THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Uptown Group Company Limited, you should at once hand this circular and 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.

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

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

Distribution of this circular into jurisdictions other than Hong Kong may be restricted by law.

中國上城

CHINA UPTOWN

China Uptown Group Company Limited

中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser

Minerva Advisory Global Capital Limited
瀛環球融資顧問有限公司
SFC CE No. BF0684

Placing Agent

國農證券
China Demeter Securities

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

中毅資本有限公司
Grand Moore Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 10 to 39 of this circular. A letter from the Independent Board Committee is set out on pages 40 to 41 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 42 to 96 of this circular.

The Rights Issue will proceed on a non-underwritten basis and there is no requirement for a minimum level of subscription. Subject to the fulfilment and/or waiver of the conditions of the Rights Issue, the Rights Issue will proceed regardless of the ultimate subscription level. It should be noted that the Shares will be dealt in on an ex-rights basis from Wednesday, 12 June 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 25 June 2024 to Wednesday, 3 July 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Any person contemplating dealing in the nil-paid Rights Shares during the period from Tuesday, 25 June 2024 to Wednesday, 3 July 2024 (both days inclusive) will bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held at 11:00 a.m. on Friday, 7 June 2024 at Suite 1501, 15th Floor, Tower 1, Silvercord 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you intend to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM (i.e. before 11:00 a.m. on Wednesday, 5 June 2024 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending or voting in person at the EGM or any adjourned meeting thereof should you so wish.

22 May 2024

CONTENTS

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

"AFRC"	the Accounting and Financial Reporting Council in Hong Kong
"Announcement"	the announcement of the Company dated 8 April 2024 in relation to, among other things, the Rights Issue
"associate(s)"	has the same meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday, Sunday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning 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 general business
"CCASS"	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
"CCASS Operational Procedures"	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
"Company"	China Uptown Group Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 2330)
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"EAF(s)"	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares

"EGM"	the extraordinary general meeting of the Company to be held at 11:00 a.m. on Friday, 7 June 2024 at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong to consider and if thought fit approve, among others, the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
"ES Unsold Rights Share(s)"	the Rights Share(s) which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company
"Excluded Shareholder(s)"	those Overseas Shareholder(s) whom the Directors, after making enquiries, consider it necessary, or expedient not to offer the Rights Issue to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Group"	the Company and its subsidiaries
"GO Obligation"	the obligation to make a mandatory general offer under the Takeovers Code
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors formed for the purpose of providing recommendation to the Independent Shareholders as to whether the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are fair and reasonable

"Independent Financial Adviser" or "Grand Moore"	Grand Moore Capital Limited, a corporation licensed by the Securities and Futures Commission to Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 572, laws of Hong Kong), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder
"Independent Shareholder(s)"	any Shareholder(s) who are not required to abstain from voting at the EGM under the Listing Rules
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and connected person(s) (as defined under the Listing Rules) of the Company
"Latest Placing Date"	Wednesday, 17 July 2024, or such later date as the Company and the Placing Agent may agree in writing, being the latest date for the Placing Agent to place the Unsubscribed Rights Shares
"Latest Placing Time"	6:00 p.m. on the Latest Placing Date
"Latest Practicable Date"	17 May 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Latest Time for Acceptance"	4:00 p.m. on Monday, 8 July 2024, being the latest time for acceptance of, and payment for, the Rights Shares and for application and payment for excess Rights Shares
"Latest Time for Termination"	6:00 p.m. on Wednesday, 17 July 2024, being the latest time for termination of the Placing Agreement and for the Rights Issue to become unconditional
"Last Trading Day"	Monday, 8 April 2024, being the last trading day of the Shares on the Stock Exchange before the release of the Announcement
"Listing Committee"	has the same meaning ascribed to it under the Listing Rules

