closing price of approximately HK\$0.178 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;

- (v) a discount of approximately 32.8% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 29.4% to the average closing price of approximately HK\$0.170 per Share as quoted on the Stock Exchange for the 180 consecutive trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 21.6% to the theoretical ex-rights price of approximately HK\$0.153 per Share based on the closing price of HK\$0.186 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (viii) a premium of approximately 188.0% over the net asset value of approximately HK\$0.042 per Share based on the audited equity attributable to owners of the Company of approximately HK\$27.2 million as at 31 December 2022 and 652,770,000 Shares; and
- (ix) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 17.7%, represented by a nominal discount of the theoretical diluted price of approximately HK\$0.153 per Share to the theoretical benchmarked price of HK\$0.186 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.186 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five previous consecutive trading days prior to the date of this announcement of approximately HK\$0.186 per Share).

The Subscription Price was determined with reference to the recent closing price of the Share, the financial conditions of the Company, the current market conditions and the reasons and benefits of the Rights Issue as discussed in the paragraphs headed “Reasons for the Rights Issue and use of proceeds” under the section headed “Proposed Rights Issue” in this announcement.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Board (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) considers that the terms of the Rights Issue and the Placing Agreement (including the Subscription Price) 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 will be conditional upon:

- (a) the passing of the necessary resolutions by the Independent Shareholders at the EGM approving, among other things, the Rights Issue, including the allotment and issue of the Rights Shares (in their nil-paid and fully paid forms); the Placing Agreement; and the Whitewash Waiver;

- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively one copy of each of the Prospectus Documents not later than the Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Posting Date;
- (d) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Shares as well as the Rights Shares in nil-paid and fully-paid forms by no later than the business day prior to the first day of their dealings;
- (e) the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules;
- (f) there being no material breach of the obligations of SAS Investment and Dr. Yim under the Undertakings; and
- (g) the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date, and the satisfaction of all conditions (if any) attached thereto.

The conditions are incapable of being waived. If any of the above conditions is not satisfied at or prior to the respective time stipulated therein, the Rights Issue will not proceed.

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.

The legal adviser of the Company has confirmed that there are no applicable statutory requirements under the Companies Act of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

In the event that the Rights Issue is undersubscribed, any Rights Shares not taken up by the Qualifying Shareholders under PAL(s), or transferees of nil-paid Rights Shares together with the NQS Unsold Rights Shares will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Compensatory Arrangements will not be issued by the Company, and hence, the size of the Rights Issue will be reduced accordingly.

In the event that the Rights Shares are not issued in full and assuming that (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstance, the obligations of SAS Investment and Dr. Yim to make a general offer under the Takeovers Code will be triggered as a result of the acceptance by them of the provisional allotment of Rights Shares to SAS Investment and Dr. Yim pursuant to the Undertakings. As disclosed in the paragraphs headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement, it is a condition of the Rights Issue for the Executive having granted (and such grant not having been withdrawn) the Whitewash Waiver to SAS Investment and Dr. Yim prior to the Posting Date and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must:

- (a) be registered as a member of the Company at the close of business on the Record Date; and
- (b) be a Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificates) must be lodged with the Registrar no later than 4:30 p.m. on Friday, 28 July 2023.

The Qualifying Shareholders who take up their pro-rata entitlement in full will not experience 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.

Closure of register of members

The register of members of the Company will be closed from Monday, 31 July 2023 to Friday, 4 August 2023 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder's provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Registrar by 4:00 p.m. on Monday, 21 August 2023.

Rights of Overseas Shareholders

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

The Company will comply with Rule 17.41(1) of the GEM Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to Overseas Shareholders, if any, under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on the legal advices to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), the Rights Issue will not be extended to such Overseas Shareholders.

The Company will send the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL to them.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit. For the avoidance of doubt, the Non-Qualifying Shareholders may vote at the EGM unless such person is not an Independent Shareholder (in which case they shall abstain).

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying 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 together with the Unsubscribed Rights Shares. Any NQS Unsold Rights Shares and Unsubscribed Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. For the Rights Shares in nil-paid form 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, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules. The Company reserves the right to treat as invalid any acceptance of 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 and beneficial owners of the Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares. The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. Shareholders and beneficial owners of the Shares (including, without limitation, their respective agents, custodians, nominees and trustees) should inform themselves of and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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

The Company will make arrangements as described in Rule 10.31(1)(b) of the GEM Listing Rules to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to independent placees for the benefit of the 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 has therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related expenses/fees), that is realised from the Placing will be paid to the No Action Shareholders. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 28 August 2023, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares at a price not less than the Subscription Price. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

Net Gain (if any) will be paid on a pro-rata basis (on the basis of all Unsubscribed Rights Shares and NQS Unsold Rights Shares) to the No Action Shareholders according to their shareholdings held on the Record Date in Hong Kong Dollars (but rounded down to the nearest cent) on the basis of all NQS Unsold Rights Shares and Unsubscribed Rights Shares 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 those Overseas Shareholders.

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

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid on or after the date of issue of the Rights Shares.

Fractional entitlements to the Rights Shares

On the basis of one (1) Rights Share for every one (1) Share held on the Record Date, no fractional entitlement will arise under the Rights Issue.

Odd Lot Arrangement

No odd lot matching services will be provided by the Company in respect of the Rights Shares.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on Thursday, 31 August 2023 by ordinary post to the allottees, at their own risk, to their registered addresses. If the Rights Issue does not become unconditional, refund cheques are expected to be sent on or about Thursday, 31 August 2023 by ordinary post to the applicants, at their own risk, to their registered addresses.

Taxation

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

Application for listing of the Rights Shares

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their 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. Nil-paid Rights Shares are expected to be traded in board lots of 10,000 as the Shares are currently traded on the Stock Exchange in board lots of 10,000.

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

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

THE PLACING AGREEMENT

On 8 June 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent has conditionally agreed to procure independent placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares. Details of the Placing are as follows:

Date : 8 June 2023 (after trading hours)

- Parties : The Company, as issuer; and
The Placing Agent, as placing agent
- Placing Agent : Sunny Fortune Capital Limited, appointed as the bookrunner and placing agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis.
- The Placing Agent and its ultimate beneficial owner(s) are independent of and not connected with the Company and its connected persons within the meaning of the GEM Listing Rules.
- Placing fee and expenses : The commission payable to the Placing Agent shall be 1% of the actual gross proceeds from the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares.
- The Company will pay all out-of-pocket expenses properly and reasonably incurred by the Placing Agent in connection with the Placing (excluding legal and other professional fees and expenses) which the Placing Agent is authorised to deduct from the payment to be made by the Placing Agent to the Company at completion.
- Placing price of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) : The placing price of each of the Unsubscribed Rights Share and/or the NQS Unsold Rights Share (as the case maybe) shall be at least equal to the Subscription Price but the final price will be determined based on the demand for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and market conditions during the process of the Placing.
- Placees : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares are expected to be placed to placees, who (i) shall be third party independent of, not acting in concert (within the meaning of the Takeovers Code) with and not connected with any directors, chief executive or substantial shareholders of the Company (including SAS Investment and Dr. Yim) or its subsidiaries or any of their respective associates; and (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10% or more of the voting rights of the Company upon completion of the Rights Issue, in order to ensure that the public float requirements under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company and none of the placees shall be obliged to make a mandatory general offer to the other Shareholders under the Takeovers Code.

