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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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# BASETROPHY GROUP HOLDINGS LIMITED

## 基地錦標集團控股有限公司

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

**(Stock Code: 8460)**

- (I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(II) PROPOSED CHANGE IN BOARD LOT SIZE;  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARES  
HELD ON THE RECORD DATE;  
AND  
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Financial Adviser**



**Placing Agent**



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



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

A letter from the Board is set out on pages 12 to 40 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page IBC-1 of this circular. A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-24 of this circular.

A notice convening the EGM to be held at 1/F., Connaught Harbourfront House, 35-36 Connaught Road West, Sheung Wan, Hong Kong on Friday, 17 May 2024 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-4 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend and vote at the EGM in person, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event no less than 48 hours before the time appointed for holding the EGM (i.e. Tuesday, 14 May 2024 at 11:00 a.m.) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and, in such event, the instrument appointing the proxy shall be deemed to be revoked.

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

24 April 2024

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## CHARACTERISTICS OF GEM

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

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

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## EXPECTED TIMETABLE

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*Set out below is the expected timetable for the Increase in Authorised Share Capital and the Rights Issue, which is subject to the results of the EGM and has been prepared on the assumption that all the conditions to the Increase in Authorised Share Capital and the Rights Issue, will be fulfilled or otherwise waived, and is therefore for indicative purpose only. Any change to the expected timetable will be announced in a separate announcement by the Company as and when appropriate. All times and dates in this circular refer to the Hong Kong local times and dates:*

<b>Event</b>	<b>Timeline</b>
Despatch of the circular, proxy form and notice of the EGM . . . . .	Wednesday, 24 April 2024
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM . . . . .	4:30 p.m. on Thursday, 9 May 2024
Closure of register of members of the Company to determine the entitlements of the Shareholders to attend and vote at the EGM . . . . .	Friday, 10 May 2024 to Friday, 17 May 2024 (both days inclusive)
Latest time for lodging proxy forms for the EGM . . . . .	11:00 a.m. on Tuesday, 14 May 2024
Record date for attending and voting at the EGM . . . . .	Friday, 17 May 2024
Time and date of the EGM . . . . .	11:00 a.m. on Friday, 17 May 2024
Announcement of poll results of the EGM . . . . .	Friday, 17 May 2024
Effective date of change in board lot size from 10,000 Shares to 20,000 Shares . . . . .	Monday, 20 May 2024
Designated broker starts to stand in the market to provide matching services for odd lots of Shares . . . . .	9:00 a.m. on Monday, 20 May 2024
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares . . . . .	4:00 p.m. on Friday, 7 June 2024

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## EXPECTED TIMETABLE

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The following events are conditional on the fulfilment of the conditions for the implementation of the Increase in Authorised Share Capital and/or the Rights Issue and therefore the dates are tentative:

Event	Timeline
Effective Date of the Increase in Authorised Share Capital . . . . .	Friday, 17 May 2024 <i>(the Increase in Authorised Share Capital will become effective at the time when the relevant ordinary resolution is passed by the Shareholders at the EGM)</i>
Register of members of the Company re-opens . . . . .	Monday, 20 May 2024
Last day of dealings in Shares on a cum-rights basis of the Rights Issue . . . . .	Thursday, 23 May 2024
First day of dealings in Shares on an ex-rights basis of the Rights Issue . . . . .	Friday, 24 May 2024
Latest time for lodging transfer documents of Shares to qualify for the Rights Issue . . . . .	4:30 p.m. on Monday, 27 May 2024
Closure of register of members of the Company to determine the entitlements to the Rights Issue . . . . .	Tuesday, 28 May 2024 to Monday, 3 June 2024 (both days inclusive)
Record Date for determining entitlements to the Rights Issue . . . . .	Monday, 3 June 2024
Re-opening of the register of members of the Company . . . . .	Tuesday, 4 June 2024
Expected despatch date of the Prospectus Documents (including the Prospectus and the PAL(s); and in the case of the Non-Qualifying Shareholders, the Prospectus only) . . . . .	Thursday, 6 June 2024
First day of dealings in nil-paid Rights Shares in board lot size of 20,000 Rights Shares . . . . .	Tuesday, 11 June 2024
Latest time for splitting of the PAL(s) . . . . .	4:30 p.m. on Thursday, 13 June 2024
Last day of dealings in nil-paid Rights Shares in board lot size of 20,000 Rights Shares . . . . .	Tuesday, 18 June 2024

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## EXPECTED TIMETABLE

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Event	Timeline
Latest time to lodge transfer documents of nil-paid Rights Shares in order to qualify for the payment of Net Gain . . . . .	4:00 p.m. on Friday, 21 June 2024
Latest Time for Acceptance of and payment for the Rights Shares . . . . .	4:00 p.m. on Friday, 21 June 2024
Announcement of the number of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares subject to the Compensatory Arrangements . . . . .	Wednesday, 26 June 2024
Commencement of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent . . . . .	Thursday, 27 June 2024
Latest Placing Time/Latest Placing Date for the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent . . . . .	4:00 p.m. on Monday, 8 July 2024
Placing Long Stop Date/Latest time for the Rights Issue and placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares to become unconditional . . . . .	4:00 p.m. on Tuesday, 9 July 2024
Rights Issue settlement and Placing completion date . . . . .	Tuesday, 9 July 2024
Announcement of the results of Rights Issue (including the results of the placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent and the amount of the Net Gain per the Unsubscribed Rights Share and the NQS Unsold Rights Share under the Compensatory Arrangements) . . . . .	Wednesday, 10 July 2024
Despatch of share certificates for fully-paid Rights Shares . . . . .	Thursday, 11 July 2024
Refund cheques, if any, to be despatched (if the Rights Issue is terminated) . . . . .	Thursday, 11 July 2024

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## EXPECTED TIMETABLE

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Event	Timeline
Expected commencement of dealings in fully-paid Rights Shares in board lot size of 20,000 Rights Shares . . . . .	9:00 a.m. on Friday, 12 July 2024
Payment of the Net Gain (if any) to the relevant No Action Shareholders (if any) . . . . .	Wednesday, 24 July 2024

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

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

### **EFFECT OF BAD WEATHER 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 Rights Shares will not take place at the time indicated above if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning or “extreme conditions” caused by super typhoons as announced by the Government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 21 June 2024. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 21 June 2024. Instead, the Latest Time for Acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance of and payment for the Rights Shares does not take place on Friday, 21 June 2024, the dates mentioned in the section headed “EXPECTED TIMETABLE” above may be affected. The Company will notify the Shareholders by way of announcement(s) of any change to the expected timetable as soon as practicable.

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## DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Announcement”	the announcement of the Company dated 23 February 2024 in relation to, among other things, the Increase in Authorised Share Capital, the Change in Board Lot Size, the Rights Issue, the closure of register of members, and the appointment of Independent Financial Adviser
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of directors of the Company
“Business Day(s)”	means a day (other than a Saturday and a day on which “extreme conditions” is announced by the Government of Hong Kong or a tropical cyclone warning no. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Shares per board lot to 20,000 Shares per board lot
“Company”	Basetrophy Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM (stock code: 8460)



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## DEFINITIONS

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“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the section headed “Procedures in respect of Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this circular
“controlling shareholder(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Director”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the proposed Increase in Authorised Share Capital and the proposed Rights Issue
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Committee”	has the same meaning ascribed to it under the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$30,000,000 divided into 300,000,000 Shares to HK\$300,000,000 divided into 3,000,000,000 Shares
“Independent Board Committee”	an independent board committee of the Company comprising all the independent non-executive Directors, which has been established under the GEM Listing Rules to advise the Independent Shareholders in respect of the Rights Issue and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser”	Alpha Financial Group Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue and the transactions contemplated thereunder, and as to voting
“Independent Shareholder(s)”	any Shareholder(s) who are not required to abstain from voting at the EGM under the GEM Listing Rules
“Independent Third Party(ies)”	any persons or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquires, are third parties independent of and not connected with the Company and its connected persons (or any of their respective associate)
“Last Trading Day”	23 February 2024, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
“Latest Practicable Date”	18 April 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
“Latest Placing Date”	Monday, 8 July 2024 or such other date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Placing Shares
“Latest Placing Time”	4:00 p.m. on the Latest Placing Date
“Latest Time for Acceptance”	4:00 p.m. on Friday, 21 June 2024 or such later time or date as may be determined by the Company, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Mr. Lau”	Mr. Lau Chung Ho, an executive Director and Chief Executive Officer of the Company

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## DEFINITIONS

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“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees after deducting the aggregate amount of the Subscription Price for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares placed by the Placing Agent under the Placing Agreement) under the Compensatory Arrangements
“No Action Shareholder(s)”	Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounees who hold any nil-paid rights at the time such nil-paid rights are lapsed, and/or the Excluded Shareholders (if any)
“Non-Qualifying Shareholder(s)”	the Overseas Shareholder(s) whom the Board considers necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Share(s)”	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Non-Qualifying Shareholders (if any) in nil-paid form that has/have not been sold by the Company
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) as shown on such register at that time is (are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) proposed to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	any individuals, corporate, institutional investor(s) or other investor(s), who and whose ultimate beneficial owner(s) shall not be the Shareholder(s) and shall be the Independent Third Party(ies), procured by the Placing Agent and/or its sub-placing agent(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to subscribe for any of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares pursuant to the Placing Agreement

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## DEFINITIONS

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“Placing”	the offer by way of private placing of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s), who and whose ultimate beneficial owners shall not be the Shareholder(s) and shall be the Independent Third Party(ies), to the independent placee(s) during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Ruibang Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the placing agent appointed by the Company to place any Unsubscribed Rights Shares and the NQS Unsold Rights Shares under the Compensatory Arrangements
“Placing Agreement”	the placing agreement dated 23 February 2024 and entered into between the Company and the Placing Agent in relation to the placing of Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Long Stop Date”	Tuesday, 9 July 2024 (being the next Business Day after the Latest Placing Date) or such later date as the Company may announce
“Placing Shares”	all the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
“Placing Period”	a period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the NQS Unsold Rights Shares, which is expected to be Thursday, 27 June 2024, and ending at the Monday, 8 July 2024 or such later date as the Company and the Placing Agent may agree in writing
“Prospectus”	the prospectus to be despatched to the Shareholders containing details of the Rights Issue
“Prospectus Documents”	Collectively, the Prospectus and the PAL

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## DEFINITIONS

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“Prospectus Posting Date”	Thursday, 6 June 2024 or such other date as may be agreed by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Monday, 3 June 2024 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to the Rights Issue are to be determined
“Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company
“Rights Issue”	the proposed issue of the Rights Shares on the basis of three (3) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price pursuant to the Prospectus Documents
“Rights Share(s)”	up to 345,000,000 new Shares proposed to be allotted and issued by the Company to the Qualifying Shareholders for subscription pursuant to the Rights Issue, assuming no change in the number of Shares in issue on or before the Record Date
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s) or the Consolidated Share(s) as the case may be
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.12 per Rights Share

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## DEFINITIONS

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“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent.

\* *For identification purposes only*

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LETTER FROM THE BOARD

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**BASETROPHY GROUP HOLDINGS LIMITED**  
**基地錦標集團控股有限公司**

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

**(Stock Code: 8460)**

*Executive Directors:*

Mr. Leung Yat Fai Frankie Keith (*Chairman*)  
Mr. Lau Chung Ho (*Chief Executive Officer*)  
Ms. Fong Pui Yin Vivian  
Ms. Du Wanfen  
Mr. Li Aiming

*Registered office:*

Windward 3  
Regatta Office Park PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Independent non-executive Directors:*

Mr. Lam Chee-yau Timothy  
Mr. Ngok Ho Wai  
Mr. Li Dewen

*Principal place of business in Hong Kong:*

Flat B-31, 4/F,  
Park Fook Industrial Building  
615-617 Tai Nan West Street  
Cheung Sha Wan, Kowloon  
Hong Kong

24 April 2024

*To the Shareholders*

Dear Sir or Madam,

**(I) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;  
(II) PROPOSED CHANGE IN BOARD LOT SIZE;  
(III) PROPOSED RIGHTS ISSUE ON THE BASIS OF  
THREE (3) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARES  
HELD ON THE RECORD DATE;  
AND  
(IV) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

The purpose of this circular is to provide you with, among other things, (i) further details of the Increase in Authorised Share Capital; (ii) a letter from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter from the Independent

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## LETTER FROM THE BOARD

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Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) other information required under the GEM Listing Rules; and (v) a notice convening the EGM.

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

The Board proposes to increase the existing authorised share capital of the Company from HK\$30,000,000 divided into 300,000,000 existing Shares to HK\$300,000,000 divided into 3,000,000,000 Existing Shares. The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the EGM. Subject to the passing of such ordinary resolution, the Increase in Authorised Share Capital will become effective on the date of the EGM.

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

### **Conditions of the Increase in Authorised Share Capital**

The Increase in Authorised Share Capital is conditional upon the following conditions:

- (i) the passing of an ordinary resolution by the Shareholders by way of poll to approve the Increase in Authorised Share Capital at the EGM; and
- (ii) compliance with all relevant procedures and requirements under the applicable laws of the Cayman Islands and the GEM Listing Rules that are necessary to effect the Increase in Authorised Share Capital.

The Increase in Authorised Share Capital is not conditional upon the Independent Shareholders' approval on the Rights Issue.

Subject to the fulfilment of the conditions of the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective at the time when the relevant ordinary resolution is passed by the Shareholders at the EGM.

As at the Latest Practicable Date, none of the conditions above had been fulfilled.

### **PROPOSED CHANGE IN BOARD LOT SIZE**

The Board proposes that the board lot size of the Shares for trading on the Stock Exchange will be changed from 10,000 Shares to 20,000 Shares with effect from 9:00 a.m. on Monday, 20 May 2024. Pursuant to the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, the expected value per board lot should be greater than HK\$2,000 taking into account the minimum transaction costs for a securities trade. The Change in Board Lot Size will not result in any change in the relative rights



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## LETTER FROM THE BOARD

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of the Shareholders. The Board is of the opinion that the Change in Board Lot Size is in the interests of the Company and its Shareholders as a whole. Shareholders should take note that Shareholders' approval is not required for the Change in Board Lot Size.

Based on the theoretical ex-rights price of approximately HK\$0.1340 per Share based on the closing price of HK\$0.1760 per Share as quoted on the Stock Exchange on the Last Trading Day and number of Shares in issue as at the Latest Practicable Date, the market value of each existing board lot is HK\$1,340 and the estimated market value of each proposed new board lot is HK\$2,680.

All existing share certificates in board lot of 10,000 Shares will remain good evidence of the legal title to the Shares and continue to be valid for delivery, transfer, trading and settlement purposes. No new share certificates for existing Shareholders will be issued as a result of the change in the board lot size, and therefore no arrangement for free exchange of existing share certificates in board lot size of 10,000 Shares to new share certificate in board lot size of 20,000 Shares is necessary.

### **PROPOSED RIGHTS ISSUE**

Subject to the Increase in Authorised Share Capital having become effective, the Company proposes to raise gross proceeds of up to approximately HK\$41.4 million by way of the issue of up to 345,000,000 Rights Shares at the Subscription Price of HK\$0.12 per Rights Share on the basis of three (3) Rights Share for every one (1) existing Shares held at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

### **Rights Issue Statistics**

Basis of the Rights Issue	:	Three (3) Rights Share for every one (1) existing Shares held by the Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.12 per Rights Share
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses)	:	Approximately HK\$0.113 per Rights Share
Number of Shares in issue upon the Increase in Authorised Share Capital becoming effective	:	115,000,000 Shares

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## LETTER FROM THE BOARD

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Number of Rights Shares to be issued under the Rights Issue	:	Up to 345,000,000 Rights Shares (assuming there is no change to the total number Shares in issue on or before the Record Date)
Total number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	Up to 460,000,000 Shares (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed)	:	Up to approximately HK\$41.4 million before expenses (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
Aggregate nominal value of the Rights Shares	:	HK\$34.5 million (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

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

Assuming there is no change in the total number of New Ordinary Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 345,000,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 300.0% of the issued share capital of the Company immediately upon the Increase in Authorised Share Capital becoming effective; and (ii) 75% of the issued share capital of the Company upon the Increase in Authorised Share Capital becoming effective and as enlarged by the allotment and issue of the Rights Shares.