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nil-Paid Rights"	rights to subscribe for Rights Shares (in the form of Rights Shares in nil-paid form) before the Subscription Price is paid
"No Action Shareholders"	those Qualifying Shareholder(s) who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any Nil-Paid Rights at the time such Nil-Paid Rights are lapsed
"Overseas Shareholder(s)"	Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are 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)"	professional, institutional, corporate or other investor(s), procured by the Placing Agent to subscribe for any of the Unsubscribed Rights Shares pursuant to the Placing Agreement
"Placing"	the offer by way of private placing of the Unsubscribed Rights Shares by the Placing Agent and/or its sub-placing agent(s) to the Placees on the terms and subject to the conditions of the Placing Agreement
"Placing Agent"	China Demeter Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activity under the SFO
"Placing Agreement"	the placing agreement dated 8 April 2024 and entered into between the Company and the Placing Agent in relation to the Placing on a best effort basis
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

"Prospectus"	the prospectus (including any supplementary prospectus, if any) to be despatched to the Qualifying Shareholders (and the Excluded Shareholder(s) for information only) in connection with the Rights Issue
"Prospectus Documents"	the Prospectus, PAL, EAF and any supplementary prospectus or supplementary provisional allotment letter (if required)
"Prospectus Posting Date"	Friday, 21 June 2024 or such other date as may be determined by the Company, being the date of despatch of the Prospectus Documents to the Qualifying Shareholders (or in case of Excluded Shareholder(s), the Prospectus only)
"Public Float Requirement"	the public float requirement under Rule 8.08 of the Listing Rules
"Qualifying Shareholder(s)"	Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Excluded Shareholder(s)
"Record Date"	Thursday, 20 June 2024 (or on such other date as the Company may determine), being the date by reference to which the Shareholders' entitlements to the Rights Issue will be determined
"Registrar"	the branch share registrar and transfer office of the Company in Hong Kong, being Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong
"Rights Issue"	the proposed issue by way of rights on the basis of two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price
"Rights Shares"	the new Shares proposed to be allotted and issued by the Company pursuant to the Rights Issue
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"Share(s)"	ordinary share(s) of par value HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	the specific mandate to be granted by Shareholders at the EGM to allot and issue a maximum of 610,714,104 Unsubscribed Rights Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Price"	HK$0.15 per Rights Share
"substantial shareholder(s)"	has the same meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"Unsubscribed Rights Shares"	unsubscribed Rights Shares as a result of the Untaken Rights not being taken up by the Qualifying Shareholders by way of excess applications
"%"	per cent

EXPECTED TIMETABLE

The expected timetable for the Rights Issue is set out below:

Event(s)	**Time and date**
Latest time for lodging transfer of Shares in order to qualify for attending and voting at the EGM	4:00 p.m. on Friday, 31 May 2024
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM (both days inclusive)	Monday, 3 June 2024 to Friday, 7 June 2024
Latest time for lodging proxy forms for the EGM	11:00 a.m. on Wednesday, 5 June 2024
Record date for attendance and voting at the EGM	Friday, 7 June 2024
Date and time of the EGM	**11:00 a.m. on Friday, 7 June 2024**
Announcement of the poll results of the EGM	Friday, 7 June 2024
Register of members of the Company re-opens	Tuesday, 11 June 2024
Last day of dealings in the Shares on a cum-rights basis	Tuesday, 11 June 2024
First day of dealings in the Shares on an ex-rights basis	Wednesday, 12 June 2024
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on Thursday, 13 June 2024
Register of members of the Company closes for determining entitlements to the Rights Issue (both days inclusive)	Friday, 14 June 2024 to Thursday, 20 June 2024
Record Date for determining entitlements to the Rights Issue	Thursday, 20 June 2024