Ranking of Unsubscribed Rights Shares and the NQS Unsold Rights Shares : The Unsubscribed Rights Shares and the NQS Unsold Rights Shares (when placed, allotted, issued and fully paid) shall rank *pari passu* in all respects among themselves and with the existing Shares in issue as at the date of this announcement.

Termination : If at any time prior to the Latest Time for Termination:

- (i) the Company fails to comply with its obligations under the Placing Agreement; or
- (ii) the occurrence of any force majeure events; 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,

and such matter in the reasonable opinion of the Placing Agent to be material in the context of the Placing then the Placing Agent may by giving notice in writing to the Company terminate the Placing Agent's obligation under the Placing Agreement and the Placing Agreement shall be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach thereunder prior to such termination.

Further, if all the Rights Shares have been taken up by the Qualifying Shareholders and/or the holders of the nil-paid rights on or before the Latest Time for Acceptance, the Placing Agreement shall terminate and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach thereunder prior to such termination.

Conditions precedent : The obligations of the Placing Agent under the Placing Agreement are conditional upon among others, the following conditions being fulfilled:

- (i) the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares;

- (ii) 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
- (iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

The engagement between the Company and the Placing Agent for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares was determined after arm's length negotiations between the Placing Agent and the Company. The Directors consider the terms of the Placing for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are on normal commercial terms. The Directors believe that the expenses are typical and ordinary in the marketing of securities.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares to the Company; (ii) an additional channel of participation in the Rights Issue for independent Qualifying Shareholders and the Non-Qualifying Shareholders; and (iii) a compensatory mechanism for the No Action Shareholders, the Company considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interests of the Company's minority Shareholders. The Company will ensure that it will continue to comply with the public float requirement under Rule 11.23(7) of the GEM Listing Rules after the Placing and the Rights Issue.

The Undertakings

As at the date of this announcement, SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company. Pursuant to the Undertakings, SAS Investment and Dr. Yim have provided undertakings to the Company respectively that subject to SAS Investment and Dr. Yim having obtained the Whitewash Waiver, they will accept in full the Rights Shares proposed to be provisionally allotted to them pursuant to the Rights Issue provided that the obligations of SAS Investment and Dr. Yim are, however, subject to the public float requirement under the GEM Listing Rules and the total number of the Rights Shares to be subscribed by SAS Investment and Dr. Yim will be scaled down to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue.

SAS Undertakings

Pursuant to the SAS Undertakings, SAS Investment had irrevocably undertaken to the Company:

- (a) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 224,423,000 Shares held by it as at the date of the SAS Undertakings or (ii) the nil-paid rights pertaining to 224,423,000 Rights Shares provisionally allotted to it;
- (b) the 224,423,000 Shares registered in its name and/or the name(s) of its nominee(s) as at the date of the SAS Undertakings shall remain registered in its name and/or under the name(s) of its nominee(s) on the Record Date and until the close of the Rights Issue;
- (c) to apply for the Whitewash Waiver;
- (d) subject to having obtained the Whitewash Waiver, to accept (i) in full the Rights Shares to be provisionally allotted to it pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares; or (ii) such maximum number of Rights Shares to be provisionally allotted to it pursuant to the Rights Issue to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (e) not to carry out any act (including any acquisition of voting rights by it or any parties acting in concert with it) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (f) prior to completion of the Rights Issue, if it is determined that completion of the Rights Issue based on the subscription of Rights Shares under PAL would result in the public float of the Company not being maintained, to scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

YIM Undertakings

Pursuant to the YIM Undertakings, Dr. Yim had irrevocably undertaken to the Company:

- (a) prior to the close of the Rights Issue, not to offer for sale, sell, transfer, contract to sell or otherwise dispose of any of (i) the 43,122,861 Shares held by him as at the date of the YIM Undertakings or (ii) the nil-paid rights pertaining to 43,122,861 Rights Shares provisionally allotted to him;
- (b) the 43,122,861 Shares registered in his name and/or the name of his wholly-owned controlled corporation or nominee(s) as at the date of the YIM Undertakings shall remain registered in his name and/or the name of his wholly-owned controlled corporation or nominee(s) on the Record Date and until the close of the Rights Issue;
- (c) to apply for the Whitewash Waiver;
- (d) subject to having obtained the Whitewash Waiver, to accept (i) in full the Rights Shares to be provisionally allotted to him pursuant to the Rights Issue by lodging the PAL accompanied by cheques or cashier order drawn on a licensed bank in Hong Kong for the full amount payable in respect of such Rights Shares; or (ii) such maximum number of Rights Shares to be provisionally allotted to it pursuant to the Rights Issue to the extent that the public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules be fulfilled by the Company upon completion of the Rights Issue;
- (e) not to carry out any act (including any acquisition of voting rights by him or any parties acting in concert with them) that would render the Whitewash Waiver not being granted by the Executive or being revoked if granted; and
- (f) prior to completion of the Rights Issue, if it is determined that completion of the Rights Issue based on the subscription of Rights Shares under PAL would result in the public float of the Company not being maintained, to scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.

Scale-down of subscriptions

To avoid the unwitting triggering of the Company's non-compliance with minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules, each of SAS Investment and Dr. Yim has respectively undertaken under the Undertakings that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue. The scaling-down mechanism will be determined by the Company and will be made on the basis that the applications are to be scaled-down by the Company (further details of which are set out below) to such extent which does not result in the Company's non-compliance with the minimum public float requirements under Rule 11.23(7) of the GEM Listing Rules at all times.

It is expected that the scaling-down of applications of the Rights Shares by SAS Investment and Dr. Yim shall be made by the Company after the latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent (i.e. Monday, 28 August 2023) when the Company has the results of the Placing and the tentative number of Rights Shares that will be held by the public upon completion of the Rights Issue. The Company will determine the number of Rights Shares to be scaled down and waived by SAS Investment and Dr. Yim respectively based on the information available to the Company after the Placing and the need to maintain sufficient public float under the GEM Listing Rules on a fair and equitable basis. Any subscription monies for the scaled-down Rights Shares paid by SAS Investment and Dr. Yim will be refunded to them on the same date when the Company despatches the share certificates for fully-paid Rights Shares on Thursday, 31 August 2023.