### **Non-underwritten basis**

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of

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## LETTER FROM THE BOARD

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the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements regarding minimum subscription levels in respect of the Rights Issue.

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

### **Undertakings**

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

### **Subscription Price**

The Subscription Price of HK\$0.12 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and where applicable, when a transferee of the nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 14.89% to the closing price of HK\$0.1410 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 31.82% to the closing price of HK\$0.1760 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 26.38% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day of approximately HK\$0.1630 per Share;
- (iv) a discount of approximately 24.95% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the Last Trading Day of approximately HK\$0.1599 per Share;

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## LETTER FROM THE BOARD

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- (v) a discount of approximately 22.75% to the average closing price per Share as quoted on the Stock Exchange for the last 30 consecutive trading days prior to the Last Trading Day of approximately HK\$0.1553 per Share;
- (vi) a discount of approximately 10.45% to the theoretical ex-rights price of approximately HK\$0.1340 per Share based on the closing price of HK\$0.1760 per Share as quoted on the Stock Exchange on the Last Trading Day and number of Shares in issue as at the Latest Practicable Date;
- (vii) a discount of approximately 77.60% to the published audited consolidated net asset value per Share as at 31 December 2022 of approximately HK\$0.5357 (based on the annual report of the Company published on 31 March 2023 in relation to, among others, the annual results of the Company for the year ended 31 December 2022). The Directors consider the discount represented by the Subscription Price to the audited consolidated net asset value per Share as at 31 December 2022 to be fair and reasonable;
- (viii) a discount of approximately 77.61% to the latest published unaudited consolidated net asset value per Share as at 30 June 2023 of approximately HK\$0.5359 (based on the interim report of the Company published on 14 August 2023 in relation to, among others, the interim results of the Company for the six months ended 30 June 2023). The Directors consider the discount represented by the Subscription Price to the unaudited consolidated net asset value per Share as at 30 June 2023 to be fair and reasonable;
- (ix) a discount of approximately 67.12% to the latest published audited consolidated net asset value per Share as at 31 December 2023 of approximately HK\$0.3650 (based on the annual results announcement of the Company published on 28 March 2024 in relation to, among others, the annual results of the Company for the year ended 31 December 2023). The Directors consider the discount represented by the Subscription Price to the audited consolidated net asset value per Share as at 31 December 2023 to be fair and reasonable; and
- (x) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.86%, represented by the theoretical diluted price of approximately HK\$0.1340 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.1760 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 the Announcement of approximately HK\$0.1630 per Share) of approximately HK\$0.1760 per Share.

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## LETTER FROM THE BOARD

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The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.113.

The Subscription Price was determined by the Company after taking into account factors including the recent market price of the Shares and the current market conditions, in particular,

- (i) the prevailing trading price of the Shares over the period from 24 January 2024 to the Last Trading Day, being the month prior and up to the Last Trading Day which presented a fluctuation in the range of HK\$0.1250 to HK\$0.1800, as compared to the previous months and which the Directors were unaware of any reason for such volatility;
- (ii) the average daily trading volume of the Shares over the period from 24 January 2024 to the Last Trading Day, being the month prior and up to the Last Trading Day, amounting to approximately 0.13% of the total issued shares as at the Last Trading Day, which indicated a lack of liquidity and demand of the Shares;
- (iii) the prevailing market conditions of the capital market in Hong Kong by referring to the prevailing quote of the Hang Seng Index over the period from 1 September 2023 to the Last Trading Day, being the latest quarter prior and up to the Last Trading Day which presented a fluctuation in the range of 14,961 to 18,844 which presented a downward trend;
- (iv) the Group recorded a loss attributable to owners of the Company for the year ended 31 December 2022; and
- (v) the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS OF THE RIGHTS ISSUE” below in the Letter from the Board.

With reference to the aforesaid factors, the Directors consider that it is a common market practice to set the subscription price at a discount to the prevailing market prices in order to enhance the attractiveness of rights issue to participants which includes existing shareholders, especially under the current prevailing suboptimal market conditions of the capital market in Hong Kong. Considering the Group’s unsatisfactory financial performance and the underwhelming historical price and trading volume of the Shares, with an aim to maximize the fund raised, the Directors propose setting the Subscription Price at approximately the lowest end of the prevailing trading price of the Shares between 24 January 2024 and the Last Trading Day. This would result in a discount of approximately 30% compared to the closing price of the Shares on the Last Trading Day. The Directors believe that such a discount would attract shareholders to participate in the Rights Issue, enabling them to maintain their pro-rata shareholding in the Company and partake in the future growth of the Group.

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## LETTER FROM THE BOARD

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After taking into consideration the reasons for the Rights Issue as stated in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS OF THE RIGHTS ISSUE” below, the Directors consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### Conditions of the Rights Issue

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

- (i) the passing by the Shareholders or Independent Shareholders (as the case may be) at the EGM of the necessary resolution(s) to approve the Increase in Authorised Share Capital, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Prospectus Posting Date;
- (ii) the Increase in Authorised Share Capital having become effective by no later than the Prospectus Posting Date;
- (iii) the GEM Listing Committee granting and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms and such listing and permission to deal not having been withdrawn or revoked;
- (iv) the provision to the Stock Exchange for authorisation and the filing and registration with the Companies Registry in Hong Kong respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the GEM Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Prospectus Posting Date;
- (v) following registration, the Prospectus Documents be made available and/or sent (as the case may be) to the Qualifying Shareholders (and, where applicable, to the Non-Qualifying Shareholder(s), if any, for information purpose only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Prospectus Posting Date;
- (vi) the Company having complied with the requirements under all applicable laws and regulations; and
- (vii) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect.

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## LETTER FROM THE BOARD

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None of the above conditions can be waived. The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. If any of the conditions above are not fulfilled by the Placing Long Stop Date, the Rights Issue will not proceed. As at the Latest Practicable Date, none of the above conditions has been fulfilled.

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

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

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

### **Qualifying Shareholders and Non-Qualifying Shareholders**

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

In order to be registered as members of the Company on the Record Date, all transfers of Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong by not later than 4:30 p.m. on Monday, 27 May 2024. The register of members of the Company will be closed from Tuesday, 28 May 2024 to Monday, 3 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue, including information on acceptances of the Rights Shares and other information of the Group, and PAL(s) are expected to be despatched to the Qualifying Shareholders on Thursday, 6 June 2024. The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) to the Non-Qualifying Shareholders (if any).

**Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.**

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## LETTER FROM THE BOARD

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### **Basis of provisional allotment**

The Rights Shares will be allotted on the basis of three (3) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders as at the close of business on the Record Date.

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

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

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

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

The Company therefore appointed the Placing Agent to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares after the Latest Time for Acceptance of the Rights Shares to be allotted and issued under the Rights Issue to independent Placees on a best effort basis. Any premium over the Subscription Price for those Rights Shares that is realised will be paid to the No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m., on Monday, 8 July 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares and the NQS Unsold Rights Shares if a premium over the Subscription Price and the expenses of procuring such acquirers (including any related commissions and any other related expenses/fees) can be obtained. Any Unsubscribed Rights Shares and the NQS Unsold Rights Shares remain not placed after completion of the Placing Arrangement will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.



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## LETTER FROM THE BOARD

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

- (i) the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (ii) the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

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

### **Rights of the Overseas Shareholder(s) (if any)**

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

The Board will comply with Rule 17.41(1) of the GEM Listing Rules and make necessary enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued. The Company will send the Prospectus to the Non-Qualifying Shareholders for their information only, but will not send the 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 their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of

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## LETTER FROM THE BOARD

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such sale, less expenses, 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.

As at the Latest Practicable Date, there was one Overseas Shareholder holds 334,000 Shares (representing approximately 0.29% of the issued share capital of the Company as at the Latest Practicable Date) with registered address located in the PRC (the “**PRC Shareholder**”). Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Company has made enquiries with legal adviser as to PRC laws regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholder in the PRC. The legal advisers to the Company as to the PRC laws are of view that, given the Company is an offshore company, there are no prohibitions or restrictions under PRC laws which would prevent the Company from including the natural person Shareholder(s) whose registered address(es) are located in the PRC in the Rights Issue, and that there are no requirements for the Company to obtain or go through any approval, ratification, registration or filing procedures or to fulfill any other formalities in the PRC prior to the despatch of the Prospectus Documents to such shareholders. Therefore, based upon such advice, the extension of the Rights Issue to the PRC Shareholder and the offering of the Rights Shares to the PRC Shareholder will not violate any applicable law or regulations in the PRC. Accordingly, the PRC Shareholder will not be excluded from the Rights Issue and the PRC Shareholder shall therefore be a Qualifying Shareholder.

The Company will continue to ascertain whether there are any other Overseas Shareholders (other than the PRC Shareholder) as at the Record Date and, if applicable, will make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholder (if any) as at the Record Date.

As at the Latest Practicable Date, there were no Non-Qualifying Shareholders. Should there be any Excluded Shareholders that appear on the register of members of the Company on the Record Date, the Company will make available the Prospectus to the Excluded Shareholders for their information only, but will not send any PAL to them. For the avoidance of doubt, the Excluded Shareholders are entitled to attend and vote at the EGM.

**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.**

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## LETTER FROM THE BOARD

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

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for the fully-paid Rights Shares; and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares are expected to be sent on or before Thursday, 11 July 2024 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

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

On the basis of provisional allotment of three (3) Rights Shares for every one (1) existing Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise under the Rights Issue.

### **Odd lots matching services**

In order to facilitate the trading of odd lots of the Shares arising from the Rights Issue and the Change in Board Lot Size, the Placing Agent has been appointed as designated broker by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder; and (ii) they are Independent Third Parties. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact the Placing Agent at (852) 2950-9999 or by facsimile at (852) 2950-4444 during the period from 9:00 a.m. on Monday, 20 May 2024 to 4:00 p.m. on Friday, 7 June 2024 (both days inclusive). Holders of odd lots of Shares should note that successful matching of the sale and purchase of odd lots of Shares is on a best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

### **Taxation**

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

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## LETTER FROM THE BOARD

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### **Application for listing**

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

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the new board lots of 20,000 Rights Shares.

### **Rights Shares will be eligible for admission into CCASS**

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

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

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

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

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## LETTER FROM THE BOARD

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### THE PLACING ARRANGEMENT

On 23 February 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares as part of the Compensatory Arrangements. Details of the Placing Arrangement are as follows:

Date: 23 February 2024 (after trading hours)

Issuer: the Company

Placing Agent: Ruibang Securities Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, was appointed as the Placing Agent to procure, on a best efforts basis, independent Placees to subscribe for Unsubscribed Rights Shares and the NQS Unsold Rights Shares.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period: The period from Thursday, 27 June 2024 up to 4:00 p.m. on Monday, 8 July 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Placing.

Placing fee: Subject to the completion of the Placing, the Company shall pay to the Placing Agent a placing commission in Hong Kong Dollars of 3.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares successfully placed by the Placing Agent and/or its sub-placing agent(s) pursuant to the terms of the Placing Agreement.

No fees shall be paid by the Company if the Placing is not completed.

Placing price: The placing price of each of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall be not less than the Subscription Price.

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## LETTER FROM THE BOARD

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

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

For the avoidance of doubt, no Placee shall become a substantial shareholder of the Company.

Ranking: 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 Shares then in issue.

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

- (i) the passing by the Independent Shareholders at the EGM of the necessary resolution(s) to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares);
- (ii) the GEM Listing Committee having granted the approval for the listing of, and the permission to deal in, the Rights Shares, including the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares;

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## LETTER FROM THE BOARD

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- (iii) none of the representations, warranties or undertakings given by the Company contained in the Placing Agreement being or having become untrue, inaccurate or misleading in any material respect at any time before the completion, and no fact or circumstance having arisen and nothing having been done or omitted to be done which would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect if it was repeated as at the time of completion of the Placing Agreement; and
- (iv) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the termination events.

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

Should any discrepancies or changes that have occurred during the period from the date of the Placing Agreement to the Placing completion date and cause the representations, warranties, or undertakings given by the Company contained in the Placing Agreement being or having become untrue, inaccurate, or misleading in any material respect, or if any fact or circumstance has arisen that would render any of such undertakings, representations or warranties untrue or inaccurate in any material respect while the Placing Agent still choose to proceed with the Placing Agreement, condition set out in paragraph (iii) may be waived by the Placing Agent.

Given that similar terms were also applied in other market comparables transactions of rights issue contemplated by the companies listed on the Stock Exchange, the Board (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee) consider that this arrangement is fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole

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## LETTER FROM THE BOARD

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In the event that the above condition precedents have not been fulfilled on or before the Placing Long Stop Date, all rights, obligations and liabilities of the parties thereunder in relation to the Placing shall cease and determine and none of the parties shall have any claim against the other in respect of the Placing (save for any antecedent breaches thereof).

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed.

Termination:

Notwithstanding anything contained in the Placing Agreement, the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the 4:00 p.m. on Monday, 8 July 2024 (the “**Latest Placing Time**”), to terminate the Placing Agreement, if, prior to the Latest Placing Time:

- (a) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:
  - (i) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or



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## LETTER FROM THE BOARD

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- (ii) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the reasonable opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
  - (iii) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares (for more than ten (10) consecutive trading days) generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (iv) any adverse change in the business or in the financial or trading position of any members of the Group, which in the reasonable opinion of the Placing Agent, is material in the context of the Placing; or
- (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities, and a change in currency conditions which includes a change in the system under which the value of the Hong Kong currency is pegged with that of the currency of the United States of America) occurs in Hong Kong, the United States of America or the PRC which in the reasonable opinion of the Placing Agent makes it inexpedient or inadvisable to proceed with the Placing; or

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## LETTER FROM THE BOARD

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- (c) any material breach of any of the representations and warranties by the Company that comes to the knowledge of the Placing Agent, or any event occurs or any matter arises on or after the date of this Agreement and prior to the Latest Placing Time which, if it had occurred or arisen before the date of the Placing Agreement, would have rendered any of such representations and warranties untrue or incorrect in any material respect, or there has been a material breach by the Company of any other provision of the Placing Agreement.

Upon the giving of such notice as referred to above by the Placing Agent, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other party, save for any prior breaches of this Agreement.

The terms of the Placing Agreement, including the commission payable, was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to

- (i) the market comparables including the placing commissions of the recent proposed placing of new shares under a specific mandate or general mandate announced by the companies listed on the Stock Exchange within 1 months prior to the Last Trading Day which are ranged from 0.75% to 4.00%;
- (ii) the loss attributable to owners of the Company of approximately HK\$6.5 million for the year ended 31 December 2022;
- (iii) the gross proceeds of the Rights Issue of HK\$41.4 million (assuming no change in the number of Shares on or before the Record Date); and
- (iv) the recent downward trend of the prevailing market conditions of the capital market in Hong Kong.

With reference to the above-mentioned factors, a reasonable placing commission is requested to motivate the Placing Agent to procure Placees to subscribe for Unsubscribed Rights Shares and the NQS Unsold Rights Shares, especially taking into account of the Group's unsatisfactory financial performance and the underwhelming historical price and trading volume of the Shares as well as under the current prevailing suboptimal market conditions of the capital market in Hong Kong. As a result, the placing commission under the Placing Agreement is finally set at approximately the upper end of the reference range of the recent proposed placing of new shares by the companies listed on the Stock Exchange.