Register of members of the Company re-opens	Friday, 21 June 2024
Despatch of the Prospectus Documents to the Qualifying Shareholders (in the case of the Excluded Shareholders, the Prospectus only)	Friday, 21 June 2024
First day of dealings in nil-paid Rights Shares	Tuesday, 25 June 2024
Latest time for splitting of PALs	4:00 p.m. on Thursday, 27 June 2024
Last day of dealings in nil-paid Rights Shares	Wednesday, 3 July 2024
Latest Time for Acceptance of and payment for the Rights Shares and application for and payment for excess Rights Shares	**4:00 p.m. on Monday, 8 July 2024**
Announcement of the results of the Rights Issue including the results under the excess applications and the number of Unsubscribed Rights Shares subject to the Placing	Wednesday, 10 July 2024
Commencement of placing of Unsubscribed Rights Shares by the Placing Agent (if there are any available)	Thursday, 11 July 2024
Latest time of placing of Unsubscribed Rights Shares by the Placing Agent	6:00 p.m. on Wednesday, 17 July 2024
Latest time to terminate the Placing Agreement and for the Rights Issue to become unconditional	6:00 p.m. on Wednesday, 17 July 2024
Placing Completion Date	Monday, 22 July 2024
Rights Issue settlement date	Monday, 22 July 2024
Announcement of results of the placing of Unsubscribed Rights Shares by the Placing Agent	Monday, 22 July 2024
Despatch of refund cheques for wholly or partially unsuccessful excess applications, if any	Tuesday, 23 July 2024
Despatch of share certificates for fully-paid Rights Shares	Tuesday, 23 July 2024
Commencement of dealings in the fully-paid Rights Shares	9:00 a.m. on Wednesday, 24 July 2024

All times and dates specified in this circular refer to the Hong Kong times and dates. This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

EFFECT OF BAD WEATHER OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE

Whenever any part of the expected timetable of the Rights Issue may be interrupted by a typhoon, a black rainstorm warning or Extreme Conditions, the Company shall properly inform the Shareholders of the corresponding contingency arrangements, which contingency arrangements shall include the Latest Time for Acceptance not taking place on the time as scheduled:

(a) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 5:00 p.m. on the same Business Day; or

(b) if a tropical cyclone warning signal no. 8 or above, a black rainstorm warning and/or Extreme Conditions is in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the day on which the Latest Time for Acceptance is initially scheduled to fall, the Latest Time for Acceptance be extended to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the Latest Time for Acceptance does not take place on or before 4:00 p.m. on Monday, 8 July 2024, the dates mentioned herein may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable of the Rights Issue as soon as practicable.

中國上城

CHINA UPTOWN

China Uptown Group Company Limited
中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

Executive Directors:
Mr. Pang Chung Fai Benny *(Chairman)*
Mr. Fu Yongyuan *(Chief Executive Officer)*
Mr. Zhang Xiao Jun
Mr. Liang Zhichao

Independent non-executive Directors:
Mr. Yau Sze Yeung
Mr. Chen Weijiang
Mr. Lee Chun Tung

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

Headquarters and Principal Place of Business in Hong Kong:
Suite 1501, 15/F
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

22 May 2024

To Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS; (2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Rights Issue and the Placing. The purpose of this circular is to provide you with, among others things, (i) further information regarding the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder; (iii) a letter of advice from Grand Moore to the Independent Board Committee and the Independent Shareholders in regard to the aforesaid; (iv) other information required under the Listing Rules; and (v) a notice convening the EGM.

PROPOSED RIGHTS ISSUE

Subject to the approval by the Independent Shareholders at the EGM, the Company proposes to implement the Rights Issue to raise, before expenses, approximately HK$91.61 million by issuing up to 610,714,104 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK$0.15 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.15 per Rights Share
Net price per Rights Share	:	Approximately HK$0.146 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date)
Number of Shares in issue as at the Latest Practicable Date	:	305,357,052 Shares
Total number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 610,714,104 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK$6,107,141.04 (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 916,071,156 Shares (assuming no change in the number of Shares in issue on or before the Record Date)

Gross proceeds from the proposed Rights Issue	:	Up to approximately HK$91.61 million (assuming no changes in the share capital of the Company on or before the Record Date)
Net proceeds from the Rights Issue	:	Up to approximately HK$89.2 million (assuming no changes in the share capital of the Company on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments

Assuming no changes in the share capital of the Company on or before the Record Date, the 610,714,104 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent (i) 200% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 66.67% of the total number of issued Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

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

The Subscription Price

The Subscription Price of HK$0.15 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 nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 31.8% to the closing price of HK$0.22 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 42.3% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 31.8% to the average closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.8% to the average closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 22.7% to the theoretical ex-entitlement price of approximately HK$0.17 per Share based on the closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares;

(vi) a discount of approximately 71.2% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2023 of approximately HK$0.52 per Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023 as set out in the annual report of the Company for the year ended 31 December 2023 by the number of Shares in issue as at the Latest Practicable Date; and

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.2%, represented by the theoretical diluted price of approximately HK$0.17 per Share to the benchmarked price of approximately HK$0.22 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day.