Effects on the shareholding structure of the Company

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after completion of the Rights Issue (assuming no further Shares will be issued or repurchased from the date of this announcement and up to the Record Date):

| | As at the date of this announcement | | Assuming all Shareholders have taken up the Rights Shares | | Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements | | Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent | |
|--|-------------------------------------|-------------|---|-------------|---|-------------|---|-------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| <u>Controlling Shareholders of the Company</u> | | | | | | | | |
| SAS Investment (Notes 1 and 2) | 224,423,000 | 34.4 | 448,846,000 | 34.4 | 448,846,000 | 34.4 | 416,252,612 | 47.2 |
| Dr. Yim (Notes 1, 2 and 12) | 43,122,861 | 6.6 | 86,245,722 | 6.6 | 86,245,722 | 6.6 | 79,982,905 | 9.1 |
| Sub-total of the Controlling Shareholders | 267,545,861 | 41.0 | 535,091,722 | 41.0 | 535,091,722 | 41.0 | 496,235,517 | 56.3 |

| | As at the date of this announcement | | Assuming all Shareholders have taken up the Rights Shares | | Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements | | Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent | |
|---|-------------------------------------|-------------|---|-------------|---|-------------|---|-------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| | | | | | | | | |
| <i>Directors of SAS Dragon</i> | | | | | | | | |
| Tsui Chi Wing, Eric (Notes 9 and 12) | 3,233,753 | 0.5 | 6,467,506 | 0.5 | 3,233,753 | 0.2 | 3,233,753 | 0.4 |
| Wong Sui Chuen (Notes 10 and 12) | 2,531,328 | 0.4 | 5,062,656 | 0.4 | 2,531,328 | 0.2 | 2,531,328 | 0.3 |
| Yim Tsz Kit, Jacky (Notes 11 and 12) | 300,000 | 0.05 | 600,000 | 0.05 | 300,000 | 0.02 | 300,000 | 0.03 |
| Wong Wai Tai (Notes 5 and 12) | 3,300,000 | 0.5 | 6,600,000 | 0.5 | 3,300,000 | 0.3 | 3,300,000 | 0.4 |
| Sub-total of the directors of SAS Dragon | 9,365,081 | 1.4 | 18,730,162 | 1.4 | 9,365,081 | 0.7 | 9,365,081 | 1.1 |
| <i>Directors of the Company</i> | | | | | | | | |
| Chang Wei Hua (Notes 3 and 13) | 76,847,000 | 11.8 | 153,694,000 | 11.8 | 76,847,000 | 5.9 | 76,847,000 | 8.7 |
| Wei Wei (Notes 4 and 13) | 76,847,000 | 11.8 | 153,694,000 | 11.8 | 76,847,000 | 5.9 | 76,847,000 | 8.7 |
| Tong Sze Chung (Notes 6 and 13) | 600,144 | 0.1 | 1,200,288 | 0.1 | 600,144 | 0.05 | 600,144 | 0.07 |
| Sub-total | 154,294,144 | 23.7 | 308,588,288 | 23.7 | 154,294,144 | 11.8 | 154,294,144 | 17.5 |

| | As at the date of this announcement | | Assuming all Shareholders have taken up the Rights Shares | | Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and the remaining Unsubscribed Rights Shares and the NQS Unsold Rights Shares are fully placed to the places under the Compensatory Arrangements | | Assuming no Qualifying Shareholders (save for SAS Investment and Dr. Yim) take up their respective entitlements under the Rights Issue and no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been placed by the Placing Agent | |
|---------------------------------------|-------------------------------------|-------------|---|-------------|---|-------------|---|-------------|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| | | | | | | | | |
| Sub-total of the Concert Group | 431,205,086 | 66.1 | 862,410,172 | 66.1 | 698,750,947 | 53.5 | 659,894,742 | 74.9 |
| <i>Directors of the Company</i> | | | | | | | | |
| Fung Cheuk Nang, Clement (Note 7) | 600,000 | 0.1 | 1,200,000 | 0.1 | 600,000 | 0.05 | 600,000 | 0.07 |
| Tsoi Chi Ho, Peter (Note 8) | 600,000 | 0.1 | 1,200,000 | 0.1 | 600,000 | 0.05 | 600,000 | 0.07 |
| Sub-total | 1,200,000 | 0.2 | 2,400,000 | 0.2 | 1,200,000 | 0.1 | 1,200,000 | 0.1 |
| Independent Placees | – | – | – | – | 385,224,139 | 29.5 | – | – |
| Other Public Shareholders | 220,364,914 | 33.8 | 440,729,828 | 33.8 | 220,364,914 | 16.9 | 220,364,914 | 25 (Note 2) |
| Total | 652,770,000 | 100 | 1,305,540,000 | 100 | 1,305,540,000 | 100 | 881,459,656 | 100 |

* Figures may not add up due to rounding

Notes:

- (1) Dr. Yim is the controlling shareholder of SAS Dragon and is interested in approximately 54.7% of the issued shares of SAS Dragon, which in turn owns 100% of the shareholding of SAS Investment. Dr. Yim is an executive Director and the chairman of the Company and an executive director and chairman of SAS Dragon.

- (2) Each of SAS Investment and Dr. Yim has respectively undertaken that where the Rights Issue would result in the public float of the Company not being maintained, they will scale down such number of the Rights Shares to be subscribed and waive its rights to take up such number of Rights Shares before completion of the Rights Issue to ensure the Company's compliance with the minimum public float requirements as set out under Rule 11.23(7) of the GEM Listing Rules upon completion of the Rights Issue.
- (3) Mr. Chang Wei Hua, an executive Director, beneficially owns 600,000 Shares and 76,247,000 Shares are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.
- (4) Mr. Wei Wei, an executive Director, beneficially owns 600,000 shares and 76,247,000 shares are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.
- (5) Mr. Wong Wai Tai is an executive director of SAS Dragon and also a non-executive Director of the Company.
- (6) Mr. Tong Sze Chung is an executive Director.
- (7) Mr. Fung Cheuk Nang, Clement is an independent non-executive Director.
- (8) Mr. Tsoi Chi Ho, Peter is an independent non-executive Director.
- (9) Mr. Tsui Chi Wing, Eric is an executive director of SAS Dragon. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky.
- (10) Mr. Wong Sui Chuen is an executive director of SAS Dragon.
- (11) Mr. Yim Tsz Kit, Jacky is an executive director of SAS Dragon. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric.
- (12) Pursuant to class (2) of the definition of the "acting in concert" under the Takeovers Code, a company with any directors (together with their close relatives, related trusts and companies controlled by such directors, close relatives and related trusts) of the company or of its parent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen and Mr. Yim Tsz Kit, Jacky are directors of SAS Dragon, thus they are presumed to be parties acting in concert with SAS Dragon under this class.
- (13) Pursuant to class (6) of the definition of the "acting in concert" under the Takeovers Code, directors of a company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent are presumed to be acting in concert with others in the same class unless the contrary is established. Given Dr. Yim, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung are directors of the Company, thus they are presumed to be parties acting in concert with Dr. Yim under this class.