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## LETTER FROM THE BOARD

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The Board (including the members of the Independent Board Committee whose opinion is set forth in the letter from the Independent Board Committee) consider that the terms of the Placing Agreement, including the placing fee charged, are fair and reasonable and the transactions contemplated under the Placing Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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

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

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

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

The Group is principally engaged in (i) the provision of foundation and related works, including site formation works and other geotechnical engineering works which are carried out in Hong Kong; and (ii) liquor supply chain; (iii) new food retail; and (iv) comprehensive property management.

Assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$41.4 million and the relevant expenses would be approximately HK\$2.4 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$39.0 million.

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## LETTER FROM THE BOARD

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The Company has approached (i) three corporation licensed or registered under the SFO for type 1 regulated activity and their ordinary course of business includes underwriting of securities, and they are not connected persons of the issuers concerned; and (ii) one substantial shareholders of the Company, in respect of the Rights Issue. Having provided the proposed terms and structures, none of them express any interest in underwriting the Rights Shares. Hence, the Rights Issue is conducted on a non-underwritten basis.

In order to make arrangements described in Rule 10.31(1)(b) of the GEM Listing Rule 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 Placées for the benefit of Shareholders to whom they were offered by way of the Rights Issue, the Company has approached three placing agents (including the Placing Agent) in respect of the Compensatory Arrangements to explore the best terms for Placing Arrangement.

As disclosed in the announcement of the Company dated 16 December 2022, (i) Sandi Supply Chain Management (Chengdu) Co., Ltd.\* (三滴供應鏈管理(成都)有限公司)(“**Sandi**”), an indirect wholly-owned PRC subsidiary of the Company; and (ii) Jiude Jiupin (Chengdu) Wine Co., Ltd.\* (九德玖品(成都)酒業有限公司)(“**Jiude Jiupin**”), a company established in the PRC with limited liability and is 51% held by Sandi have started the business of liquor and food and target to achieve business growth in the coming year. In particular, Sandi is carrying out three aspects of business operations in the coming future: (i) liquor supply chain, (ii) new food retail and (iii) comprehensive property management. The Group’s trading of alcoholic beverages in the PRC has been commenced since March 2023 and such business segment has experienced steady growth throughout the current financial year. With a view to support the future development direction of creating its own wine brands, the Directors perceives the Rights Issue as a favorable opportunity to raise additional funding to provide substantial support for Sandi’s development endeavors, particularly in the realm of creating its own wine brands without any interest burden.

### **Intended use of proceeds**

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$39.0 million from the Rights Issue (assuming no other change in the number of Shares in issue on or before the Record Date) for the following purposes:

- (i) approximately HK\$26.0 million, representing approximately 66.8% of the net proceeds, will be used for the development in the business of liquor supply chain and new food retail, among which (a) approximately HK\$14.0 million, representing approximately 35.9% of the net proceeds, will be used for the procurement of the stock; (b) approximately HK\$7.0 million, representing approximately 18.0% of the net proceeds, will be used for the promotion and advertisement of the business of liquor supply chain and new food retail of the Group; and (c) approximately HK\$5.0 million, representing approximately 12.8% of the net proceeds, will be used for the negotiation of exclusive distributorship; and

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## LETTER FROM THE BOARD

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- (ii) approximately HK\$13.0 million, representing approximately 33.2% of the net proceeds, will be used for general working capital of the Group, including but not limited of the staff cost expenses, leasing expense and rental expense.

In order to further expand its liquor supply chain business, the Company considers it will have direct control over the entire production process after creating its own wine brands which will ensure that the wines meet the Company's standards and its customer expectations consistently. It also allows the Company to differentiate itself from competitors by offering exclusive and distinctive wines that cannot be found elsewhere. This can attract new customers and build brand loyalty among existing customers.

To support the direction of creating its own wine brands, the Company intends to procure base liquor, which serves as the backbone for blending and formulation of bottled white spirits. The selection of appropriate base liquor is crucial for achieving different qualities, tastes, and styles of the final product. The Company is of the view that the proceeds from the Rights Issue is sufficient to provide substantial and adequate support for Sandi's development endeavors, particularly in the realm of creating its own wine brands without any interest burden.

Meanwhile, securing exclusive distributorship provides the Company with a distinct competitive edge by offering liquor products that are not readily available to its competitors. This strategic advantage allows the Company to differentiate itself in the market and effectively attract customers who actively seek out exclusive offerings of those liquor products. Recognizing the potential, the Company is committed to investing substantial efforts in negotiating future exclusive distributorship agreements with interested suppliers. The Company is of the view that the proceeds from the Rights Issue is sufficient to support the future negotiation of exclusive distributorship.

As at the Latest Practicable Date, the Company has not engaged in the relevant negotiation and has not identified any distributor for potential cooperation in this regard.

The Rights Issue will proceed irrespective of the level of acceptance of the provisionally allotted Rights Shares. In the event that there is an under-subscription of the Rights Issue, the net proceeds of the Rights Issue will be allocated and utilised in accordance with the same proportion to the above uses.

In the event that the Rights Issue is voted down by the Shareholders, the Company will further explore other fundraising alternatives to meet the expected funding needs for the next 12 months. Depending on the results of such fundraising activities, the development of the Group's business of liquor supply chain and new food retail may or may not proceed.

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## LETTER FROM THE BOARD

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### **Fund-raising alternatives**

Apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer. The Board notes that bank borrowings, if available, would result in additional interest burden of the Company and create pressure to the liquidity of the Company. Hence, the Board does not consider it to be beneficial to the Company. In order to support the existing business operation of the Group, the Group's borrowings and lease liabilities increased from approximately HK\$17.2 million as at 31 December 2022 to approximately HK\$25.9 million as at 30 June 2023, and decreased slightly to approximately HK\$25.6 million as at 31 December 2023. The gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, increased from approximately 28.0% as at 31 December 2022 to approximately 42.0% as at 30 June 2023, and further increased to approximately 61.0% as at 31 December 2023. The Board is of the view that under the current global interest rate hike cycle, the Group's existing and future borrowing for investments or operations will face higher interest expenses, and will reduce profitability and cash flow of the Company, which is not the most appropriate fund-raising option for the Company.

As for placing of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company and it is relatively smaller in scale as compared to fund raising through rights issue. As for open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to open offer, Rights Issue would allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares.

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

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

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## LETTER FROM THE BOARD

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### EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue, assuming full acceptance of the Rights Shares by the Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent:

Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Lau ( <i>Note 1</i> )	51,750,000	45.00%	207,000,000	45.00%	51,750,000	11.25%
Independent Placees ( <i>Note 2</i> )	-	-	-	-	345,000,000	75.00%
Other Public Shareholders	<u>63,250,000</u>	<u>55.00%</u>	<u>253,000,000</u>	<u>55.00%</u>	<u>63,250,000</u>	<u>13.75%</u>
Total	<u>115,000,000</u>	<u>100.00%</u>	<u>460,000,000</u>	<u>100.00%</u>	<u>460,000,000</u>	<u>100.00%</u>

*Note:*

- Mr. Lau is directly interested in 750,000 Shares. Mr. Lau beneficially own the entire issued share capital of Brightly Ahead Limited. Therefore, Mr. Lau is deemed, or taken to be, interested in all the 51,000,000 Shares held by Brightly Ahead Limited for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead.
- Pursuant to the Placing Agreement, the Placing Agent shall ensure each of such Placees, who and whose ultimate beneficial owner(s) (as the case may be) (i) shall be Independent Third Parties; (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, upon completion of the Rights Issue, own 10.00% or more of the voting rights of the Company; and (iii) shall not, together with any party acting in concert with it/them (within the meaning of the Takeovers Code), will hold 30% (or such percentage which will trigger an obligation to make a mandatory general offer to the other Shareholders under the Takeovers Code) or more of the voting rights of the Company.

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## LETTER FROM THE BOARD

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Those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 75.0%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to several factors such as the actual results of acceptance of the Rights Issue.

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

The public float requirements under the GEM Listing Rules shall be maintained by the Company at all times, and the Company will take all appropriate steps to ensure that sufficient public float shall be at all times in compliance with Rule 11.23 of the GEM Listing Rules.

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

The Company had not carried out any equity fundraising activities in the 12 months immediately preceding the Latest Practicable Date.

### **GEM LISTING RULES IMPLICATIONS**

#### **The Increase in Authorised Share Capital**

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

#### **The Rights Issue**

In accordance with Rule 10.29(1) of the GEM Listing Rules, as the Rights Issue will increase the total number of issued Shares or the market capitalisation of the Company by more than 50% within the 12-month period immediately preceding the Latest Practicable Date, the Rights Issue must be made conditional on approval by the Shareholders at the EGM, and any controlling shareholders of the Company and their respective associates, or where there are no



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## LETTER FROM THE BOARD

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controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the proposed Rights Issue.

As at the Latest Practicable Date, Brightly Ahead Limited, being a controlling shareholder of the Company, directly holds 51,000,000 Shares (representing approximately 44.35% of the issued share capital of the Company as at the Latest Practicable Date). Brightly Ahead Limited is a company wholly owned by Mr. Lau who is an executive Director and Chief Executive Officer of the Company. Accordingly, Brightly Ahead Limited and Mr. Lau shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. Save as disclosed above, no other Shareholder is required to abstain from voting in favour of the relevant resolution(s) of the proposed Rights Issue 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 Latest Practicable Date, 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.

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

**Shareholders and potential investors of the Company should note that the Increase in Authorise Share Capital are conditional upon the satisfaction of the conditions as set out in the paragraph headed “Conditions of the Increase in Authorise Share Capital” in the Letter from the Board, and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.**

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

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## LETTER FROM THE BOARD

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

It is expected that the last day of dealings in the Shares on a cum-rights basis is Thursday, 23 May 2024, and the Shares will be dealt with on an ex-rights basis from Friday, 24 May 2024.

Subject to the fulfilment of conditions, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of provisionally allotted Rights Shares. Accordingly, if the Rights Issue is undersubscribed, the size of the Rights Issue will be reduced. Qualifying Shareholders who do not take up their assured entitlements in full and Non-Qualifying Shareholders, if any, should note that their shareholdings in the Company may be diluted, the extent of which will depend in part on the size of the Rights Issue.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers. The Company will make further announcement(s) with regard to the status of the abovementioned transactions as and when appropriate pursuant to the requirements under the GEM Listing Rules, as appropriate.

### EXTRAORDINARY GENERAL MEETING, PROXY ARRANGEMENT AND CLOSURE OF REGISTER OF MEMBERS

The Company will convene the EGM or any adjourned meeting hereof at 1/F., Connaught Harbourfront House, 35-36 Connaught Road West, Sheung Wan, Hong Kong on Friday, 17 May 2024 at 11:00 a.m. to approve matters referred to in this circular at which relevant resolution will be proposed to the Shareholders to consider, and if thought fit, approve the Capital Reorganisation and the Rights Issue. The notice convening the EGM is set out on pages EGM-1 to EGM-4 of this circular.

A form of proxy for use in connection with the EGM is enclosed herewith. Whether or not you intend to be present and vote at the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Registrar, Tricor Investor Services Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). The completion and delivery of a form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting thereof) in person should you so wish, and in such case, the authority of your proxy will be revoked.

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## LETTER FROM THE BOARD

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Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of Shareholders at a general meeting must be taken by poll, except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions proposed at the EGM will be taken by way of poll. An announcement on the poll results will be made by the Company after the EGM in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

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

The register of members of the Company will be closed from Friday, 10 May 2024 to Friday, 17 May 2024 for determining the entitlements of the Shareholders to attend and vote at the EGM, and will further be closed from Tuesday, 28 May 2024 to Monday, 3 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue, during which period no transfer of Shares will be registered.

### **RECOMMENDATIONS**

The Board considers that the Increase in Authorised Share Capital and the Rights Issue are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages IFA-1 to IFA-24 of this circular in connection with the Rights Issue and the transactions contemplated thereunder and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole.

### **ADDITIONAL INFORMATION**

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

By order of the Board  
**Basetrophy Group Holdings Limited**  
**Leung Yat Fai Frankie Keith**  
*Chairman and Executive Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



## **BASETROPHY GROUP HOLDINGS LIMITED**

**基地錦標集團控股有限公司**

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

**(Stock Code: 8460)**

24 April 2024

*To the Independent Shareholders*

Dear Sir or Madam,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARE FOR EVERY ONE (1) EXISTING SHARES HELD ON THE RECORD DATE**

We refer to the circular issued by Basetrophy Group Holdings Limited to its shareholders dated 24 April 2024 of which this letter forms part (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you the Rights Issue and the transactions contemplated thereunder, whether such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole and how to vote on the resolution at the EGM approving the Rights Issue and the transactions contemplated thereunder.

The Independent Financial Adviser has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Rights Issue and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Shareholders as a whole. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages IFA-1 to IFA-24 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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We wish to draw your attention to the letter from the Board set out on pages 12 to 40 of the Circular and the additional information set out in the appendices of the Circular.

Having taken into account (i) the terms and conditions of the Rights Issue and the transactions contemplated thereunder; and (ii) the advice and recommendations of the Independent Financial Adviser as set out from pages IFA-1 to IFA-24 of the Circular, we are of the opinion that the Rights Issue and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue and the transactions contemplated thereunder.

Yours faithfully,

Independent Board Committee

**Basetrophy Group Holdings Limited**

**Mr. Lam Chee-yau Timothy**

*Independent non-executive*

*Director*

**Mr. Ngok Ho Wai**

*Independent non-executive*

*Director*

**Mr. Li Dewen**

*Independent non-executive*

*Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Alpha Financial Group Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



### **Alpha Financial Group Limited**

Room A, 17/F

Fortune House

61 Connaught Road Central

Central, Hong Kong

24 April 2024

*To the Independent Board Committee and the Independent Shareholders of  
Basetrophy Group Holdings Limited*

Dear Sirs or Madams,

### **PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with the Rights Issue and the transactions contemplated thereunder, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 24 April 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement, in relation to, among other things, the Rights Issue. The Company proposes to raise gross proceeds of up to approximately HK\$41.4 million by way of the issue of up to 345,000,000 Rights Shares at the Subscription Price of HK\$0.12 per Rights Share on the basis of three (3) Rights Shares for every one (1) existing Share held on the Record Date. The Rights Issue is not underwritten and is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Assuming full subscription of the Rights Issue, the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$39.0 million (assuming no change in the issued Shares on or before the Record Date), but otherwise no other change in the issued Shares on or before the Record Date).