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK$0.146 per Rights Share.

The Subscription Price was determined with reference to an assortment of factors. In particular, the Directors had taken note of and considered:

(i) the prevailing market price and recent trading performance of the Shares, which includes the daily closing price and daily trading volume of the Shares from 6 December 2023 to the Last Trading Day (the "**Review Period**"), having considered that trading in the Shares on the Stock Exchange had been suspended from 27 May 2022 to 6 December 2023 (the "**Trading Suspension Period**"). The closing price of the Shares before the Trading Suspension Period was HK$0.32 per Share. Throughout the Review Period, the closing price of the Shares showed instability, ranging from a low of HK$0.11 per Share to a high of HK$0.37 per Share. However, the closing price on the Last Trading Day demonstrated an overall downward trend from HK$0.32 per Share to HK$0.22 per Share. Additionally, the average daily trading volume was approximately 0.06% of the total issued Shares as at the Last Trading Day, indicating a lack of liquidity and demand for the Shares;

(ii) the Group's consecutive net losses of approximately RMB78.1 million and RMB51.9 million for the two years ended 31 December 2022 and 2023, respectively. Furthermore, the net asset position of the Group significantly decreased from approximately RMB200.0 million as of 31 December 2022 to approximately RMB148.1 million as of 31 December 2023. The Directors also observed that the market capitalization of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalization of the Group during the Review Period ranged from approximately HK$28.5 million to approximately HK$113.0 million, which represented a discount of approximately 82.2% and 29.4% respectively to the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023. This substantial disparity reflects a lack of market confidence in the Group's financial performance, position, and future prospects. As a result, the market value of the Shares no longer accurately reflects the underlying net asset value. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 10 comparable transactions were conducted on a discount to consolidated net asset value per share, ranging from approximately 25.1% to approximately 96.2%, indicating that the Group's discount to consolidated net asset value per share aligns with the market norm. The Directors observed that the rest of these companies which have not conducted their comparable transactions on a discount to consolidated net asset value per share were mainly either in net liabilities positions in each of their latest annual reports or had delayed issuing the relevant annual report. The Directors believes that the 16 comparable transactions did not appear to have determined their respective subscription prices using their respective net asset value per share as a reference, indicating that using the net asset value per share as a reference point cannot be established as a market practice. Having considered the significant amount of funding to be raised from this Rights Issue, and preemptive nature to enable existing Shareholders' participation, the Board believes that determining the Subscription Price based on the lower end of the prevailing market price during the Review Period, despite it being at a significant discount to the net asset value as at 31 December 2023, is fair and reasonable;

(iii) the prevailing bearish condition of the Hong Kong stock market during the Review Period, where the average Hang Seng Index (HSI) remained low at 16,327. The HSI fluctuated between a low closing of 14,961 on 22 January 2024 (a 15-month low) and a high closing of 17,094 on 12 March 2024, and subsequently ended at 16,723 as of the Last Trading Day;

(iv) the relatively large fundraising size when compared with the Group's market capitalisation as at the Last Trading Day; and

(v) the Directors considered that it is reasonable to set the Subscription Price at a discount to the closing price per Share on the Last Trading Day and the consolidated net asset value per Share attributable to the Shareholders in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate, given the abovementioned challenging market conditions, unfavourable price trend and lack of liquidity and demand of the Shares.