Reasons for the Rights Issue and use of proceeds

Assuming that there is no change in the number of issued Shares on or before the Record Date, the net proceeds from the Rights Issue (after deduction of estimated professional fees and other related expenses of approximately HK\$1.2 million) will not be less than approximately HK\$26.2 million and not more than approximately HK\$77.1 million.

Assuming full subscription under the Rights Shares, the estimated net proceeds of the Rights Issue will be HK\$77.1 million. The Company intends to apply such net proceeds as to:–

- (a) approximately 70% of net proceeds (approximately HK\$54.0 million) for the repayment of outstanding bank borrowings;
- (b) approximately 20% of net proceeds (approximately HK\$15.4 million) for the development of new applications for microcontrollers (MCU) and electronic paper including sale team recruitment and initial buffer stock ordering; and
- (c) the remaining balance 10% of net proceeds (approximately HK\$7.7 million) for the general working capital of the Group.

As the Rights Issue will proceed on a non-underwritten basis, the actual amount of the net proceeds from the Rights Issue cannot be ascertained as at the date of this announcement. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be utilized in proportion to the above uses.

As disclosed in the annual report of the Company for the year ended 31 December 2022 and 2021, due to weak demand in the consumer electronic market caused by unfavorable global business environment such as rising inflation worldwide and interest rate hikes in the US and the downwards trends of prices of panels and panel modules due to the fierce price competition, the Group has been facing difficult time since 2021 with its financial performance being severely affected. In 2021 and 2022, the Group recorded losses of approximately HK\$46.9 million and approximately HK\$68.5 million respectively. Moreover, the Group had net cash position at 31 December 2020 and its net gearing ratio (calculated based on the Group's net debt and total equity) has increased from 182.1% at 31 December 2021 to 417.4% at 31 December 2022. As at 31 December 2022, the Group still had an outstanding loan of approximately HK\$220.4 million, which are payable within one year. The Rights Issue can immediately strengthen the capital base and financial position of the Company by improving its net assets value and cash on hand without increasing its current liabilities. Assuming the Rights Issue are fully subscribed, the Rights Issue will bring down the Group's net gearing ratio to below 100% immediately. The cash infusion from the rights issue to the capital base will also benefit the Group and enhances its financial flexibility to capture future business opportunities. As such the Board believes that such enhanced capital base and financial position will further strengthen the Group's balance sheet and resilience in a volatile market for its operations and development. The net proceeds from the Rights Issue are expected to be used for the Group's general working capital purpose to enhance the Group's capital base and financial position and also to support the on-going business development of the Group. Such intended use of proceeds is not expected to change regardless of the subscription level of the Rights Issue.

The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) have considered other financing alternatives including (i) additional debt financing; and (ii) equity fund raising such as placement of the Shares and open offer. The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) are of the view that while additional debt financing will increase the Group's gearing ratio, it will also increase the ongoing interest expenses of the Group which may in turn affect the profitability of the Company. As for equity fund raising, such as placement of Shares, it is a common market practice to conduct such activity on a best-effort basis and accordingly the amount to be raised would be uncertain and subject to the then market conditions, especially the Board has taken into account the slim trading volume of the Shares in the market in the 12 months. In addition, for placement of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company. As for open offer, while it offers Qualifying Shareholders to participate in, it does not allow the trading of rights entitlements in the open market which may not be a best option to the Shareholders.

The Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) are of the view that the Rights Issue provides better financial flexibility for the Company as it will strengthen the capital base of the Company, thus enhancing its net asset position without the ongoing burden of interest expenses, and also offer all Qualifying Shareholders the opportunity to maintain their pro rata shareholding interests in the Company and avoid shareholding dilution for those Shareholders who take up their entitlement under the Rights Issue in full. Taking into account the costs and benefits of each of the alternatives as compared with the Rights Issue, the Directors (other than the members of the Independent Board Committee who will form their view after reviewing and considering the advice from the Independent Financial Adviser) consider raising funds by way of the Rights Issue is more attractive and feasible in the current market condition, and thus, in the interests of the Company and the Shareholders as a whole.

Previous fund raising exercise involving issue of securities in the prior 12-month period

The Company has not completed any equity fund raising activities in the twelve (12) months immediately prior to the date of this announcement.

Information on the Company and the Group

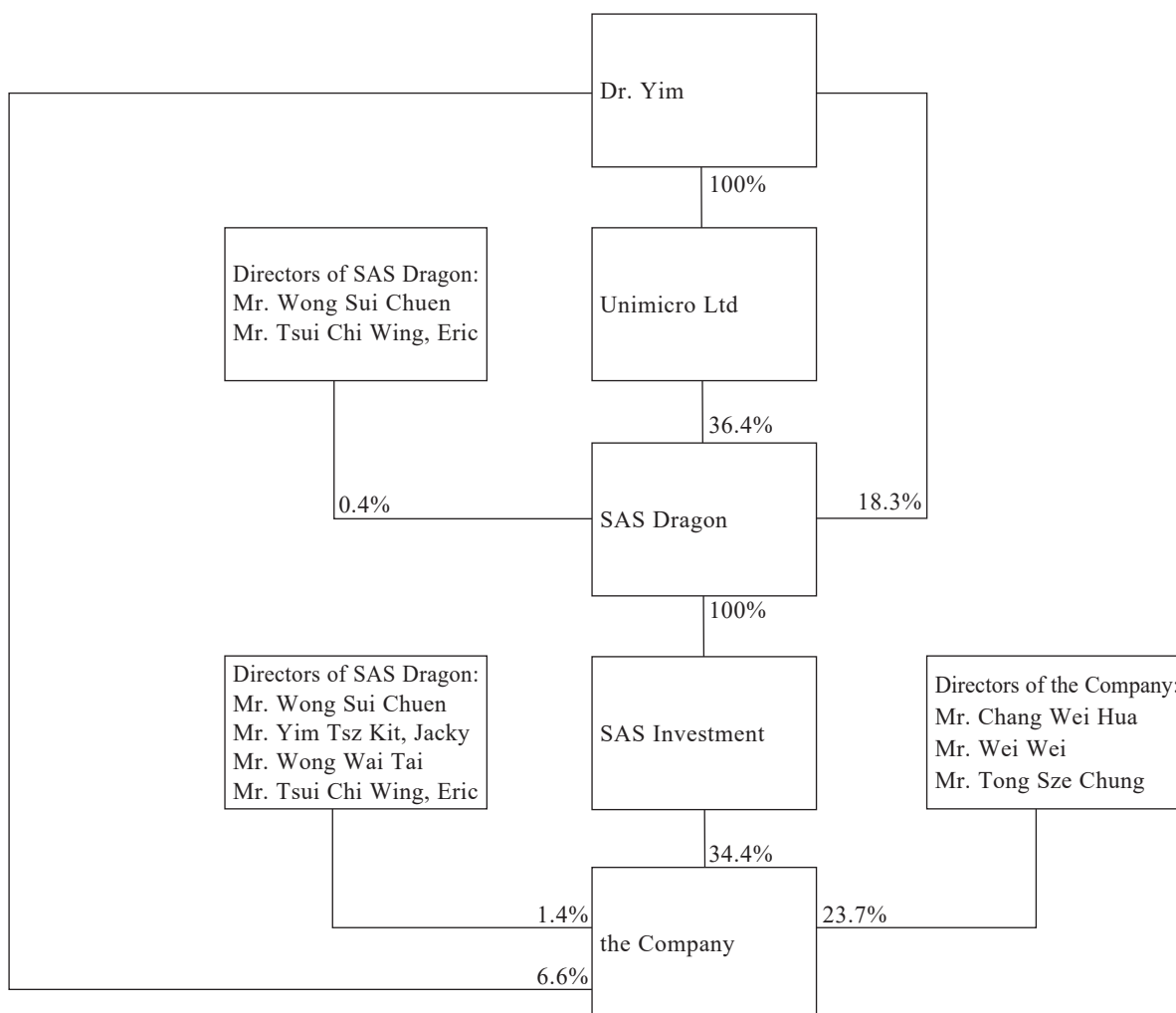
The Company is a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM of the Stock Exchange (stock code: 8113). The Group is principally engaged in the sale of electronic components (mainly integrated circuit and panels) for consumer electronic products such as mobile internet devices, electronic learning aids, multi-media player (car infotainment system), smartphone panel modules, set-top boxes and video image device together with the provision of IDH services to original brand manufacturers and original design manufacturers.