### GEM LISTING RULES IMPLICATIONS

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

As at the Latest Practicable Date, Brightly Ahead Limited, being a controlling shareholder of the Company, directly holds 51,000,000 Shares (representing approximately 44.35% of the issued share capital of the Company as at the Latest Practicable Date) and Mr. Lau Ching Ho directly holds 750,000 Shares (representing approximately 0.65% of the issued share capital of the Company as at the Latest Practicable Date). Brightly Ahead Limited is a company wholly owned by Mr. Lau Chung Ho who is an executive Director and Chief Executive Officer of the Company. Accordingly, Brightly Ahead Limited and Mr. Lau Chung Ho shall abstain from voting in favour of the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Company has not conducted any rights issue, open offer or specific mandate placings within the 12-month period immediately preceding the Latest Practicable Date, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Mr. Lam Chee-yau Timothy, Mr. Ngok Ho Wai and Mr. Li Dewen, all being independent non-executive Directors, has been established to advise the Independent Shareholders regarding advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, taking into account the recommendations of the Independent Financial Adviser. We, Alpha Financial Group Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Rights Issue as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### OUR INDEPENDENCE

In the last two years, prior to the Latest Practicable Date, we have not acted in any capacity in relation to any transactions of the Company. As at the Latest Practicable Date, we do not have any relationship with, or have any interest in, the Group and its associates that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence as defined under Rule 17.96 of the GEM Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group (the “**Management**”); and (iv) our review of the relevant public information.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have assumed that all the information provided, and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon and continue to be so up to the date of the EGM. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and continue to be so up to the date of the EGM and all such statements of belief, opinions and intentions of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Management. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM. Independent Shareholders will be informed of any material change of information and the representations made or referred to in the Circular as soon as possible up to the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. In formulating our recommendation in relation to the Rights Issue and pursuant to Rule 17.92 of the GEM Listing Rules, we have obtained and reviewed the relevant information in relation to the Rights Issue, among others, (i) the annual report for the year ended 31 December 2022 of the Company (the “**2022 Annual Report**”); (ii) the annual results announcement for the year ended 31 December 2023 of the Company (the “**2023 Annual Results**”); (iii) the recent announcements of the Company; and (iv) the information set out in the Circular.

We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made, or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, or any of its respective substantial shareholders, subsidiaries or associates.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

#### 1 BACKGROUND AND FINANCIAL INFORMATION OF THE GROUP

##### 1.1 INFORMATION ON THE GROUP

The Company is an investment holding company. The Group is (i) a contractor of foundation works in Hong Kong capable of foundation jobs, which mainly include excavation and lateral support (ELS) works, sheet piling, pipe piling, preboring, pre-bored H-piling, mini-piling, and bored piling; (ii) a subcontractor for site formation works and other geotechnical engineering works such as slope works and other minor geotechnical works such as shotcreting; and (iii) a trader of alcoholic beverages in the People's Republic of China ("PRC").

##### 1.2 FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the audited consolidated financial results of the Group for the three years ended 31 December 2023, 2022 and 2021 ("FY2023", "FY2022" and "FY2021", respectively) as extracted from the 2023 Annual Results and the 2022 Annual Report:

	<b>FY2023</b>	<b>FY2022</b>	<b>FY2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	97,150	86,480	88,812
Cost of sales	(83,831)	(70,216)	(77,899)
Gross profit	13,319	16,264	10,913
(Loss)/profit for the year attributable to owners of the Company	(19,773)	(6,518)	586

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 31 December 2023 HK\$'000 (audited)</b>	<b>As at 31 December 2022 HK\$'000 (audited)</b>	<b>As at 31 December 2021 HK\$'000 (audited)</b>
Non-current assets	29,868	19,195	16,601
Current assets	74,437	86,309	86,556
Total assets	104,305	105,504	103,157
Non-current liabilities	5,947	5,254	1,508
Current liabilities	56,382	38,643	35,400
Total liabilities	62,329	43,897	36,908
Cash and bank balances	4,837	4,147	4,352
Net current assets	18,055	47,666	51,156
Equity attributable to owners of the Company	41,512	61,284	66,249

*FY2022 vs FY2021*

The Group's revenue decreased by approximately HK\$2.3 million or 2.6% from approximately HK\$88.8 million for FY2021 to approximately HK\$86.5 million for FY2022, mainly due to delay in progress of certain projects as a result of the outbreak of the COVID-19 pandemic. For FY2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$6.5 million as compared to a profit attributable to owners of the Company of approximately HK\$0.6 million for FY2021. The loss during the year was mainly attributed to (i) delay in progress of certain projects as a result of the outbreak of the COVID-19 epidemic; and (ii) the provision for impairment of trade receivables and contract assets. It is also worth noting that the Group recorded a one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment which contributed to its revenue for FY2021.

As at 31 December 2022, the Group recorded cash and bank balances amounting to approximately HK\$4.1 million (31 December 2021: approximately HK\$4.4 million) and the net current assets value was approximately HK\$47.7 million (31 December 2021: approximately HK\$51.2 million).

As at 31 December 2022, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 28.0% (31 December 2021: approximately 17.1%).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *FY2023 vs FY2022*

The Group's revenue increased by approximately HK\$10.7 million or 12.4% from approximately HK\$86.5 million for FY2022 to approximately HK\$97.2 million for FY2023, mainly due to business growth in the segment of foundation and related works. For FY2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$19.8 million as compared to approximately HK\$6.5 million for FY2022. The loss during the year was mainly attributed to (i) increase of impairment losses on financial and contract assets; (ii) increase in depreciation of right-of-use assets; and (iii) increase in other expenses.

As at 31 December 2023, the Group recorded cash and bank balances amounting to approximately HK\$4.8 million (31 December 2022: approximately HK\$4.1 million) and the net current assets value was approximately HK\$18.1 million (31 December 2022: approximately HK\$47.7 million).

As at 31 December 2023, the gearing ratio of the Group, calculated as the total interest-bearing liabilities divided by the total equity, was approximately 61.6% (31 December 2022: approximately 28.0%).

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

As disclosed in the Letter from the Board, assuming full subscription under the Rights Issue, the expected gross proceeds of the Rights Issue will be up to approximately HK\$41.4 million and the relevant expenses would be approximately HK\$2.4 million, which includes placing commission and professional fees payable to financial adviser, legal advisers and other parties involved in the Rights Issue. Accordingly, the estimated net proceeds of the Rights Issue, after deducting the related expense, will be up to approximately HK\$39.0 million.

With reference to the Letter from the Board, as disclosed in the announcement of the Company dated 16 December 2022, (i) Sandi Supply Chain Management (Chengdu) Co., Ltd.\* (三滴供應鏈管理(成都)有限公司) (“**Sandi**”), an indirect wholly-owned PRC subsidiary of the Company; and (ii) Jiude Jiupin (Chengdu) Wine Co., Ltd.\* (九德玖品(成都)酒業有限公司) (“**Jiude Jiupin**”), a company established in the PRC with limited liability and is 51% held by Sandi have started the business of liquor and food and target to achieve business growth in the coming year. In particular, Sandi is carrying out three aspects of business operations in the coming future: (i) liquor supply chain, (ii) new food retail and (iii) comprehensive property management. With a view to support the future development direction of creating its own wine brands, we understand the Directors perceive the Rights Issue as a favourable opportunity to raise additional funding to provide substantial support for Sandi's development endeavors, particularly in the realm of creating its own wine brands without any interest burden.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further, with reference to the Letter from the Board, assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK\$39.0 million from the Rights Issue (assuming no other change in the number of Shares in issue on or before the Record Date) for the following purposes:

- (i) approximately HK\$26.0 million, representing approximately 66.8% of the net proceeds, will be used for the development in the business of liquor supply chain and new food retail, among which (a) approximately HK\$14.0 million, representing approximately 35.9% of the net proceeds, will be used for the procurement of the stock; (b) approximately HK\$7.0 million, representing approximately 18.0% of the net proceeds, will be used for the promotion and advertisement of the business of liquor supply chain and new food retail of the Group; and (c) approximately HK\$5.0 million, representing approximately 12.8% of the net proceeds, will be used for the negotiation of exclusive distributorship; and
- (ii) approximately HK\$13.0 million, representing approximately 33.2% of the net proceeds, will be used for general working capital of the Group, including but not limited of the staff cost expenses, leasing expense and rental expense.

With reference to the 2023 Annual Results, the cash and bank balances of the Group amounted to only approximately HK\$4.8 million as at 31 December 2023, which is less than the amount the Company intended to allocate and estimated to be needed for the development in the business of liquor supply chain and new food retail of approximately HK\$26.0 million. Accordingly, the Company does not have enough internal resources to satisfy the need for the above proposed.

We understand from the Management that the allocation of approximately HK\$26.0 million to be used for the development in the business of liquor supply chain and new food business will mainly be investing towards the liquor supply chain business, which is focusing on the Chinese Baijiu (中國白酒) market in the PRC.

With reference to a market research report on the Chinese Baijiu industry published by Leadleo Research Institute (頭豹研究院) in October 2023 (the “**Market Report**”)<sup>Note</sup>, driven by the economic recovery in the PRC and the increasing demand from new consumers of the younger generation, the Chinese Baijiu market is expected to grow at a CAGR of approximately 5.9% from 2023 and reach approximately RMB822.7 billion in 2027. In addition, as quoted from the Market Report, the growth in Chinese Baijiu market in 2023 was mainly driven by the increase in selling price of Chinese Baijiu and, in turn, the Chinese Baijiu market has a high gross profit margin. Also, according to the Market Report, new consumers of the younger generation has a low brand loyalty towards Chinese Baijiu, of which approximately 53% of the young consumers wish to try new Chinese Baijiu brands. As such, we are of the view that the

Note: <https://www.leadleo.com/wiki/brief?id=64b568f78c30aa70353473da>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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outlook of the Chinese Baijiu market that the Company is looking to apply the proceeds from the Rights Issue to is positive and the Company has the opportunity to capture the market share by tapping into the market with its own brand of Chinese Baijiu.

We understand from the Letter from the Board that, apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer and the Directors are of the view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole, and that it is an appropriate fund-raising method to strengthen the capital base of the Company and support the Company's continuing business development and growth.

We understand that the Board noted that bank borrowings, if available, would result in additional interest burden of the Company and create pressure to the liquidity of the Company and accordingly, the Board did not consider it to be beneficial to the Company. We noted that the gearing ratio of the Company has been increasing from approximately 17.1% as at 31 December 2021, to approximately 28.0% as at 31 December 2022 and further to approximately 61.6% as at 31 December 2023. With the increasing gearing ratio of the Company, which represents that the Company has increased reliance on debt financing in its portfolio arising from the higher borrowings in its financial position, we are of the view that the Company may not be able to secure favourable terms for debt financing during negotiations with financial institutions and such may not be beneficial to the Company and the Shareholders.

As to other equity financing such as placing of new Shares and open offer, we are of the view that placing of new shares does not provide the option for existing Shareholders to participate and maintain their respective existing shareholding interests and open offer does not facilitate a trading arrangement of rights entitlement for Qualifying Shareholders to realise a gain on the disposal of rights entitlement without participating. Accordingly, we are of the view that rights issue provides an equal opportunity to maintain their proportional interests in the Company and allow flexibility for Qualifying Shareholders to decide whether to participate or realise the rights entitlement. Hence, we concur with the Directors' view that the Rights Issue is in the best interests of the Company and the Shareholders as a whole.

For further details of the proposed use of proceeds as well as the expected timetable for the respective utilization, please refer to the section headed "REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS" in the Letter from the Board.

### **3 THE PROPOSED RIGHTS ISSUE**

Subject to the Increase in Authorised Share Capital having become effective, the Company proposes to raise gross proceeds of up to approximately HK\$41.4 million by way of the issue of up to 345,000,000 Rights Shares at the Subscription Price of HK\$0.12 per Rights Share on the basis of three (3) Rights Shares for every one (1) existing Share held at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Further details of the Rights Issue are set out below:

### **3.1 RIGHTS ISSUE STATISTICS**

Basis of the Rights Issue:	Three (3) Rights Shares for every one (1) existing Share held by the Shareholders on the Record Date
Subscription Price:	HK\$0.12 per Rights Share
Net subscription price per Rights Share (i.e. Subscription Price less Rights Issue expenses):	Approximately HK\$0.113 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	115,000,000 Shares
Number of Rights Shares to be issued under the Rights Issue:	Up to 345,000,000 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date)
Total number of issued Shares as enlarged by the allotment and issue of the Rights Shares:	Up to 460,000,000 Shares (assuming no further issue or repurchase of the Shares on or before the Record Date)
Maximum amount to be raised before expenses (assuming the Rights Issue is fully subscribed):	Up to approximately HK\$41.4 million before expenses (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
Aggregate nominal value of the Rights Shares:	HK\$34.5 million (assuming there is no change to the total number of Shares in issue on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Assuming there is no change in the total number of New Ordinary Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 345,000,000 Rights Shares to be issued pursuant to the terms of the proposed Rights Issue represents (i) 300.0% of the issued share capital of the Company immediately upon the Increase in Authorised Share Capital becoming effective; and (ii) 75% of the issued share capital of the Company upon the Increase in Authorised Share Capital becoming effective and as enlarged by the allotment and issue of the Rights Shares.

### **3.2 SUBSCRIPTION PRICE**

The Subscription Price of HK\$0.12 per Rights Share is payable by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue, and where applicable, when a transferee of the nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 31.82% to the closing price of HK\$0.1760 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Discount**”);
- (ii) a discount of approximately 26.38% to the average closing price per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to the Last Trading Day of approximately HK\$0.1630 per Share (the “**5 Day Discount**”);
- (iii) a discount of approximately 24.95% to the average closing price per Share as quoted on the Stock Exchange for the last 10 consecutive trading days prior to the Last Trading Day of approximately HK\$0.1599 per Share;
- (iv) a discount of approximately 10.45% to the theoretical ex-rights price of approximately HK\$0.1340 per Share based on the closing price of HK\$0.1760 per Share as quoted on the Stock Exchange on the Last Trading Day and number of Shares in issue as at the Latest Practicable Date (the “**TERP Discount**”);
- (v) a discount of approximately 77.60% to the published audited consolidated net asset value per Share as at 31 December 2022 of approximately HK\$0.5357 (based on the annual report of the Company published on 31 March 2023 in relation to, among others, the annual results of the Company for the year ended 31 December 2022);



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (vi) a discount of approximately 77.61% to the latest published unaudited consolidated net asset value per Share as at 30 June 2023 of approximately HK\$0.5359 (based on the interim report of the Company published on 14 August 2023 in relation to, among others, the interim results of the Company for the six months ended 30 June 2023) (the “NAV Discount”);
- (vii) a discount of approximately 67.12% to the latest published audited consolidated net asset value per Share as at 31 December 2023 of approximately HK\$0.3650 (based on the annual results announcement of the Company published on 28 March 2024 in relation to, among others, the annual results of the Company for the year ended 31 December 2023); and
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.86%, represented by the theoretical diluted price of approximately HK\$0.1340 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.1760 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 Last Trading Day of approximately HK\$0.1630 per Share) of approximately HK\$0.1760 per Share.

According to the Letter from the Board, the Subscription Price was determined by the Company with reference to, among others, (i) the recent market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the financial position of the Group; and (iv) the amount of funds the Company intends to raise under the Rights Issue as discussed in the section headed “REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS OF THE RIGHTS ISSUE” in the Letter from the Board.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **3.3 NON-UNDERWRITTEN BASIS**

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

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

Despite the Rights Issue is conducted on a non-underwritten basis, any Rights Shares not subscribed by the Qualifying Shareholders (i.e. the Unsubscribed Rights Shares), including the NQS Unsold Rights Shares (if any) will be placed by the Placing Agent a price not less than the Subscription Price on the market to independent placees on a best effort basis. We are of the view that the Subscription Price, being set at a discount to the prevailing market prices of the Shares, shall encourage independent placees to subscribe for the Unsubscribed Rights Shares and the NQS Unsold Rights Shares (if any) and, in turn, to raise the necessary proceeds for the Company.