The Directors believe that despite the theoretical dilution effect that existing Shareholders will experience as a result of the Rights Issue (see paragraph (vii) above), the Rights Issue will signal the Group's ability to raise new capital and improve its gearing and financial performance by lowering the level of debt and financing costs of the Group through repayment of indebtedness, and continue to grow its business as described in the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in this circular. Based on the foregoing, the Directors consider that the Subscription Price is fair and reasonable, and the Rights Issue is in the interests of the Company and the Shareholders a whole.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors (including the independent non-executive Directors) consider that the terms of the Rights Issue and the Placing Agreement, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Last Trading Day, the theoretical dilution price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Rights Issue were approximately HK$0.17 per Share, HK$0.22 per Share and approximately 21.2%. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

Closure of the register of members

The register of members of the Company will be closed from Monday, 3 June 2024 to Friday, 7 June 2024 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the EGM.

The register of members of the Company will also be closed from Friday, 14 June 2024 to Thursday, 20 June 2024 (both days inclusive) for determining the entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure period.

Basis of provisional allotments

The basis of the provisional allotments shall be two (2) Rights Shares (in nil paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date. The PAL relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by 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.

Status of Rights Shares

The Rights Shares, when allotted and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions, which are declared, made or paid, the record date of which is after the date of allotment of the Rights Shares in their fully-paid form.

Qualifying Shareholders

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and not be an Excluded Shareholder.

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

In order to be registered as members of the Company at the close of business on the Record Date, any relevant transfer documents (together with the relevant share certificates) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration no later than 4:00 p.m. on Thursday, 13 June 2024. It is expected that the last day of dealings in the Shares on a cum-rights basis is Tuesday, 11 June 2024 and the Shares will be dealt with on an ex-rights basis from Wednesday, 12 June 2024.

The Company will despatch the Prospectus Documents to the Qualifying Shareholders on the Prospectus Posting Date.

Application for all or any part of a Qualifying Shareholder's entitlement to the Rights Shares should be made by completing the PAL and lodging the same with a cheque drawn on an account with, or a banker cashier order issued by, a licensed bank in Hong Kong for the Rights Shares being applied for with the Registrar at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong on or before the Latest Time for Acceptance.

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

For Shareholders with an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date, please refer to the paragraph headed "Excluded Shareholders" below.

Application for excess Rights Shares

Qualifying Shareholders are entitled to apply for, by way of excess application:

(i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any);

(ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renouncees or transferees of nil-paid Rights Shares;

(i) and (ii) above collectively referred to as "**Untaken Rights**".

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;

(ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;

(iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and

(iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by any controlling Shareholder or its associates (together, the "**Relevant Shareholders**"), whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under PALs is greater than the aggregate number of excess Rights Shares being applied for under EAFs, the Directors will allocate to each Qualifying Shareholder who applies for excess Rights Shares the actual number of excess Rights Shares being applied for.

Investors whose Shares are held by a nominee company (including HKSCC Nominees Limited) should note that for the purpose of the Rights Issue, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, investors should note that the aforesaid arrangement in relation to the allocation of excess Rights Shares will not be extended to beneficial owners individually. Investors whose Shares are held by a nominee company (or held through CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. For those investors who would like to have their names registered on the register of members of the Company, all necessary documents must be lodged with the Registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on Thursday, 13 June 2024.

Excluded Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. The Company will comply with Rule 13.36(2) of the Listing Rules and make enquiries regarding the feasibility of extending the offer of the Rights Shares to the Overseas Shareholders, if any. If, based on the legal opinions to be provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the place(s) of their registered address(es) or the requirements of the relevant regulatory body(ies) or stock exchange(s) in such place(s), such Overseas Shareholder will become an Excluded Shareholder and will not be entitled to participate in the Rights Issue. The result of the enquiries and the basis of the exclusion, if any, will be included in the Prospectus. As at the Latest Practicable Date, there was one Overseas Shareholder with a registered address situated in the PRC holding 1,000,000 Shares, representing approximately 0.3% of the total issued share capital of the Company.

Pursuant to Rule 13.36(2)(a) of the Listing Rules, the Directors have made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder with registered address in the PRC.

Having made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders with registered addresses in the the PRC and taking into account the legal advice provided by the PRC legal adviser, the Board is of the view that the relevant overseas legal restrictions and requirements of the regulatory body or Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the PRC from the Rights Issue. Accordingly, the Board has resolved to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and such Overseas Shareholders are considered as Qualifying Shareholders.