Set out below is a summary of the audited financial results of the Group for the two years ended 31 December 2021 and 2022, as extracted from the annual report of the Company for the year ended 31 December 2022.

| | For the year ended | |
|--|---------------------------|-----------------|
| | 31 December | |
| | 2021 | 2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 2,847,359 | 1,732,213 |
| Cost of sales | (2,853,299) | (1,755,766) |
| Loss before taxation | (46,650) | (68,402) |
| Income tax expense | (304) | (143) |
| Loss for the year | (46,954) | (68,545) |
| Other comprehensive income/(loss) for the year | 4,567 | (7,737) |
| Total comprehensive loss for the year | (42,387) | (76,282) |

Information on the Concert Group

Set out below is the shareholding structure chart of the Concert Group as at the date of this announcement:



SAS Dragon is a company incorporated in Bermuda with limited liability with its shares listed and traded on the Main Board of the Stock Exchange (stock code: 1184). The principal activities of SAS Dragon and its subsidiaries include investment holding, distribution of electronic products, sale of business equipment and provision of related ancillary services, property and investment holding and sales and contract work of LED lighting product.

SAS Investment is a company incorporated in Hong Kong with limited liability, whose principal business is investment holding. As at the date of this announcement, SAS Investment is a wholly-owned subsidiary of SAS Dragon and its directors are Dr. Yim and Mr. Wong Sui Chuen.

Unimicro is a company incorporated in the British Virgin Islands with limited liability, whose principal business is investment holding. As at the date of this announcement, Unimicro is owned 100% by Dr. Yim and its directors are Dr. Yim and Ms. Tsui Yuk Shan.

Dr. Yim, aged 64, is the founder, executive director, chairman and managing director of SAS Dragon since 25 May 1993. He was appointed as chairman and executive director of the Company on 1 October 2015. Dr. Yim was also appointed as independent non-executive director of Asia Allied Infrastructure Holdings Limited (stock code: 711), a company listed on the Main Board of the Stock Exchange on 15 May 2020 and has been re-designated from independent non-executive director to non-executive director on 15 September 2021 and remained as a member of the audit committee and the nomination committee.

Mr. Wong Sui Chuen, aged 69, is appointed as an executive director of SAS Dragon in 2003. He is mainly responsible for overall administration operations in the PRC. Mr. Wong has over twenty years experience in the PRC business affairs. As at the date of this announcement, Mr. Wong Sui Chuen directly holds 2,531,328 Shares, representing approximately 0.4% of the issued share capital of the Company.

Mr. Yim Tsz Kit, Jacky, aged 38, was appointed as an executive director of SAS Dragon 2013. He is the founder and chief executive officer of S.A.S. Lighting Company Limited. He joined SAS Dragon and its subsidiaries in 2009 and leads a working team to develop the LED lighting business in the group. He is the son of Dr. Yim and the nephew of Mr. Tsui Chi Wing, Eric. As at the date of this announcement, Mr. Yim Tsz Kit, Jacky directly holds 300,000 Shares, representing approximately 0.05% of the issued share capital of the Company.

Mr. Wong Wai Tai, aged 51, was appointed as executive director of SAS Dragon in 2016. He joined SAS Dragon in 2005 as the company secretary and chief financial officer of SAS Dragon and its subsidiaries. Mr. Wong Wai Tai was appointed as non-executive director of the Company in 2016. As at the date of this announcement, Mr. Wong Wai Tai directly holds 3,300,000 Shares, representing approximately 0.5% of the issued share capital of the Company.

Mr. Tsui Chi Wing, Eric, aged 59, is appointed as executive director of SAS Dragon in 2021. He joined the group in 2012 as President of Time Speed Technology Corporation incorporated in Taiwan, a wholly-owned subsidiary of SAS Dragon. He has more than thirty years in the operation and management in the electronic industry. He is the brother-in-law of Dr. Yim and is the uncle of Mr. Yim Tsz Kit, Jacky. As at the date of this announcement, Mr. Tsui Chi Wing, Eric directly holds 3,233,753 Shares, representing approximately 0.5% of the issued share capital of the Company.

Mr. Chang Wei Hua, aged 58, was appointed as an executive Director and chief executive officer of the Company on 1 October 2015. He is appointed as general manager of Hi-Level Technology Limited, a wholly-owned subsidiary of the Company, in 2000 and is appointed as a managing director of Hi-Level Technology Limited in 2003. Mr. Chang Wei Hua has over 20 years of experience in corporate management and business development. He has also over 25 years of extensive experience in sales, marketing and undertaking research and development projects within electronics field. As at the date of this announcement, Mr. Chang Wei Hua is in aggregate interested in 76,847,000 Shares, representing approximately 11.8% of the issued share capital of the Company, in which he beneficially owns 600,000 Shares, representing approximately 0.1% of the issued share capital of the Company, and 76,247,000 Shares, representing approximately 11.7% of the issued share capital of the Company, are held by Vertex Value Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Chang Wei Hua.