We also understand that the Company has reached out to other potential placing agents and none has committed to conduct the Rights Issue on a fully underwritten basis. With reference to the paragraphs headed “COMPARATIVE ANALYSIS ON THE PROPOSED TERMS OF THE RIGHTS ISSUE” below, we noted that it is a common market practice that rights issue is conducted on a non-underwritten basis. Based on the above, we are of the view that such is in line with the general market practice and is acceptable.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

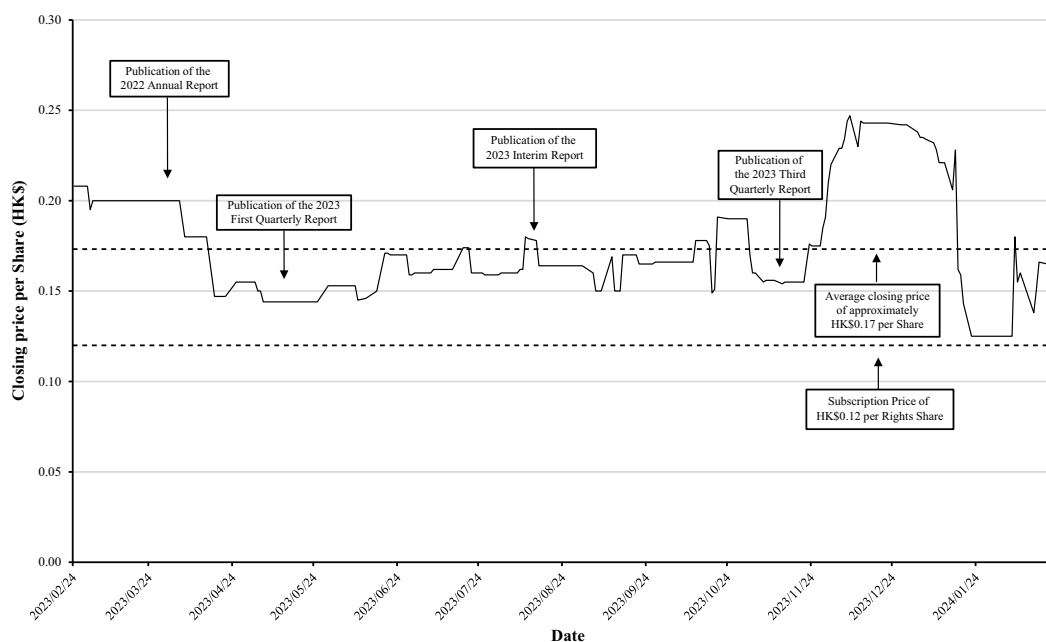
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### 4 HISTORICAL PRICE AND TRADING PERFORMANCE OF THE SHARES

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 24 February 2023 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately 12 months prior to and including the Last Trading Day) and compared with the Subscription Price. We consider that the Review Period is adequate and representative to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical closing prices prior to the Announcement and such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company the Shareholders had expected, while that after the Announcement, the value may have taken into account the potential effect of the Rights Issue which may distort the analysis.

#### (i) Share prices

The chart below shows the daily closing prices of the Shares as quoted on the Stock Exchange during the Review Period:



Source: the website of the Stock Exchange

During the Review Period, the closing prices of the Shares were between a low of HK\$0.125 per Share from 22 January 2024 to 6 February 2024 and a high of HK\$0.247 per Share on 8 December 2023, with an average closing price of approximately HK\$0.17 per Share.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that, the closing price of the Shares remained generally stable during the Review Period, save for (i) the period subsequent to the publication of the 2023 Third Quarterly Report, on 11 November 2023, the closing price of the Shares experienced a sharp increase from the end of November 2023 and reaching HK\$0.247 per Share on 8 December 2023; and (ii) in January 2024, the closing price of the Shares experienced a sharp downturn on 17 January 2024 and reaching HK\$0.125 per Share from 22 January 2024 to 6 February 2024. Subsequently, the closing price of the Shares fluctuated between HK\$0.149 to HK\$0.18 per Share up to and including the Last Trading Day.

After reviewing the announcements of the Company disclosed during such period, we are not aware of any information which caused the aforementioned change in closing prices of the Shares and we are unable to point out the definitive reason for such fluctuations in our capacity as the Independent Financial Adviser. We have made inquiry to the Management which is also not aware of any other reasons for the aforementioned sharp decline in the closing price of the Shares.

We noted that the Subscription Price of HK\$0.12 per Rights Share is generally below the closing prices of the Shares throughout the Review Period. The Subscription Price represents (i) a discount of approximately 51.4% to the highest closing price of the Shares during the Review Period of HK\$0.247; (ii) a discount of approximately 4.0% to the lowest closing price of the Shares during the Review Period of HK\$0.125; and (iii) a discount of approximately 30.7% to the average closing price of the Shares during the Review Period of approximately HK\$0.173. With reference to the paragraphs headed “COMPARATIVE ANALYSIS ON THE PROPOSED TERMS OF THE RIGHTS ISSUE” below, we noted that it is a common market practice that the subscription price of a rights issue represents a discount to the prevailing market closing prices to encourage the existing shareholders to participate in a rights issue as to meet the need of the fund raising. Accordingly, we are of the view that the Subscription Price being set at a discount to the prevailing market prices of the Shares is in line with the general market practice and is acceptable.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**(ii) Trading volumes**

Set out below is the average daily trading volume of the Shares per relevant month/period, and the respective percentage of the average daily trading volume of the Shares to the total number of issued Shares as at the end of relevant month/period, in the Review Period:

Month/period	Total trading volume of the Shares	Number of trading days	Average daily trading volume of the Shares	Percentage of average daily trading volume of total issued Shares as at the end of relevant month/period
<b>2023</b>				
February (from 24 February)	–	3	–	0.0000%
March	325,000	23	14,130	0.0123%
April	3,099,000	17	182,294	0.1585%
May	472,000	21	22,476	0.0195%
June	197,000	21	9,381	0.0082%
July	670,000	20	33,500	0.0291%
August	479,780	23	20,860	0.0181%
September	1,471,000	19	77,421	0.0673%
October	1,381,000	20	69,050	0.0600%
November	411,000	22	18,682	0.0162%
December	530,000	19	27,895	0.0243%
<b>2024</b>				
January	1,185,000	22	53,864	0.0468%
February (until the Last Trading Day)	3,070,000	15	204,667	0.1780%

*Source: the website of the Stock Exchange*

It is noted that the average daily trading volume of the Shares per relevant month/period accounted for only a small portion of the total number of issued Shares as at the end of the relevant month/period, which ranges from approximately nil to approximately 0.1780% per month/period during the Review Period. We are of the view that the Shares were generally illiquid in the open market given (i) there were 156 days with nil trading volume of the Shares during the Review Period; and (ii) the average daily trading volume of the Shares during the Review Period on days with trading recorded of approximately 149,335 Shares, represented only approximately 0.1299% of the total issued Shares as at the Latest Practicable Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered the thin trading volume of the Shares, we are of the view that the Company is unlikely to be able to raise equity funds from third parties without a substantial discount to the prevailing Share price as they may experience difficulty in disposing the Shares at a fixed price within a short period of time and any sale of a significant number of the Shares on the market may result in downward pressure on the market price of Shares. It is also difficult to attract the existing Shareholders to reinvest in the Company through the Rights Issue if the Subscription Price was not set at discount to the historical closing prices of the Shares given the proposed Rights Issue represents 300.0% of the issued share capital of the Company immediately upon the Increase in Authorised Share Capital becoming effective and may further affect the opportunities to liquidate the shares at the prevailing trading price of the Shares. To attract the Qualifying Shareholders to maintain their respective shareholdings in the Company and participate in the development of the Group, we consider that the Subscription Price being set at discount to the prevailing market price of the Shares is reasonable and acceptable.

After taking into consideration the aforementioned reasons, we consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### 5 COMPARATIVE ANALYSIS ON THE PROPOSED TERMS OF THE RIGHTS ISSUE

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified a list of 19 companies (the “**Comparable(s)**”) listed on the Main Board or GEM of the Stock Exchange which announced a rights issue during 3-month period ended on the date of the Announcement, i.e. 23 February 2024, which we believe is exhaustive.

Although the Comparables include rights issues in different scale, engaged in different business or have different financial performance and funding needs from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues; (iii) including transactions conducted by the Comparables with different funding needs and business represents a more comprehensive overall market sentiment in our comparable analysis; (iv) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful number of sample size of Hong Kong listed issuers to reflect the market practice regarding recent rights issue, whereas if a longer period (e.g. 6 months) is used, that would have generated way too many comparable rights issues making the analysis less meaningful with a wider range of premium and discount of the relevant subscription prices; and (v) save for the rights issues of Goldstone Capital Group Limited (stock code: 1160) which has been terminated on 14 March 2024 and Sun Kong Holdings Limited (stock code: 8631) which has been terminated on 27 March 2024 that we have excluded from our analysis, the Comparables identified during the aforementioned period were exhaustively included without any artificial selection or filtering on

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

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

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

# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(Discount)/Premium of subscription price (to)/over													
Company name (Stock code)	Announcement date	Basis of entitlement	Closing price (%)	5-day average (%)	the theoretical			Potential maximum dilution of shareholding (%)	Theoretical dilution effect (%)	Excess application (Y/N)	Fully underwritten <sup>(5)</sup>	Underwriting commission (%)	Placing commission (%)
					ex-rights/entitlement price (%)	consolidated net asset value per share <sup>(3)</sup> (%)	excess of subscription price (%)						
Lapco Holdings Limited (8472)	24/11/2023	3-for-1	(30.2)	(19.4)	(9.8)	(84.8)	75.0	(22.7)	N	N	N/A	2.5	
IBO Technology Company Limited (2708)	28/11/2023	3-for-1	(25.2)	(25.7)	(7.6)	(83.3)	75.0	(18.9)	Y	Best effort	2.0	N/A	
China Financial Leasing Group Limited (2312)	01/12/2023	1-for-1	(32.6)	(32.4)	(19.5)	(63.6) <sup>(4)</sup>	50.0	(16.3)	Y	Yes	1.0	N/A	
Finsoft Financial Investment Holdings Limited (8018)	05/12/2023	3-for-1	(28.2)	(26.0)	(8.6)	(83.1)	75.0	(21.4)	N	N	N/A	3.5	
Imperium Financial Group Limited (8029)	08/12/2023	1-for-2	(11.1)	(7.4)	(7.6)	Net liability <sup>(1)</sup>	33.3	(3.8)	N	N	N/A	2.0	
Major Holdings Limited (1389)	14/12/2023	2-for-3	(53.1)	(51.8)	(40.4)	(57.0)	40.0	(21.4)	N	N	N/A	3.0	
Elite Holdings Limited (223)	28/12/2023	1-for-5	3.5	4.0	2.9	279.0 <sup>(7)</sup>	16.7	Premium	Y	Best effort	2.5	N/A	
Huasheng International Holding Limited (1323)	28/12/2023	1-for-2	(12.2)	(11.5)	(8.7)	(48.7)	33.3	(3.8)	N	N	N/A	3.0	
Teunway International Group Holdings Limited (1239)	10/01/2024	1-for-1	(32.8)	(32.8)	(19.6)	Net liability <sup>(1)</sup>	50.0	(32.8)	N	N	N/A	0.5	
Tongda Hong Tia Holdings Limited (2363)	12/01/2024	2-for-1	(1.7)	0.0	0.0	Net liability <sup>(1)</sup>	66.7	(1.7)	N	N	N/A	2.0	
China Oriented International Holdings Limited (1871)	16/01/2024	1-for-2	(18.4)	(14.8)	(12.0)	(58.9)	33.3	(63.3)	N	N	N/A	3.0	
CCIAM Future Energy Limited (145)	18/01/2024	1-for-2	(12.5)	(11.2)	(10.5)	(4.9)	33.3	(4.2)	N	N	N/A	5.0	
Singasia Holdings Limited (8293)	30/01/2024	2-for-1	(11.5)	(18.7)	(3.8)	(67.3)	66.7	(14.2)	N	N	N/A	1.5 or HK\$100,000 <sup>(6)</sup>	
Wuxi Life International Holdings Group Limited (8148)	09/02/2024	2-for-1	(20.0)	(25.9)	(10.4)	381.0 <sup>(7)</sup>	66.7	(17.3)	Y	N	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	
Ta Yang Group Holdings Limited (1991)	19/02/2024	1-for-2	(9.8)	(11.8)	(13.0)	26.4	33.3	(3.7)	Y	N	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	
Green Economy Development Limited (1315)	21/02/2024	1-for-2	(15.3)	(15.7)	(10.6)	(25.3)	33.3	(5.3)	Y	N	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	
Guoen Holdings Limited (8121)	21/02/2024	2-for-1	(33.3)	(35.3)	(14.3)	(60.9)	66.7	(23.6)	Y	Yes	7.07	N/A	
		Highest	3.5	4.0	2.9	26.4							
		Upper quartile	(11.5)	(11.5)	(7.6)	(42.8)							
		Lower quartile	(30.2)	(26.0)	(13.0)	(71.3)							
		Lowest	(53.1)	(51.8)	(40.4)	(84.8)							
		Average	(20.3)	(19.8)	(11.4)	(51.0)							
The Company (8460)	23/02/2024	3-for-1	(31.8)	(26.4)	(10.4)	(77.4)	75.0	(23.9)	N	N	N/A	3.5	

Source: the website of the Stock Exchange



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*Notes:* Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.

- (1) denotes that comparison to net asset value is not applicable due to the net liabilities position of the respective Comparable, and has been excluded from the analysis.
- (2) denotes that the respective Comparable did not involve underwriter/placing agent for its right issue.
- (3) calculated based on the latest audited or unaudited consolidated net assets of the Comparables as announced prior to the relevant announcements of the rights issues as set out in their respective annual/interim reports.
- (4) calculated based on the unaudited net asset value per share of approximately HK\$0.33 as at 31 October 2023, which was the latest available information announced in accordance with rule 2.07C of the Listing Rules prior to the announcement of its right issue, as China Financial Leasing Group Limited (2312) is an investment company listed under chapter 21 of the Listing Rules.
- (5) N refers to the rights issue being conducted on a non-underwritten basis.
- (6) according to its announcement, the placing commission is equivalent to (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount successfully placed by the placing agent, whichever is higher.
- (7) considered as outlier(s), and has been excluded from the analysis.

As shown by the above table, the premium/discount as represented by the subscription prices of Comparables to (i) the respective closing price per share on last trading day immediately prior to publication of announcement in relation to the respective rights issue ranged from discount of approximately 53.1% to premium of approximately 3.5%; (ii) the average closing price per share for the last five consecutive trading days immediately prior to publication of announcement in relation to the respective rights issue ranged from discount of approximately 51.8% to premium of approximately 4.0%; (iii) the respective theoretical ex-rights price per share based on the benchmarked price in relation to the respective rights issue ranged from discount of approximately 40.4% to premium of approximately 2.9%; and (iv) the respective net asset value per share based on the latest financial information prior to publication of announcement in relation to the respective rights issue ranged from discount of approximately 84.8% to premium of approximately 26.4%.

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We noted that:

- (i) the TERP Discount represented lesser discount to the average of the Comparables; and
- (ii) although each of the LTD Discount, the 5 Days Discount and NAV Discount represented deeper discount to the respective average of the Comparables, the TERP Discount falls within the interquartile range of the Comparables (i.e. between the upper quartile and lower quartile limits, which implies being within the middle 50% of the Comparables) and the LTD Discount, the 5 Days Discount and the NAV Discount fall just off the first quartile of the Comparables (i.e. just below the lower quartile limit, which implies being just below the middle 50% of the Comparables),

which indicates the discount of Subscription Price is within the market norm.

Having considered that:

- (i) it is reasonable to offer discount for the Subscription Price to promote the attractiveness of the Rights Shares (or the Unsubscribed Rights Shares and the NQS Unsold Rights Shares) given the generally thin liquidity of the Shares during the Review Period and encourage the Qualifying Shareholders to participate in the Rights Issue as to meet the need of the fund raising;
- (ii) it is a common market practice that the pricing of a rights issue represents a discount to the prevailing closing share prices prior to the announcement of the rights issue;
- (iii) the interests of the Qualifying Shareholders will not be prejudiced by the discount of the Subscription Price as they are offered with an equal opportunity to participate in the Rights Issue and subscribe for the Rights Shares;
- (iv) the further analysis of the Comparables as set out above,

we consider the Subscription Price to be fair and reasonable.