The basis for excluding the Excluded Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus to the Excluded Shareholders for their information only, but will not send any PAL and EAF to them.

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

The Excluded Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. Nonetheless, arrangements will be made for the Rights Shares, which would otherwise have been provisionally allotted to the Excluded Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealing in nil-paid Rights Shares commence and before dealing in the nil-paid Rights Shares end, if a premium (net of expenses) can be obtained. The proceeds from such sale, less expenses, of more than HK$100 will be paid on pro-rata basis to the relevant Excluded Shareholders. In view of administrative costs, the Company will retain individual amounts of HK$100 or less for its own benefit.

The Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form that have not been sold by the Company, will be made available for excess application by the Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of the enquiries made by the Company pursuant to the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares and the nil-paid Rights Shares.

Fractional entitlement to the Rights Shares

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

Odd lot arrangement

As no odd lots of the Shares are expected to result from the Rights Issue, no odd lot matching services will be provided.

Application for listing

An application will be made by the Company to the 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, upon the Rights issue becoming effective.

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 their respective commencement dates of dealings 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. 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.

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 the payment of stamp duty, the Stock Exchange trading fee, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

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

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

Subject to the fulfilment and/or waiver (where applicable) of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Tuesday, 23 July 2024. Those entitled, except HKSCC Nominees Limited, and in the case of joint Qualifying Shareholders, the first-named Qualifying Shareholder, will receive one share certificate for all the Rights Shares in fully-paid form, allotted and issued thereto.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be posted on or before Tuesday, 23 July 2024 by ordinary post to the applicants' registered address, at their own risk.

The Rights Issue on a non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) for the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, and the Unsubscribed Rights Shares are not fully placed by the Placing Agent, the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who apply to take up all or part of its entitlement under PAL or applies for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will, pursuant to Rule 7.19(5) of the Listing Rules, provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (except for HKSCC Nominees Limited) for his/her/its entitlement under the PAL or for excess Rights Shares under the EAF 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.

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

Conditions of the Rights Issue

The Rights Issue is conditional upon the fulfilment, non-occurrence or waiver (as appropriate) of each of the following conditions:

(a) the meeting(s) of the board properly and validly convened to approve and implement the Rights Issue;

(b) the passing by the Shareholders (or the Independent Shareholders, as the case may be) 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) by no later than the Prospectus Posting Date;

(c) the Stock Exchange having authorised the registration of, and the Companies Registry in Hong Kong having registered, respectively, 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 accompanying documents required) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) not later than the Prospectus Posting Date;

(d) to the extent permitted under all applicable laws and regulations and the Company's constitutional documents, the Prospectus being made available on the Company's website and the Stock Exchange's website and the sending of PAL and EAF to the Qualifying Shareholders on the Prospectus Posting Date;

(e) the Listing Committee granting and not having revoked, listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the Prospectus Posting Date and such listings and permission to deal not having been withdrawn or revoked;

(f) each condition to enable the Rights Shares in their nil-paid or fully-paid forms to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil paid and fully-paid forms, respectively) and no notification having been received by the Company from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;

(g) the Placing Agreement not being terminated; and

(h) there shall not have occurred and be continuing any of the following:

i. any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction of trading in securities) occurs which in the absolute opinion of the Company in any material respect affect the success of the Rights Issue (such success being the taking up of the Rights Shares by the Shareholders or the transferees of the nil-paid rights) or otherwise in the absolute opinion of the Company makes it inexpedient or inadvisable or inappropriate for the Company to proceed with the Rights Issue; or

ii. any event of force majeure including, without limiting the generality thereof, any act of God, war, fire, flood, explosion, epidemic, terrorism, which in any material respect adversely affect the business or the financial or trading position or prospects of the Company or the Rights Issue; or

iii. any other material adverse change in relation to the business or the financial or trading position or prospects of the Company occurs, whether or not of the same kind with any of the foregoing; or

iv. any suspension in the trading of the securities generally or the Company's securities on the Stock Exchange for a period of more than 30 consecutive trading days occurs, excluding any halt or suspension in connection with the clearance of the announcement or circular or prospectus of the Company for the Rights Issue or other announcements or circulars in connection with the Rights Issue.