Mr. Wei Wei, aged 53, was appointed as an executive Director of the Company on 1 October 2015. He is the founder of Hi-Level Technology Limited. He is appointed as Director and executive vice president of Hi-Level Technology Limited in 2000. Mr. Wei Wei is responsible for the operations of the Group in the PRC. He has over 20 years of management experience within the electronics field in sales, marketing and undertaking research and development projects. As at the date of this announcement, Mr. Wei Wei is in aggregate interested in 76,847,000 Shares, representing approximately 11.8% of the issued share capital of the Company, in which he beneficially owns 600,000 Shares, representing approximately 0.1% of the issued share capital of the Company, and 76,247,000 Shares, representing approximately 11.7% of the issued share capital of the Company, are held by Victory Echo Holdings Limited, a company incorporated in the British Virgin Islands, which is beneficially owned by Mr. Wei Wei.

Mr. Tong Sze Chung, aged 54, was appointed as an executive Director on 1 October 2015 and he is also a financial controller, company secretary and compliance officer of the Company. He is a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Tong Sze Chung joined Hi-Level Technology Limited as the financial controller on 1 January 2013. Mr. Tong Sze Chung has been appointed as an independent non-executive director of Kong Shum Union Property Management (Holding) Limited (stock code: 8181), a company listed on the GEM of the Stock Exchange, from September 2013 to February 2015. Mr. Tong is responsible for the accounting and financial management of the Group's operations. He has over 20 years' experience in accounting and financial management. As at the date of this announcement, Mr. Tong Sze Chung directly holds 600,144 Shares, representing approximately 0.1% of the issued share capital of the Company.

As at the date of this announcement, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company.

Furthermore, as at the date of this announcement, Dr. Yim is a controlling shareholder of SAS Dragon in aggregate interested in 342,342,800 issued shares of SAS Dragon, representing approximately 54.7% of the issued shares of SAS Dragon, comprising 227,542,800 issued shares of SAS Dragon, representing approximately 36.4% of the issued shares of SAS Dragon, indirectly held through Unimicro and 114,800,000 issued shares of SAS Dragon, representing approximately 18.3% of the issued shares of SAS Dragon, held directly by him. Dr. Yim, being a controlling shareholder of SAS Dragon, is deemed to be interested in 224,423,000 Shares held by SAS Investment under the SFO.

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below. The expected timetable is subject to change, and any such change will be announced in a separate announcement by the Company as and when appropriate.

(Hong Kong time)

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| Expected despatch date of circular with notice and form of proxy for the EGM | Monday, 3 July 2023 |
| Latest time for lodging Shares transfer documents to qualify for attendance and voting at EGM | 4:30 p.m. on Wednesday, 19 July 2023 |
| Closure of register of members of the Company for attending the EGM (both days inclusive) | Thursday, 20 July 2023 to Tuesday, 25 July 2023 |
| Latest date and time for lodging forms of proxy for the purpose of the EGM | 11:00 a.m. on Sunday, 23 July 2023 |
| Record date for attendance and voting at the EGM | Tuesday, 25 July 2023 |
| Expected date and time of the EGM | 11:00 a.m. on Tuesday, 25 July 2023 |
| Announcement of poll results of EGM | Tuesday, 25 July 2023 |
| Last day of dealings in Shares on a cum-rights basis | Wednesday, 26 July 2023 |
| First day of dealings in Shares on an ex-rights basis | Thursday, 27 July 2023 |
| Latest time for the Shareholders to lodge Shares transfer documents in order to qualify for the Rights Issue | 4:30 p.m. on Friday, 28 July 2023 |
| Closure of register of members of the Company for the Rights Issue (both days inclusive) | Monday, 31 July 2023 to Friday, 4 August 2023 |
| Record Date for determining entitlements to the Rights Issue | Friday, 4 August 2023 |
| Register of members of the Company re-opens | Monday, 7 August 2023 |

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| Expected despatch of Prospectus Documents (including the PAL and Prospectus), and in case of the Non-Qualifying Shareholders, the Prospectus only | Monday, 7 August 2023 |
| First day of dealings in nil-paid Rights Shares | Wednesday, 9 August 2023 |
| Latest time for splitting the PAL | 4:30 p.m. on Friday, 11 August 2023 |
| Last day of dealings in nil-paid Rights Shares | Wednesday, 16 August 2023 |
| Latest time for lodging transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain | 4:00 p.m. on Monday, 21 August 2023 |
| Latest time for acceptance of, and payment for, the Rights Shares | 4:00 p.m. on Monday, 21 August 2023 |
| Announcement of the number of Unsubscribed Rights Shares subject to the Compensatory Arrangements and the NQS Unsold Rights Shares | Wednesday, 23 August 2023 |
| Commencement of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent | Thursday, 24 August 2023 |
| Latest time of placing the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent | 4:00 p.m. on Monday, 28 August 2023 |
| Announcement of allotment results of the Rights Issue (including results of the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares) | Wednesday, 30 August 2023 |
| Despatch of share certificates for fully-paid Rights Shares and refund cheques (if the Rights Issue is terminated) | Thursday, 31 August 2023 |
| Commencement of dealings in fully-paid Rights Shares | Friday, 1 September 2023 |
| Payment of Net Gain to relevant No Action Shareholders (if any) | Friday, 1 September 2023 |

All times and dates stated above refer to Hong Kong local times and dates. The expected timetable for the Rights Issue set out above and all dates and deadlines specified in this announcement are indicative only and may be varied. Any changes to the expected timetable will be announced in a separate announcement by the Company as and when appropriate.

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:

1. typhoon signal No. 8 (or above);
2. “extreme conditions” caused by super typhoons as announced by the Government of the Hong Kong Special Administrative Region; or
3. a “black” rainstorm warning
 - (i) is/are in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
 - (ii) is/are in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the date of the Latest Time for Acceptance. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in paragraph headed “Expected Timetable” above may be affected. Announcement will be made by the Company in such event.

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

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms, the Executive granting the Whitewash Waiver to SAS Investment and Dr. Yim and the Rights Issue, the Placing Agreement and Whitewash Waiver being approved by the Independent Shareholders at the EGM. Please refer to the paragraphs headed “Conditions of the Rights Issue” under the section headed “Proposed Rights Issue” in this announcement. 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.

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

Any dealings in the Shares from the date of this announcement up to the date on which all conditions of the Rights Issue are fulfilled, and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.