### **6 PLACING COMMISSION AND PLACING PRICE**

Pursuant to the Placing Agreement, the Company shall pay to the Placing Agent a placing commission (the “**Placing Commission Rate**”) of 3.5% of the amount which is equal to the placing price multiplied by the number of Unsubscribed Rights Shares and NQS Unsold Rights Shares successfully placed by the Placing Agent and/or its subplacing agent(s) pursuant to the terms of the Placing Agreement. As advised by the Company, the terms of the Placing Agreement (including the Placing Commission Rate) were determined after arm’s length negotiation between the Company and the Placing Agent by reference to the financial position of the Group, the size of the Rights Issue and the prevailing market conditions.

For detailed terms of the Placing Agreement, please refer to the section headed “The Placing Agreement” in the Letter of the Board.

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From the Comparables table as set out above, we noted that the commission rates payable to underwriters or placing agents of the Comparables (excluding those with fixed commission) ranged from 0.5% to 7.07%. The Placing Commission Rate of 3.5% is slightly above the average commission rates payable of the Comparables is approximately 2.8%. We noted that (i) the Comparables listed on GEM, which has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached, and (ii) the Comparables with maximum dilution effect of over 50%, which represents the number of new rights shares to be issued under the basis of entitlement exceeds the number of existing shares in issue, and thus implying higher investment risk may be involved with the amount of new rights shares to be made available, have generally higher commission rates payable with an average of approximately 3.6%, which are also the characteristics of the Company and the Rights Issue. We also understand that the Company has reached out to other potential placing agents and none has offered more favourable terms than the Placing Commission Rate of 3.5%. Accordingly, we are of the opinion that the Placing Commission Rate of 3.5% (which is within the aforesaid range) is fair and reasonable.

According to the Placing Agreement, the placing price of each of the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares (as the case may be) shall be not less than the Subscription Price and the determination of the final price is dependent on the demand and market conditions for the Unsubscribed Rights Shares and/or the NQS Unsold Rights Shares during the process of Placing. We noted that the similar arrangements were also made for the Comparables with placing arrangements. As such, we consider that such arrangement for the placing price in a rights issue is in line with the market practice and is fair and reasonable.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue (including the Placing Price and the Placing Commission Rate) are on normal commercial terms and are fair and reasonable.

### **7 DILUTION EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDING INTERESTS**

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their full provisional allotments under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Referring to the section headed "EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" in the Letter from the Board, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and the Excluded Shareholders should note that their shareholdings in the Company will be diluted upon completion of the Rights Issue and their aggregate shareholding interests in the Company may be reduced by a maximum of approximately 75%. It should be noted that the actual changes in the shareholding structure of the Company upon completion of the Rights Issue are subject to various factors, including but not limited to the results of acceptance of the Rights Issue.

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Having taken into account (i) all Qualifying Shareholders are provided an equal opportunity to subscribe for their assured entitlements under the Rights Issue for the purpose of maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to sell their nil-paid Rights Shares in the market if they do not wish to take up the Rights Issue entitlements; and (iii) shareholding dilution is generally inherent in rights issue with new shares being issued, we are of the view that the potential dilution effect on the shareholding is acceptable.

### 8 POTENTIAL EFFECT ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company, assuming there is no further issue or repurchase of Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares pursuant to the Rights Issue, (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Rights Issue, assuming full acceptance of the Rights Shares by the Qualifying Shareholders; and (iii) immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent:

	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance of the Rights Shares by the Qualifying Shareholders		Immediately upon completion of the Rights Issue assuming nil acceptance of the Rights Shares by the Qualifying Shareholders and all Unsubscribed Rights Shares and NQS Unsold Rights Shares have been placed by the Placing Agent	
	No. of Shares	Approx %	No. of Shares	Approx %	No. of Shares	Approx %
Mr. Lau (Note 1)	51,750,000	45.00	207,000,000	45.00	51,750,000	11.25
Independent Placees (Note 2)	–	–	–	–	345,000,000	75.00
Other Public Shareholders	63,250,000	55.00	253,000,000	55.00	63,250,000	13.75
<b>Total</b>	<b>115,000,000</b>	<b>100.00</b>	<b>460,000,000</b>	<b>100.00</b>	<b>460,000,000</b>	<b>100.00</b>

*Notes:*

- (1) Mr. Lau is directly interested in 750,000 Shares. Mr. Lau beneficially own the entire issued share capital of Brightly Ahead Limited. Therefore, Mr. Lau is deemed, or taken to be, interested in all the 51,000,000 Shares held by Brightly Ahead Limited for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead.
- (2) Pursuant to the Placing Agreement, the Placing Agent shall ensure each of such Placees, who and whose ultimate beneficial owner(s) (as the case may be) (i) shall be Independent Third Parties; (ii) shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, upon completion of the Rights Issue, own 10.00% or more of the voting rights of the Company; and (iii) shall not, together with any party acting in concert with it/them (within the meaning of the Takeovers Code), will hold 30% (or such percentage which will trigger an obligation to make a mandatory general offer to the other Shareholders under the Takeovers Code) or more of the voting rights of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 9 POTENTIAL FINANCIAL EFFECT OF THE RIGHTS ISSUE

The unaudited pro forma statement of unaudited consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Pro Forma Statement**”) adjusted for the effect of the Rights Issue as at 31 December 2023, which is prepared as if the Rights Issue had taken place on 31 December 2023, is set out under Appendix II to the Circular.

According to the Pro Forma Statement, the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 was approximately HK\$38.7 million and would be approximately HK\$77.7 million (based on 345,000,000 Rights Shares to be issued) as if the Rights Issue had taken place on 31 December 2023.

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

### OPINION AND RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that the terms of the Rights Issue (including the Subscription Price and the potential dilution effect) are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the relevant resolution(s) proposed at the EGM thereby approving the Rights Issue. However, we do not envisage our role as to opine on, and our opinion herein does not in any manner address to or imply, whether Qualifying Shareholders should or should not accept the Rights Shares.

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**

Yours faithfully,  
For and on behalf of  
**Alpha Financial Group Limited**

**Cheng Chi Ming, Andrew**  
*Managing Director*

**Irene Ho**  
*Vice President*

*Mr. Cheng Chi Ming, Andrew is the Managing Director of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Cheng has over 19 years of experience in the corporate finance industry in Hong Kong.*

*Ms. Irene Ho is the Vice President of Alpha Financial Group Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activities. Ms. Ho has over 9 years of experience in the corporate finance industry in Hong Kong.*

**(I) FINANCIAL SUMMARY**

The financial information of the Group for (i) each of the four financial years ended 31 December 2020, 2021, 2022 and 2023; (ii) the six months ended 30 June 2023; and (iii) the nine months ended 30 September 2023, are set out in the following documents which have been published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.wbgroupfw.com.hk](http://www.wbgroupfw.com.hk):

- the annual report of the Company for the year ended 31 December 2020 published on 30 March 2021 (pages 56 to 113)  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033000622.pdf>);
- the annual report of the Company for the year ended 31 December 2021 published on 29 April 2022 (pages 55 to 113)  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0429/2022042901663.pdf>);  
and
- the annual report of the Company for the year ended 31 December 2022 published on 31 March 2023 (pages 55 to 119)  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0331/2023033104369.pdf>).
- the interim report of the Company for the six months ended 30 June 2023 published on 14 August 2023 (pages 5 to 21)  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0814/2023081400731.pdf>).
- the third quarterly report of the Company for the nine months ended 30 September 2023 published on 14 November 2023 (pages 2 to 8)  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1114/2023111401686.pdf>).
- the annual results announcement of the Company for the year ended 31 December 2023 published on 28 March 2024 (page 2 to page 17)  
(<https://www1.hkexnews.hk/listedco/listconews/gem/2024/0328/2024032805312.pdf>)

**(II) STATEMENT OF INDEBTEDNESS**

As at the close of business on 29 February 2024, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this Circular, the details of the Group's indebtedness are as follows:

	<i>HK\$'000</i>
Bank borrowings – secured ( <i>note a</i> )	10,000
Other borrowing – secured ( <i>note b</i> )	11,075
Lease liabilities – unsecured	2,666
Amounts due to directors – unsecured ( <i>note c</i> )	4,153
Amounts due to related companies – unsecured ( <i>note c</i> )	3,344
Amounts due to non-controlling interests – unsecured ( <i>note c</i> )	<u>1,321</u>
	<u><u>32,559</u></u>

*Note:*

- a. The bank borrowings are secured by a payment of a life insurance policy of the Company with carrying amount of approximately HK\$2,903,000 as at 29 February 2024, interest bearing from 5.2% to 5.9% and did not have any guarantee.
- b. The other borrowing is secured by the Group's machinery and equipment with an aggregate net carrying amount of approximately HK\$21,727,000 as at 29 February 2024, interest bearing from 6.3% to 9.3% and guaranteed by personal guarantee given by a director of the Company.
- c. The amounts due are interests free and did not have any guarantee.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities, normal trade and other payables and contract liabilities, as at 29 February 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this Circular, the Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages and charges, hire purchase commitments, material contingent liabilities or guarantees outstanding.

To the best knowledge of the Directors, having made all reasonable enquiries, (i) there has been no material change in indebtedness or contingent liabilities of the Group since 29 February 2024; (ii) there has not been any default on repayments or other obligations in any material respect under the loan agreements; (iii) the Group does not have material covenants relating to the outstanding debts; (iv) the Group has complied with all of the finance covenants up to the Latest Practicable Date; and (v) the Group does not have any material external debt financing plans as at the Latest Practicable Date.

**(III) WORKING CAPITAL**

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

**(IV) MATERIAL ADVERSE CHANGE**

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

**(V) FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Group's revenue decreased by approximately HK\$2.3 million or 2.6% from approximately HK\$88.8 million for the year ended 31 December 2021 to approximately HK\$86.5 million for the year ended 31 December 2022, mainly due to delay in progress of certain projects as a result of the outbreak of the COVID-19 pandemic.

The Group's gross profit for the year ended 31 December 2022 were approximately HK\$16.3 million, representing an increase of approximately 49.0% from approximately HK\$10.9 million for the year ended 31 December 2021. Such increase was mainly due to the increase in gross profit margin. The Group's gross profit margin for the year ended 31 December 2022 was approximately 18.8%, representing an increase of approximately 6.5 percentage points as compared to approximately 12.3% for the year ended 31 December 2021. Such increase was primarily due to the effects of decisive cost control initiatives which have been taken by the management of the Group.

For the year ended 31 December 2022, the Group recorded a loss attributable to owners of the Company of approximately HK\$6.5 million as compared to a profit attributable to owners of the Company of approximately HK\$0.6 million for the year ended 31 December 2021. The loss during the year was mainly attributed to (i) delay in progress of certain projects as a result of the outbreak of the COVID-19 epidemic; (ii) the provision for impairment of trade receivables and contract assets; and (iii) one-off gain of approximately HK\$2.5 million related to disposal of property, plant and equipment for the year ended 31 December 2021.



The Group's revenue decreased by approximately 10.3% from approximately HK\$48.4 million for the six months ended 30 June 2022 to approximately HK\$43.4 million for the six months ended 30 June 2023, mainly due to a number of major projects in the six months ended 30 June 2023 are still in the early stage of construction.

The Group's gross profit for the six months ended 30 June 2023 were approximately HK\$6.1 million, representing an increase of approximately 14.9% from approximately HK\$5.3 million for the six months ended 30 June 2022. The Group's gross profit margin for the six months ended 30 June 2023 was approximately 14%, representing an increase of approximately 3 percentage points as compared to approximately 11% for the six months ended 30 June 2022. Such increase was primarily due to the effects of decisive cost control initiatives which have been taken by the management of the Group.

For the six months ended 30 June 2023, the Group recorded profit attributed to owners of the Company of approximately HK\$17,000 as compared to a profit for the six months ended 30 June 2022 of approximately HK\$171,000.

The Group's revenue decreased by approximately 0.31% from approximately HK\$63.0 million for the nine months ended 30 September 2022 to approximately HK\$62.8 million for the nine months ended 30 September 2023.

The sales growth has slowed down during the nine months ended 30 September 2023 because the majority of such growth was contributed from the first six months of the financial year, attributable to the completion of sizable projects with large contract value.

The Group's gross profit for the nine months ended 30 September 2023 was approximately HK\$9.2 million, representing an increase of approximately 8.37% from approximately HK\$8.5 million for the nine months ended 30 September 2022. The Group's gross profit margin for the nine months ended 30 September 2023 was approximately 14.7%, representing an increase of approximately 1.2 percentage points as compared to approximately 13.5% for the nine months ended 30 September 2022. Such increase was mainly attributable to the decisive cost control initiatives taken by the management of the Company.

For the nine months ended 30 September 2023, the Group recorded profit attributable to owners of the Company of approximately HK\$11,000 as compared to profit for the nine months ended 30 September 2022 of approximately HK\$0.26 million.

The Group's revenue increased by approximately HK\$10.7 million or 12.4% from approximately HK\$86.5 million for the year ended 31 December 2022 to approximately HK\$97.2 million for the year ended 31 December 2023, mainly due to business growth.

The Group's gross profit for the year ended 31 December 2023 were approximately HK\$13.3 million, representing a decrease of approximately 18.4% from approximately HK\$16.3 million for the year ended 31 December 2022. Such decrease was mainly due to the decrease in gross profit margin. The Group's gross profit margin for the year ended 31 December 2023 was approximately 13.7%, representing a decrease of approximately 5.1 percentage points as compared to approximately 18.8% for the year ended 31 December 2022. Such decrease was primarily due to competitive project pricing arising from intense market competition.

For the year ended 31 December 2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$19.8 million as compared to a loss attributable to owners of the Company of approximately HK\$6.5 million for the year ended 31 December 2022. The loss during the year was mainly attributed to (i) increase of impairment losses on financial and contract assets; (ii) increase in depreciation of right-of-use assets; and (iii) increase in other expenses.

The Directors are of the view that the general outlook of the industry and the business environment in which the Group operates remain difficult and challenging. Since January 2020, the outbreak of COVID-19 has had a drastic effect on the Hong Kong economy and imposed negative impacts on the construction industry, including, supply chain disruptions, workforce shortages due to illness and preventative quarantines and work stoppages measures imposed by the Government of the Hong Kong Special Administrative Region. The Group has not encountered or experienced any material difficulty and/or delay in the completion of the projects to the customers and from the subcontractors and any material supply chain disruptions of the suppliers due to the outbreak of COVID-19. The Group will closely monitor its existing projects' progress and communicate with suppliers and subcontractors, maintain close communication with customers on the latest project work schedules and arrangements, proactively follow up with potential customers on the tenders and quotations submitted, and actively respond to any business enquiries, tender and quotation invitations to maintain market competitiveness. The Group will continue to strive to improve its operational efficiency and business profitability and will also proactively seek for potential business opportunities that can broaden the sources of income of the Group and enhance value to the Shareholders.

The Group's trading of alcoholic beverages in the PRC has been commenced since March 2023 and such business segment has experienced steady growth accordingly. In order to further expand its liquor supply chain business, the Company considers it will have direct control over the entire production process after creating its own wine brands which will ensure that the wines meet the Company's standards and its customer expectations consistently. It also allows the Company to differentiate itself from competitors by offering exclusive and distinctive wines that cannot be found elsewhere. This can attract new customers and build brand loyalty among existing customers.

To support the direction of creating its own wine brands, the Company intends to procure base liquor, which serves as the backbone for blending and formulation of bottled white spirits. The selection of appropriate base liquor is crucial for achieving different qualities, tastes, and styles of the final product.