The Company shall use all reasonable endeavours to procure the fulfilment of all the above conditions by the respective dates specified above. As of the Latest Practicable Date, save for condition (a), none of the conditions precedent to the Rights Issue have been fulfilled. Save for condition (g), none of the conditions precedents to the Rights Issue shall be waiveable, if any of the conditions above are not fulfilled or waived (as applicable), the Rights Issue will not proceed. In exercising its discretion to waive condition (g), the Company will consider, *inter alia*, the number of acceptances of the provisional allotment and excess applications for the Rights Shares, the number of Unsubscribed Rights Shares subject to the Placing and the market conditions at the relevant time. The Directors consider that retaining the discretion to proceed with the Rights Issue despite the Placing Agreement being terminated, and proceeding with the Rights Issue by waiving condition (g) in circumstances the Directors consider warranted, is in the best interests of the Company and the Shareholders as a whole.

THE PLACING AGREEMENT

On 8 April 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best efforts basis, to subscribe for the Unsubscribed Rights Shares under the Specific Mandate.

Details of the Placing Agreement are summarised as follows:

Date	:	8 April 2024 (after trading hours of the Stock Exchange)
Issuer	:	The Company
Placing Agent	:	China Demeter Securities Limited was appointed as the Placing Agent to procure, on a best efforts basis, Placees to subscribe for the Unsubscribed Rights Shares. The Placing Agent confirmed that each of it and its ultimate beneficial owner(s) is independent of and not connected with the Company and its connected persons or any of their respective associates.
Placing fee	:	2.5% of the aggregate placing price of the Unsubscribed Rights Shares successfully placed by or on behalf of the Placing Agent.
Placing price	:	The placing price of each of the Unsubscribed Rights Shares shall be not less than the Subscription Price.

Placees	:	The Unsubscribed Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).
Ranking	:	Unsubscribed Rights Shares (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 others, the following conditions being fulfilled:

(1) the passing by the Shareholders (or the Independent Shareholders, as the case may be) 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 and the grant of the Specific Mandate for the allotment and issue of the Unsubscribed Rights Shares) by no later than the date on which the Prospectus Documents are posted;

(2) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;

(3) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;

(4) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events; and

(5) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only.

Placing Completion Date : The third Business Day after the Latest Placing Time or such other date as the Company and the Placing Agent may agree in writing.

Termination : If, prior to the Latest Placing Time:

(1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

(a) 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

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date 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

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) 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,

the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 9 comparable transactions were conducted on a best effort basis and has compensatory arrangements for rights issue, where the highest placing fee was 3.5% and the lowest was 0.5%; while the other 7 comparable transactions involved excess applications and did not disclose any placing arrangements or applicable placing fees. Since the Company's placing fee is within the abovementioned range, and also taking into account of the adverse impacts on the demand for the Group's Shares including the Group's history of prolonged Trading Suspension Period until December 2023, the recent equity financing activities in March 2024, and the perceived lack of investors' confidence in the Group's prospects arising from the consecutive loss making performance of the Group, the Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement 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. Furthermore, the Directors are of the view that the abovementioned comparable transactions are a fair and representative sample as (i) all the 16 comparable transactions that were identified have been selected without any filtering in order to better represent a true and fair view of the recent market trend of placing fees involved in rights issue transactions; (ii) including comparable transactions with different funding needs and rights issue structure provides a more comprehensive understanding of the overall market conditions; and (iii) despite the comparable transactions involved placing as compensatory arrangements, the placing fees should be comparable given the similar nature of work involved by the placing agents regardless of whether conducted as part of compensatory arrangements or as a separate placing exercise.

The final placing price for the Unsubscribed Rights Shares shall be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement. The net price per Unsubscribed Rights Share placed will be approximately HK$0.146, (assuming a placing price of HK$0.15 per Share). The net proceeds from the Placing will be utilized for the same purposes as described in the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in this circular. In the event the placing price is higher than the Subscription Price, any additional proceeds from the Placing will be allocated with priority towards settlement of prolonged construction costs, unsettled trade and other payables in the manner described in paragraph (a) of the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in this circular.