IMPLICATIONS UNDER THE GEM LISTING RULES

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in general meeting by a resolution on which any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the date of this announcement, SAS Investment and Dr. Yim are controlling shareholders of the Company. SAS Investment and Dr. Yim are in aggregate interested in 267,545,861 Shares, representing approximately 41.0% of the issued share capital of the Company, of which (i) SAS Investment directly holds 224,423,000 Shares, representing approximately 34.4% of the issued share capital of the Company; and (ii) Dr. Yim directly holds 43,122,861 Shares, representing approximately 6.6% of the issued share capital of the Company. Accordingly, the Concert Group and those Shareholders who are involved in, or interested in, the Rights Issue and the Placing Agreement shall abstain from voting in favour of the proposed Rights Issue and the Placing Agreement at the EGM.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the date of this 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. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 10.44A of the GEM Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE AND APPLICATION FOR THE WHITEWASH WAIVER

Assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of SAS Investment and Dr. Yim will increase from approximately 41.0% to 56.3% (with the shareholding interest of SAS Investment increases from approximately 34.4% to 47.2% and the shareholding interest of Dr. Yim increases from approximately 6.6% to 9.1% respectively) of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

Insofar as the Concert Group is concerned, assuming (i) there is no change in the number of issued Shares on or before the Record Date; (ii) no Qualifying Shareholders accept any Rights Shares provisionally allotted to them other than SAS Investment and Dr. Yim; (iii) each of SAS Investment and Dr. Yim has fulfilled their obligations under the Undertakings and accept the Rights Shares in full or such maximum number of Rights Shares to the extent that the public float requirement under the GEM Listing Rules be fulfilled by the Company upon completion pursuant to the Rights Issue to maintain the sufficiency of public float of the Company; and (iv) no Unsubscribed Rights Shares and the NQS Unsold Rights Shares have been successfully placed by the Placing Agent, the aggregate shareholding interest of the Concert Group will increase from approximately 66.1% to 74.9% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares upon completion of the Rights Issue.

In such circumstances as described above, the acceptance in full or such maximum number of Rights Shares by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings will trigger an obligation to make a mandatory general offer under Rule 26 of the Takeovers Code for all Shares not already owned or agreed to be acquired by the Concert Group, unless a waiver is granted by the Executive.

In light of the above, SAS Investment and Dr. Yim will make an application for the Whitewash Waiver to the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. Pursuant to the Takeovers Code, the Rights Issue, the Placing Agreement and the Whitewash Waiver will be conditional on, among other things, the approval of the Independent Shareholders of the Rights Issue, the Placing Agreement and the Whitewash Waiver at the EGM by way of poll in accordance with the requirements of the Takeovers Code. Save for the Concert Group, no other Shareholder is involved or interested in the Rights Issue, the Placing Agreement and/or the Whitewash Waiver, and hence, is required to abstain from voting in favour of the proposed resolution(s) approving the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM. The Whitewash Waiver, if granted by the Executive, would be subject to, among others, (i) the approval by at least 75% of the Independent Shareholders at the EGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the Independent Shareholders at the EGM by way of poll in respect of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder respectively.

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

As at the date of this announcement:

- (a) save for in aggregate 431,205,086 Shares held by the Concert Group, representing approximately 66.1% of the issued share capital of the Company, none of the members of the Concert Group and any parties acting in concert with them owns or has control or direction over any voting rights or rights over the Shares, options, derivatives, warrants or other securities convertible into Shares;
- (b) the Concert Group and any parties acting in concert with them have no dealings in any securities of the Company in the 6-month period preceding to and including the date of this announcement;
- (c) the Concert Group and any parties acting in concert with them have not received any irrevocable commitment to vote for or against the proposed resolutions approving the Rights Issue, the Placing Agreement and/or the Whitewash Waiver at the EGM;
- (d) there is no outstanding derivative in respect of securities in the Company entered into by the Concert Group or any parties acting in concert with them;
- (e) save for the Undertakings, there is no arrangement (whether by way of option, indemnity or otherwise) under Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of SAS Investment and Dr. Yim and which may be material to the Rights Issue, the Placing Agreement and/or the Whitewash Waiver;
- (f) save that the Rights Issue is conditional upon, among other things, obtaining of the Whitewash Waiver by SAS Investment and Dr. Yim and there being no material breach of the obligations of SAS Investment and Dr. Yim under the Undertakings, there is no arrangement or agreement to which any members of the Concert Group or any parties acting in concert with them are a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Rights Issue, the Placing Agreement and/or the Whitewash Waiver;
- (g) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Concert Group or any parties acting in concert with them have borrowed or lent;
- (h) apart from the Subscription Price for the Rights Shares to be subscribed, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Concert Group to the Group in connection with the Rights Issue;
- (i) apart from the Undertakings, there is no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeover Code) between the Group and the Concert Group or any parties acting in concert with them; and
- (j) there is no understanding, arrangement or agreement or special deal (as defined under Rule 25 of the Takeover Code) between any Shareholders and (i) the Concert Group, or (ii) the Company, its subsidiaries or associated companies.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue, the Placing Agreement and the Whitewash Waiver are fair and reasonable and in the interest of the Independent Shareholders; and (ii) how to vote on the resolution(s) relating to the Rights Issue, the Placing Agreement and the Whitewash Waiver. As Mr. Wong Wai Tai, a non-executive Director of the Company, is also an executive director of SAS Dragon and a member of the Concert Group, he is regarded as being interested in the transactions contemplated under the Rights Issue, the Placing Agreement and the Whitewash Waiver and therefore will not be a member of the Independent Board Committee.

In this connection, the Independent Financial Adviser has been appointed (with the approval of the Independent Board Committee) by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards.

The Company has also appointed Sunny Fortune Capital as the financial adviser to the Company as to the Rights Issue only. Sunny Fortune Capital has not and will not provide any advice on any Takeovers Code related matters including the Whitewash Waiver.

The Circular containing, among other things, (i) further details of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (ii) the letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement and Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver; (iv) the notice convening the EGM; and (v) other disclosure requirements under the GEM Listing Rules and the Takeovers Code, is required to be despatched to all Shareholders within 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code (i.e. on or before Thursday, 29 June 2023). Having taken into account the estimated time required for the Company to compile the information required for the Circular, the Circular is expected to be despatched on or before Monday, 3 July 2023, which is beyond the aforesaid deadline. An application will be made by the Company to seek the consent from the Executive for the extension of the deadline for the despatch of the Circular.

The EGM will be convened and held for the Independent Shareholders, to consider and, if thought fit, approve, among other things, (i) the Rights Issue; (ii) the Placing Agreement; and (iii) the Whitewash Waiver, each in accordance with the Articles of Association, the GEM Listing Rules and the Takeovers Code.