Meanwhile, the Directors consider that securing exclusive distributorship provides the Company with a distinct competitive edge by offering liquor products that are not readily available to its competitors. This strategic advantage allows the Company to differentiate itself in the market and effectively attract customers who actively seek out exclusive offerings of those liquor products. Recognizing the potential, the Company is committed to investing substantial efforts in negotiating future exclusive distributorship agreements with interested suppliers.

Looking into the future, the Board and the management team will prudently formulate development strategies with industry knowledge and resources. While strengthening the core business of the Group, the Company will seek development opportunities that may bring benefits to the Group in Hong Kong and the Greater Bay Area, to provide customers diversified services and, creating value for the Shareholders.

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company (the “**Unaudited Pro Forma Financial Information**”) has been prepared by the Directors in accordance with paragraph 7.31 of the GEM Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circular” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as at 31 December 2023 attributable to the owners of the Company as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information is prepared for illustrative purposes only, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 or at any future date; and

The Unaudited Pro Forma Financial Information of the Group as at 31 December 2023 is prepared by the Directors based on the audited consolidated statement of financial position of the Group as at 31 December 2023, extracted from the Group’s consolidated financial statements for the year ended 31 December 2023, on which an audited annual results has been published, with adjustments described below.

	Audited	Unaudited	Unaudited pro	Audited	Unaudited pro
	consolidated net	estimated net	forma adjusted	consolidated net	forma adjusted
	tangible assets	proceeds from the	consolidated net	tangible assets	consolidated net
	attributable to	Rights Issue	tangible assets	attributable to	tangible assets
	owners of the		attributable to	owners of the	attributable to
	Company as at		owners of the	Company per	owners of the
	31 December 2023		Company as at	Share as at	Company per
			31 December 2023	31 December 2023	Share as at
			immediately after	before the	immediately after
			the completion of	completion of the	the completion of
			the Rights Issue	Rights Issue	the Rights Issue
	HK\$’000	HK\$’000	HK\$’000	HK\$	HK\$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)

Based on 3 Rights Shares to be  
issued at the Subscription Price  
of HK\$0.12 per Rights Share

	38,654	39,000	77,654	0.34	0.17
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*Notes:*

1. The consolidated net tangible assets of the Group attributable to owners of the Company of approximately HK\$38,654,000 as at 31 December 2023 is based on the consolidated net assets of the Group attributable to owners of the Company as at 31 December 2023 of approximately HK\$41,512,000 after deducting intangible assets of approximately HK\$2,858,000 which represents the right-of-use assets of the Group as at 31 December 2023 amounted to approximately HK\$2,858,000, as extracted from the audited annual result of the Company for the year ended 31 December 2023.
2. The estimated net proceeds from the Rights Issue of approximately HK\$39,000,000 are based on 3 Rights Shares to be issued at the Subscription Price of HK\$0.12 per Rights Share and after deducting estimated related expenses, including among others, placing commission, legal and professional fees, which are directly attributable to the Rights Issue, of approximately HK\$2,400,000.
3. The calculation of audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 per Share before the completion of the Rights Issue is based on the audited consolidated net tangible assets of the Group as at 31 December 2023 of approximately HK\$38,654,000, divided by 115,000,000 Shares in issue as at 31 December 2023.
4. The calculation of audited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 per Share immediately after the completion of the Rights Issue is based on unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 immediately after the completion of the Rights Issue of approximately HK\$77,654,000, being the aggregate audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 of approximately HK\$38,654,000 and the estimated net proceeds from the Rights Issue of approximately HK\$39,000,000, divided by 460,000,000 Shares which represents the sum of 115,000,000 Shares in issue and 345,000,000 Rights Shares (assuming no new shares are issued and no repurchase of shares on or before the Record Date) were issued immediately after the completion of the Rights Issue, as if the Rights Issue had been completed on 31 December 2023.
5. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2023.

**B. ACCOUNTANT’S REPORT ON UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

*The following is the text of a report received from Infinity CPA Limited, Certified Public Accountants, Hong Kong, the independent reporting accountants of the Company, in respect of the Group’s unaudited pro forma financial information prepared for the purpose of incorporation in this circular.*



**Infinity CPA Limited**  
Room 1501, 15th Floor  
Olympia Plaza  
255 King’s Road  
North Point, Hong Kong

The Board of Directors of  
**Basetrophy Group Holdings Limited**

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of Basetrophy Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2023 and related notes as set out on pages II-1 to II-2 of the circular issued by the Company dated 24 April 2024 (the “**Circular**”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of 3 rights share for each existing share at the subscription price of HK\$0.12 per rights share (the “**Rights Issue**”) on the Group’s consolidated financial position as at 31 December 2023 as if the Rights Issue had taken place at 31 December 2023. As part of this process, information about the Group’s consolidated financial position has been extracted by the directors of the Company from the Group’s consolidated financial statements for the year ended 31 December 2023, on which an audited annual results has been published.

**DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL  
INFORMATION**

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

**OUR INDEPENDENCE AND QUALITY MANAGEMENT**

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

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**REPORTING ACCOUNTANT'S RESPONSIBILITIES**

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

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

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

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the Rights Issue had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2023 would have been as presented.

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

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

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the Rights Issue in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

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

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



**OPINION**

In our opinion:

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

Yours faithfully,  
**Infinity CPA Limited**  
*Certified Public Accountants*  
Hong Kong

**(I) RESPONSIBILITY STATEMENT**

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

**(II) SHARE CAPITAL**

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

**(i) As at the Latest Practicable Date**

Authorised:		<i>HK\$</i>
<u>300,000,000</u>	Ordinary Shares of HK\$0.10 each	<u>30,000,000</u>
Issued and fully paid:		
<u>115,000,000</u>	Ordinary Shares of HK\$0.10 each	<u>11,500,000</u>

**(ii) Immediately following the Increase in Authorised Share Capital becoming effective but before the completion of the Rights Issue**

Authorised:		<i>HK\$</i>
<u>3,000,000,000</u>	Ordinary Shares of HK\$0.10 each	<u>300,000,000</u>
Issued and fully paid:		
<u>115,000,000</u>	Ordinary Shares of HK\$0.10 each	<u>11,500,000</u>

(iii) immediately following the Increase in Authorised Share Capital becoming effective and the completion of the Rights Issue (assuming there is no change in the issued share capital of the Company on or before the Record Date)

Authorised:		HK\$
<u>3,000,000,000</u>	Ordinary Shares of HK\$0.10 each	<u>300,000,000</u>
Issued and fully paid:		
115,000,000	Ordinary Shares of HK\$0.10 each	11,500,000
	Rights Shares of HK\$0.10 each to be issued	
<u>345,000,000</u>	pursuant to the Rights Issue	<u>34,500,000</u>
	Ordinary Shares of HK\$0.10 each to be issued	
<u>460,000,000</u>	pursuant to the Rights Issue	<u>46,000,000</u>

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

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

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

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

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

**(III) DISCLOSURE OF INTERESTS****(a) Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

***Long positions in the Shares of the Company***

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held/ interested</b>	<b>Percentage of shareholding</b>
Mr. Lau	Beneficial owner	750,000	0.65%
	Interest in a controlled corporation ( <i>Note</i> )	51,000,000	44.35%

*Note:* Mr. Lau beneficially owns the entire issued share capital of Brightly Ahead Limited. Therefore, Mr. Lau is deemed, or taken to be, interested in all the Shares held by Brightly Ahead for the purpose of the SFO. Mr. Lau is the sole director of Brightly Ahead.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures**

As at the Latest Practicable Date, the following person/entity (other than the Directors and chief executives of the Company) had or were deemed to have an interest or a short position in the Shares or the underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

***Long positions in the Shares of the Company***

<b>Name</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares held/ interested</b>	<b>Percentage of shareholding</b>
Brightly Ahead Limited	Beneficial owner	51,000,000	44.35%

Save as disclosed above, as at the Latest Practicable Date, none of the substantial or significant shareholders or other persons, other than the Directors and chief executives of the Company whose interests are set out in the section “(a) DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES” above, had or were deemed to have an interest or a short position in the shares or the underlying shares of the Company which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company remained to be kept under Section 336 of the SFO, or who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group.

**(IV) DIRECTORS’ SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

**(V) DIRECTOR'S INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors has or had any interest, either directly or indirectly, in any assets which have since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

**(VI) DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE**

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

**(VII) MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date to which the latest published audited financial statements of the Group were made up).

**(VIII) COMPETING INTERESTS OF DIRECTORS AND ASSOCIATES**

As at the Latest Practicable Date, none of the Directors and their respective close associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 11.04 of the GEM Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the GEM Listing Rules.

**(IX) LITIGATION**

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against any member of the Group.

**(X) RISKS FACTORS**

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

**Foundation business not recurrent in nature**

The revenue from the provision of foundation and related works of the Group is typically derived from projects which are non-recurrent in nature. In the event that our Group fails to secure new projects or there is a significant decrease in the number of quotation invitations in the future, the business and financial positions and prospects of our Group may be materially and adversely affected.

**Injury claims and litigations**

It is not uncommon in the foundation industry to have occurrence of accidents causing injury to the Group's or the Group's subcontractors' employees, which may subsequently give rise to the corresponding employees' compensation claims and common law personal injury claims. The Group may be in disputes with the injured persons in respect of our responsibilities in connection with the accidents for various reasons. Such disputes may be in connection with contributory negligence of such injured person or whether the accident occurred during his/her employment with the Group or the Group's respective subcontractors.

**Bear responsibilities for any non-performance, delayed performance, sub-standard performance or noncompliance of the subcontractors**

The Group from time to time engages subcontractors in the foundation works. If the subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, the Group may expose itself as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries or death or damage to properties. In the event that there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which the Group is responsible, its operations and hence our financial position may be adversely affected.

**Foundation business operations depend on the expertise and continuing performance of key management personnel**

The Board and senior management comprise a group of highly experienced individuals in the foundation industry, which has an average industry experience of over a decade. Mr. Lau, the Chief Executive Officer and executive Director, has over 39 years of experience in the construction industry. Mr. Lau's experience, coupled with extensive knowledge of the foundation industry in Hong Kong, enables him to understand market dynamics and industry practice for foundation works. In addition, Mr. Lau has established close relationships with the Group's customers, suppliers and subcontractors. There is no assurance that the Group can retain the continuous services of the executive Directors and other members of senior management. If the Group cannot retain their continuous services in the management of the Group or the Group may not be able to find suitable replacements in a timely manner, there could be an adverse and material impact on the business, results of operation and profitability of the Group.

**Sales of alcoholic beverages business**

The Group operates as a trader of alcoholic beverages in the PRC. It plays a role in the distribution and sale of alcoholic beverages, leveraging its expertise in the industry. The Group's revenue primarily stems from the procurement, marketing, and distribution of a wide range of alcoholic products. Its success is intricately linked to various factors, such as the consumption patterns and preferences of the Chinese market, government regulations pertaining to the sale of alcoholic beverages, and the overall economic climate in the PRC. While the Group benefits from its position in the market, it is also exposed to uncertainties that may arise from changing consumer trends, shifts in government policies, and potential fluctuations in the economic landscape.

**Revenue Fluctuations and Customer Retention**

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



**Supply chain and procurement uncertainty**

In order to deliver foundation and related services with fast turnaround time and meet the expectation of customers, the Group has to be able to procure raw materials in a timely manner. The Group did not enter into any long-term contract with its suppliers. There is no assurance that the Group will continue to be able to secure a stable supply of raw materials at competitive prices in a timely manner or at all. Failure to do so will cause disruption in production or delayed delivery, thereby adversely affecting the Group's business, results of operation and reputation.

**Economic risk**

The Group's business depends on the macro-economic situation in Hong Kong and the PRC and may be adversely affected by the change in demand of the Group's foundation and related services and/or alcoholic beverages products as a result of downturns in the local economy, inflation and social and/or political development.

**Geographical risk**

The Group's business operations are located in Hong Kong and the PRC, and are therefore subject to risks relating to the social, political and economic conditions in Hong Kong and the PRC. In addition, the Group's business may also be affected by the uncertainties and changes in the regulation of internet-related businesses and censorship of information disseminated through the internet in the PRC.

**Other principal risks and uncertainties**

The Group is also subject to other risks and uncertainties including, without limitation, to the following:

- (i) the Group's ongoing operations and growth could be affected if it fails to attract, recruit or retain key personnel including the executive Directors, senior management and key employees;
- (ii) the Group's clients may delay in settlement of its bills, which may result in material adverse impact on the Group's business, financial conditions and results of operations;
- (iii) the Group's reputation, brand name and business could be adversely affected by misconducts of third parties, including the Group's partner websites, apps, mobile sites, service providers and advertising agencies, all of whom being independent entities, and hence the Group does not have direct control over those third parties in relation to the contents shown on their websites, app and mobile sites and/or their activities; and

- (iv) the Group's business and financial performance may be adversely affected and the business sustainability may also be affected if the Group is unable to secure engagements from clients through the tendering process.

**(XI) MATERIAL CONTRACTS**

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

- (a) the Placing Agreement

**(XII) EXPERT QUALIFICATION AND CONSENT**

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Infinity CPA Limited	Certified Public Accountants
Alpha Financial Group Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

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

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

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

**(XIII) EXPENSES**

The expenses payable by the Company in connection with the Rights Issue, including Independent Financial Adviser fees, placing commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$2.4 million.

**(XIV) CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE****Board of Directors***Executive Directors:*Mr. Leung Yat Fai Frankie Keith (*Chairman*)

Mr. Lau Chung Ho

Ms. Fong Pui Yin Vivian

Ms. Du Wanfen

Mr. Li Aiming

*Independent non-executive Directors*

Mr. Lam Chee-yau Timothy

Mr. Ngok Ho Wai

Mr. Li Dewen

**Registered office**

Windward 3

Regatta Office Park, P.O. Box 1350

Grand Cayman, KY1-1108

Cayman Islands

**Head office and principal  
place of business in Hong  
Kong**

Flat B-31, 4/F,

Park Fook Industrial Building

615-617 Tai Nan West Street

Cheung Sha Wan, Kowloon

Hong Kong

**Authorised representatives**

Mr. Lau Chung Ho

Mr. Chan Kui Ming

**Company secretary**

Mr. Chan Kui Ming

<b>Business address of all Directors, senior management and authorised representatives</b>	Flat B-31, 4/F Park Fook Industrial Building 615-617 Tai Nan West Street Cheung Sha Wan, Kowloon Hong Kong
<b>Principal share registrar and transfer office in the Cayman Islands</b>	Ocorian Trust (Cayman) Limited Windward 3 Regatta Office Park PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
<b>Principal banker</b>	Dah Sing Bank, Limited The Hongkong and Shanghai Banking Corporation Limited Standard Chartered Bank (Hong Kong) Limited
<b>Auditor and reporting accountant</b>	INFINITY CPA Limited Room 1501, 15/F Olympia Plaza 255 King's Road North Point Hong Kong
<b>Legal adviser to the Company as to Hong Kong laws</b>	TAM, PUN & YIPP 25/F, Tung Hip Commercial Building 244-248 Des Voeux Road Central Hong Kong

<b>Financial adviser to the Company</b>	Draco Capital Limited 4/F, Connaught Harbour Front House 35-36 Connaught Road West Sheung Wan Hong Kong
<b>Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders</b>	Alpha Financial Group Limited Room A, 17/F, Fortune House 61 Connaught Road Central Central Hong Kong
<b>Placing Agent</b>	Ruibang Securities Limited 9/F Sang Woo Building 227-228 Gloucester Road Wanchai Hong Kong

**(XV) PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT****Executive Director**

**Mr. Lau Chung Ho (劉頌豪) (“Mr. Lau”)**, aged 61, is the chief executive officer of the Company, an executive Director, a controlling shareholder and the co-founder of the Group. Since July 2003, Mr. Lau has been a director of Workbase Engineering Limited. Mr. Lau was appointed as a Director on 4 January 2016 and was redesignated as an executive Director on 22 September 2016. As a dedicated leader since the commencement of the Group’s operations and a key member of the executive management team, Mr. Lau is responsible for overseeing the Group’s operations, business development, human resources, finance and administration. Mr. Lau has over 40 years of experience in the construction industry, during which he gathered extensive knowledge of the industry and established close relationships with customers, suppliers and subcontractors alike.

Mr. Lau began his career as a technician apprentice in the Engineering Development Department of the Government in April 1983. He then worked as a works supervisor II in the Engineering Development Department, Civil Engineering Services Department and Drainage Services Department of the Government between July 1985 to November 1989. He worked as a sub-agent of Hon Charm Engineering Limited during December 1989 to June 1991. From June 1991 to August 1992, Mr. Lau worked as sub-agent in Super Bright Engineering Limited, and was appointed as director in KHL Projects Limited in September 1992. Mr. Lau then joined Kenly (HK) Limited as a contracts manager in January 1995 to December 2001, after which he worked as a director in Teamwork Civil Engineering Limited from January 2002 to May 2007.

Mr. Lau obtained a Certificate in Civil Engineering from Haking Wong Technical Institute in July 1985 and a Higher Certificate in Civil Engineering from The Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1988. Mr. Lau was also admitted as an associate member of the Hong Kong Institution of Engineers in November 1990. Mr. Lau completed the Metal Scaffold Erecting and Dismantling for In-Service Supervisor Course held by the Construction Industry Training Authority and the Safety Supervisor Training Course held by the Hong Kong Safety Training Centre in July 2003 and May 2005, respectively.

**Mr. Leung Yat Fai Frankie Keith (former English name was Leung Yat Fai Frankie) (梁日輝) (“Mr. Leung”)**, aged 54, was appointed as the vice chairman of the Board and executive Director on 8 February 2021. He has been re-designated as the chairman of the Board (the “Chairman”) and executive Director on 10 May 2021. Mr. Leung obtained a Bachelor of Arts from The University of Winnipeg in Canada in June 1993 and a Master of Business Administration from Murdoch University in Australia in May 1997.

Mr. Leung has extensive experience in footwear and real estate development industry. Since 1992, Mr. Leung has been serving as a legal representative of Guangzhou PATTY footwear Co., Limited\* (廣州芭迪鞋業有限公司), the business activities of which include footwear business. Mr. Leung has been serving as a director of Joint Good Corporation Limited since 2012, the nature of the company's business is real estate investment and development. He has also been serving as a director of Links Development Limited since 2013, the nature of the company's business is real estate development in People's Republic of China.

Mr. Leung is the spouse of Ms. Fong Pui Yin Vivian, the executive Director.

**Ms. Fong Pui Yin Vivian (former English name was Fong Pui Yin) (方佩賢) (“Ms. Fong”)**, aged 53, was appointed as an executive Director on 31 August 2021. Ms. Fong obtained a Bachelor of Arts degree from University of Toronto in June 1995.

Ms. Fong has extensive experience in leather products manufacturing and real estate development industry. Since July 2000, Ms. Fong has been serving as a vice managing director of Patty Company Limited. Ms. Fong has been serving as a director of Guangzhou Patty Leather Products Co., Limited\* (廣州市芭迪皮革製品有限公司) since April 2003, the business activities of which include leather products manufacturing business. She has also been serving as an executive director of Links Development Limited and Yunfu Liancheng Real Estate Co. Limited\* (雲浮市連城置業有限公司), since 2014 respectively.

Ms. Fong is the spouse of Mr. Leung, the executive Director and the Chairman.

**Ms. Du Wanfen (杜婉芬) (“Ms. Du”)**, aged 45, completed the course of Business Administration from Hubei Economic Higher Education Institution\* (湖北財經高等專科學校) in July 1997.

Ms. Du has more than 22 years of experience in importing and selling motor vehicle. Ms. Du was employed by Guangzhou Maozhan Investment Consulting Co., Limited\* (廣州茂展投資諮詢有限公司) since February 2007 and she is currently the executive chairman of the company.

**Mr. Li Aiming (李愛明) (“Mr. Li”)**, aged 51, has more than 22 years of experience in corporate strategic planning, sales planning and business management. Mr. Li is the founder and the chairman of Sichuan Baofengxiang Co., Ltd\* (四川寶豐祥股份有限公司) since January 2015. He is the director of each of Sichuan Jiu De Yuan Kang Industrial Co., Ltd\* (四川九德元康實業有限公司) and Jiu De Jiu Pin (Chengdu) Wine Industry Co., Ltd\* (九德玖品(成都)酒業有限公司) since August 2020. Mr. Li was appointed as an executive director of China Eco-Farming Limited, whose shares are listed on the GEM of the Stock Exchange (stock code: 8166) since 10 May 2023.

Mr. Li is also serving as executive vice president of Softbank Financial Research Institute since April 2020.

**Independent Non-Executive Director**

**Mr. Lam Chee-yau Timothy** (林子右) (“**Mr. Lam**”), aged 39, was appointed as the independent non-executive Director on 10 May 2021. He is also the chairman of the Nomination Committee and a member of each of the Remuneration Committee and the Audit Committee. Mr. Lam obtained a Bachelor of Arts (Philosophy), Bachelor of Laws and Master of Strategic Public Relations from the University of Sydney in Australia in April 2005, May 2007 and October 2011, respectively. He obtained a Master of Laws (Corporate and Commercial Law) from the University of New South Wales in Australia in May 2008. Mr. Lam also received a Master of Buddhist Studies and Master of Buddhist Counselling from the University of Hong Kong in December 2017 and December 2020, respectively.

Mr. Lam has over 18 years of experience in legal practice. He was admitted as a solicitor to the Supreme Court of New South Wales in Australia in December 2007 and admitted as a solicitor to the High Court of Hong Kong in April 2016. He is currently a partner of Hui & Lam Solicitors LLP, a Hong Kong law firm representing a range of clients in areas of corporate finance and company law.

Since December 2019, Mr. Lam has been a member of the Australian Institute of Company Directors and a fellow member of The Hong Kong Institute of Directors. Mr. Lam is also currently serving as a volunteer in the role of a Governor of the Board of the Children’s Cancer Foundation since May 2020.

**Mr. Ngok Ho Wai** (樂可熨) (“**Mr. Ngok**”), aged 55, was appointed as the independent non-executive Director on 19 January 2022. He is also the chairman of the Remuneration Committee and a member of each of the Nomination Committee and the Audit Committee. Mr. Ngok obtained a Bachelor degree of Social Science with Honors from The Chinese University of Hong Kong in December 1993. He obtained a Master degree of Accounting from Curtin University of Technology (now known as Curtin University) in February 1999. Mr. Ngok has been a member of the Hong Kong Institute of Certified Public Accountants since July 2000. He is currently a member of CPA Australia.

Mr. Ngok has over 29 years of experience in the banking industry. He has worked in the field of corporate & investment banking, mainly in Greater Bay Area, with Wing Hang Bank Limited, Fortis Bank Asia HK, DBS Bank (Hong Kong) Limited, Dah Sing Bank Limited, O-Bank Company Limited (Hong Kong Branch), OCBC Wing Hang Bank Limited and Industrial & Commercial Bank of China (Asia) Limited with managerial role such as setting credit procedures and administrative policies for a portfolio of clients. He has coached and assisted the team for daily sales & marketing, credit analysis and operating issues of corporate banking aspect.



Since 30 November 2022, Mr. Ngok has been an independent non-executive director of Times Universal Group Holdings Limited (stock code: 2310) (formerly known as Forebase International Holdings Limited), a company listed on the Main Board of the Stock Exchange.

**Mr. Li Dewen** (李德文), aged 44, was appointed as the independent non-executive Director on 19 March 2024. He has over 10 years of experience in the wholesale industry. Mr. Li Dewen is currently a manager in Guangzhou Huitian Trading Company Limited.

### **Senior Management**

**Mr. To Kam Ming** (陶錦明) (“**Mr. To**”), aged 40, is the Project Manager of the Group. He joined the Group as an assistant project manager in November 2015 and was later promoted to his current position in February 2016. Mr. To obtained a Diploma in Civil Engineering from the Hong Kong Institute of Vocational Education in July 2003 and a Higher Diploma in Building Technology and Management (Engineering) from The Hong Kong Polytechnic University in December 2005. He also obtained a Bachelor of Engineering (Honours) in Building Engineering (Structural and Geotechnical Engineering) from the City University of Hong Kong in February 2010.

Mr. To has over 16 years of experience in the construction industry. He commenced his career working as a building safety assistant in the Buildings Department in June 2006. Mr. To joined the Drainage Services Department of Hong Kong as a works supervisory assistant with his last position held as work supervisor II (Civil) between July 2007 and November 2010. From November 2010 to July 2011, he worked as a structural engineer in Midi Aluminum Fabricator Limited. From July 2011 to November 2011, he worked as a site engineer in Chiu Hing Construction & Transportation Company Limited. Mr. To worked in Tysan Foundation Limited as an engineer between January 2012 to October 2015 with his last position held as project engineer.

### **Company Secretary**

**Mr. Chan Kui Ming** (陳鉅銘) (“**Mr. Chan**”), aged 37, holds a degree of Master of Corporate Governance from The Open University of Hong Kong (currently known as Hong Kong Metropolitan University) and a degree of Bachelor of Commerce with major in Accounting from the Curtin University of Technology. Mr. Chan has over 16 years of experience in accounting, financial management and company secretarial services. He is an associate member of each of The Hong Kong Institute of Chartered Secretaries (currently known as Hong Kong Chartered Governance Institute) and the Chartered Governance Institute. Mr. Chan has been the company secretary of Sino Vision Worldwide Holdings Limited (stock code: 8086) during the period from April 2022 to July 2023, a company previously listed on the GEM of the Stock Exchange. He has also been the company secretary of China Eco-Farming Limited (stock code: 8166) since May 2023, and the company secretary of Wisdom Sports Group (stock code: 1661) since January 2024.

**(XVI) AUDIT COMMITTEE**

As at the Latest Practicable Date, the audit committee of the Board comprises all the independent non-executive Directors, namely Mr. Lam Chee-yau Timothy, Mr. Ngok Ho Wai and Mr. Li Dewen, being the primary duties of the audit committee include the review of the Group's financial reporting process and the internal control systems as well as risk management of the Group.

**(XVII) DOCUMENTS ON DISPLAY**

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company ([www.wbgroupfw.com.hk](http://www.wbgroupfw.com.hk)) from the date of this circular up to and including the date of the EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (c) the accountants' report on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (d) the material contracts referred to in the paragraph headed "(XI) Material Contracts" of this appendix; and
- (e) the letter of consent referred to the paragraph headed "(XII) Expert Qualification and Consent" in this appendix.

**(XVIII) MISCELLANEOUS**

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

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## NOTICE OF EGM

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# BASETROPHY GROUP HOLDINGS LIMITED

## 基地錦標集團控股有限公司

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

**(Stock Code: 8460)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Meeting**”) of Basetrophy Group Holdings Limited (the “**Company**”) will be held at 1/F., Connaught Harbourfront House, 35-36 Connaught Road West, Sheung Wan, Hong Kong on Friday, 17 May 2024 at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the authorised share capital of the Company be increased from HK\$30,000,000 divided into 300,000,000 Shares to HK\$300,000,000 divided into 3,000,000,000 Shares by the creation of an additional 2,700,000,000 new Shares (the “**Increase in Authorised Share Capital**”) and to do all things and execute all document in connection with or incidental to the Increase in Authorised Share Capital.
- (b) the directors of the Company (the “**Directors**”) be and are hereby authorised to execute all such documents, instruments and agreements and to do all such acts or things they consider necessary, desirable or expedient to give effect to or in connection with the matters contemplated in and for completion of the Increase in Authorised Share Capital.”

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## NOTICE OF EGM

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2. “**THAT** subject to and conditional upon fulfillment of the conditions of the Placing Agreement (as defined below), the Rights Issue (as defined below) and the transactions contemplated thereunder be and are hereby approved:
- (a) For the purpose of these resolutions, “Rights Issue” means the proposed issue by way of rights issue of 345,000,000 shares (the “**Rights Share(s)**”) of HK\$0.10 each in the capital of the Company at the subscription price of HK\$0.12 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear in the register of members of the Company on the date by reference to which entitlement under the Rights Issue will be determined (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the directors (the “**Directors**”) of the Company, after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) in the proportion of two Rights Shares for every one (1) existing Share of the Company held on the Record Date subject to the fulfilment of the conditions and terms set out in the Placing Agreement (as defined below);
  - (b) the placing agreement dated 23 February 2024 (the “**Placing Agreement**”) entered into between the Company and Ruibang Securities Limited in relation to the placing of the Rights Shares that are not subscribed by the Qualifying Shareholders and Rights Shares which would otherwise have been allotted to the Non-Qualifying Shareholders (as the case may be) (the “**Unsubscribed Rights Shares**”) at the placing price of at least HK\$0.12 per Unsubscribed Rights Share on a best effort basis and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
  - (c) any the Directors be and are hereby authorised to allot and issue the Rights Shares pursuant to the Rights Issue notwithstanding the same may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, the Directors may make such exclusions or other arrangements in relation to the Non-Qualifying Shareholders as they may deem necessary, desirable or expedient to having regard to any restrictions or obligations under the articles of association of the Company or the laws of, or the rules and regulations of any recognized regulatory body or any stock exchange in, any territory outside Hong Kong; and

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## NOTICE OF EGM

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- (d) any the Directors be and are hereby authorised to do all such things and acts and execute all documents which they consider necessary, desirable or expedient to implement or to give effect to any matters relating to the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

By order of the Board  
**Basetrophy Group Holdings Limited**  
**Leung Yat Fai Frankie Keith**  
*Chairman and Executive Director*

Hong Kong, 24 April 2024

*Registered office:*

Windward 3  
Regatta Office Park PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

*Principal place of business in Hong Kong:*

Flat B-31, 4/F,  
Park Fook Industrial Building  
615-617 Tai Nan West Street  
Cheung Sha Wan, Kowloon  
Hong Kong

*Notes:*

- (1) Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation shall be entitled to exercise the same powers on behalf of the member of the Company which he or they represent as such member of the Company could exercise.
- (2) Where the instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof, it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the fact.
- (3) To be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy thereof must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM, i.e. Tuesday, 14 May 2024 at 11:00 a.m. (Hong Kong time), or any adjournment thereof.

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## NOTICE OF EGM

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- (4) The register of members of the Company will be closed from Friday, 10 May 2024 to Friday, 17 May 2024, both days inclusive, to determine the eligibility of the Shareholders to attend and vote at the Meeting. The record date for determining the entitlement of the Shareholders to attend and vote at the Meeting will be Friday, 17 May 2024. All transfers of shares of the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than Thursday, 9 May 2024 at 4:30 p.m. (Hong Kong time).
- (5) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the Meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (6) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (7) The voting at the Meeting shall be taken by way of poll.

*As at the date of this announcement, the Board comprises Mr. Lau Chung Ho, Mr. Leung Yat Fai Frankie Keith, Ms. Fong Pui Yin Vivian, Ms. Du Wanfen and Mr. Li Aiming as executive Directors; and Mr. Lam Chee-yau Timothy, Mr. Ngok Ho Wai and Mr. Li Dewen as independent non-executive Directors.*

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

*This announcement will remain on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) on the "Latest Listed Company Information" page for at least 7 days from the date of its publication. This announcement will also be published on the Company's website at [www.wbgroupfw.com.hk](http://www.wbgroupfw.com.hk).*