Subject to the approval of the Rights Issue, the Placing Agreement and the Whitewash Waiver by the Independent Shareholders at the EGM, the Prospectus Documents will be despatched to the Qualifying Shareholders on or before Monday, 7 August 2023 whereas the Prospectus will be despatched to the Non-Qualifying Shareholders for information only.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

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| “acting in concert” | has the same meaning ascribed thereto under the Takeovers Code |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “associate(s)” | has the same meaning ascribed thereto 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 |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “Circular” | the circular to be issued by the Company in relation to (among other things) the Rights Issue, the Placing Agreement and the Whitewash Waiver |
| “Company” | Hi-Level Technology Holdings Limited 揚宇科技控股有限公司, a company incorporated in Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8113) |
| “Compensatory Arrangements” | placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis pursuant to the Placing Agreement in accordance with Rule 10.31(1)(b) of the GEM Listing Rules |
| “Concert Group” | SAS Investment, Dr. Yim and parties acting in concert with any of them (including SAS Dragon, Unimicro, Mr. Wong Wai Tai, Mr. Tsui Chi Wing, Eric, Mr. Wong Sui Chuen, Mr. Yim Tsz Kit, Jacky, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung) |
| “controlling shareholder(s)” | has the same meaning ascribed thereto under the Listing Rules or the GEM Listing Rules (as the case may be) |
| “Director(s)” | director(s) of the Company |

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| “Dr. Yim” | Dr. Yim Yuk Lun, Stanley <i>BBS, JP</i> (嚴玉麟), (i) an executive Director and the chairman of the Company and (ii) an executive director and chairman of SAS Dragon |
| “EGM” | the extraordinary general meeting of the Company to be convened and held at which resolutions will be proposed to consider, and, if thought fit, to approve, among other things, the Rights Issue, the Placing Agreement and the Whitewash Waiver |
| “Executive” | the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director |
| “GEM” | GEM operated by the Stock Exchange |
| “GEM Listing Committee” | has the same meaning ascribed thereto under the GEM Listing Rules |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong Dollars, the lawful currency of Hong Kong |
| “HKSCC” | Hong Kong Securities Clearing Company Limited |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter, established for the purpose of advising the Independent Shareholders on the Rights Issue, the Placing Agreement and the Whitewash Waiver |
| “Independent Financial Adviser” | Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed (with the approval of the Independent Board Committee) by the Company for the purpose of giving recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the Whitewash Waiver |
| “Independent Shareholder(s)” | Shareholder(s) other than (i) the Concert Group; and (ii) those Shareholders who are involved in, or interested in, the Rights Issue, the Placing Agreement and/or the Whitewash Waiver |

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| “Last Trading Day” | Thursday, 8 June 2023, being the last trading day of the Shares on the Stock Exchange before the release of this announcement |
| “Latest Time for Acceptance” | 4:00 p.m. on Monday, 21 August 2023 (or such other time and date as may be determined by the Company), being the latest time for acceptance of and payment for the Rights Shares |
| “Latest Time for Termination” | 4:00 p.m. on Tuesday, 29 August 2023, being the first business day after the latest time for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent, being the latest time to terminate the Placing Agreement |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “Net Gain” | the aggregate of any premium (being the aggregate amount paid by the placees after deducting (i) the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Compensatory Arrangements; and (ii) the aggregate amount of the expenses of the Placing Agent and any other related expenses/fees) |
| “No Action Shareholder(s)” | Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed (including the Non-Qualifying Shareholders in respect of NQS Unsold Rights Shares) |
| “Non-Qualifying Shareholder(s)” | those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place |
| “NQS Unsold Rights Share(s)” | the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholder(s) in nil-paid form that has/have not been sold by the Company |
| “Overseas Shareholder(s)” | the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong |
| “PAL(s)” | the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue |

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| “Placing” | the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and/or its sub-placing agents(s) to the placees on the terms and subject to the conditions of the Placing Agreement |
| “Placing Agent” | Sunny Fortune Capital Limited, a licensed corporation 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 placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements in accordance with Rule 10.31(1)(b) of the GEM Listing Rules |
| “Placing Agreement” | the placing agreement dated 8 June 2023 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis |
| “Posting Date” | Monday, 7 August 2023 (or such other date as may be determined by the Company), being the date of despatch of the Prospectus Documents to the Qualifying Shareholders, and the Prospectus for information only to the Non-Qualifying Shareholders (as the case may be) |
| “PRC” | the People’s Republic of China which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Prospectus” | the prospectus to be despatched to the Qualifying Shareholders (and the Non-Qualifying Shareholder(s) for information only) on the Posting Date in connection with the Rights Issue |
| “Prospectus Documents” | the Prospectus and the PAL(s) |
| “Qualifying Shareholder(s)” | the Shareholder(s) whose name(s) appear on the register of members of the Company on the Record Date, other than the Non-Qualifying Shareholders |
| “Record Date” | the record date to determine the provisional entitlements to the Rights Issue |
| “Registrar” | Tricor Secretaries Limited 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, the Company’s branch share registrar and transfer office in Hong Kong |
| “Rights Issue” | the proposed issue by way of rights on the basis of one (1) Rights Share for every one (1) Share in issue held on the Record Date |

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| “Rights Share(s)” | up to 652,770,000 new Shares proposed to be allotted and issued under the Rights Issue |
| “SAS Dragon” | S.A.S. Dragon Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1184) |
| “SAS Investment” | S.A.S. Investment Company Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of SAS Dragon |
| “SAS Undertakings” | the undertakings given by SAS Investment in favour of the Company in relation to the Rights Issue |
| “SFC” | the Securities and Futures Commission |
| “Share(s)” | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscription Price” | HK\$0.12 per Rights Share |
| “substantial shareholder(s)” | has the same meaning ascribed thereto under the Listing Rules or the GEM Listing Rules (as the case may be) |
| “Sunny Fortune Capital” | Sunny Fortune Capital Limited, a corporation licensed under SFO and permitted 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 financial adviser to the Company in respect of the Rights Issue only |
| “Takeovers Code” | the Hong Kong Code on Takeovers and Mergers |
| “Undertakings” | the SAS Undertakings and the YIM Undertakings |
| “Unimicro” | Unimicro Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Yim |
| “Unsubscribed Rights Shares” | Rights Shares that are not subscribed by the Qualifying Shareholders |

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| “Whitewash Waiver” | the waiver to be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the obligation of SAS Investment and Dr. Yim to make a mandatory general offer to the Shareholders in respect of all Shares not already owned or agreed to be acquired by the Concert Group which may be triggered as a result of the acceptance by SAS Investment and Dr. Yim of the provisional allotment of Rights Shares to them pursuant to the Undertakings in the event that the Rights Shares are not issued in full |
| “YIM Undertakings” | the undertakings given by Dr. Yim in favour of the Company in relation to the Rights Issue |
| “%” | per cent |

By Order of the Board
Hi-Level Technology Holdings Limited
Dr. Yim Yuk Lun, Stanley *BBS JP*
Chairman

Hong Kong, 8 June 2023

As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Yim Yuk Lun, Stanley BBS JP, Mr. Chang Wei Hua, Mr. Wei Wei and Mr. Tong Sze Chung; one non-executive Director; Mr. Wong Wai Tai and three independent non-executive Directors; namely Mr. Shea Chun Lok, Quadrant, Mr. Fung Cheuk Nang, Clement and Mr. Tsoi Chi Ho, Peter.

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

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

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its posting. This announcement will also be posted on the Company’s website at www.hi-levelhk.com.

* *For identification purposes only*