The Placing Agent shall ensure that the Unsubscribed Rights Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) such that no Placee shall become a substantial shareholder immediately following the Placing; (iii) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable of complying with the Public Float Requirements under the Listing Rules immediately following the Placing. The Company will continue to comply with the Public Float Requirements under Rule 8.08 of the Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

As of the Latest Practicable Date, none of the conditions precedents under the Placing Agreement have been fulfilled. None of the conditions precedents to the Placing Agreement are waiveable.

Given that the Placing Agreement would provide (1) a distribution channel of the Unsubscribed Rights Shares to the Company; and (2) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Placing Agreement is fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purposes only, assuming there is no change in the number of Shares in issue from the Latest Practicable Date and up to and including the date of completion of the Rights Issue, the table below sets out the shareholding structure of the Company immediately before and after the completion of the Rights Issue:

	As at the Latest Practicable Date		**Immediately after completion of the Rights Issue assuming all Shareholders take up their respective entitlements to the Rights Shares in full**		**Immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares with all the Unsubscribed Rights Shares placed to Independent Third Parties under the Placing**	
	Number of Shares held	*Approximate %*	*Number of Shares held*	*Approximate %*	*Number of Shares held*	*Approximate %*
Ming Hung Fung Company Limited *(Note 1)*	72,000,000	23.58%	216,000,000	23.58%	72,000,000	7.86%
Placees *(Note 2)*	–	–	–	–	610,714,104	66.67%
Other Public Shareholders	233,357,052	76.42%	700,071,156	76.42%	233,357,052	25.47%
Total	305,357,052	100.00%	916,071,156	100.00%	916,071,156	100.00%

Notes:

1. These Shares are held by Ming Hung Fung Company Limited, which is 100% owned by Mr. Liu Dong. By virtue of the SFO, Mr. Liu Dong is deemed to be interested in the Shares held by Ming Hung Fung Company Limited.

2. Pursuant to the terms of the Placing Agreement, the Unsubscribed Rights Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies). None of the placees will become a substantial shareholder of the Company immediately following the Placing and will not trigger any GO Obligation.

3. The above percentage figures are subject to rounding adjustments.

REASONS FOR THE RIGHTS ISSUE, THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. The principal activities of the Group are (i) property development and investment; and (ii) trading of raw sugar.

The estimated net proceeds of the Rights Issue and the Placing (after deduction of expenses) if the Rights Issue is subscribed in full is expected to amount to approximately HK$89.2 million (assuming no change in the number of Shares in issue on or before the Record Date).

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK$89.2 million as follows:

(a) Approximately HK$46,200,000 (being approximately 51.79% of the net proceeds) is intended to be used for the settlement of prolonged construction costs, the trade and other payables to the main contractor and other contract liabilities for the Second Maoming Project in 2024 and beyond. The Group has been developing and operating two property development projects located in Maoming City, Guangdong Province, the PRC. The first Maoming project has been developed into a composite of residential and commercial properties in three phases (the "**First Maoming Project**"). Majority of the commercial and residential properties of the First Maoming Project had been delivered in 2019 and most of the proceeds from sales of the First Maoming Project has been used in the development of the second Maoming Project situated at Maoming Jixiang District*(茂名市吉祥小區)(the "**Second Maoming Project**").

On 27 November 2019, Maoming Shang Cheng Real Estate Company Limited*(茂名上誠置業有限公司)(the "**Maoming Shang Cheng Real Estate**"), an indirect non-wholly owned subsidiary of the Group, successfully won the bid for land use rights of the Second Maoming Project situated at Maoming Jixiang District*(茂名市吉祥小區) with a total site area of approximately 29,274.16 square meters at a consideration of approximately RMB241,512,000. When the land acquisition transaction by Maoming Shang Cheng Real Estate was completed in 2020, the Second Maoming Project was planned to be developed into a composite of residential and commercial properties with the following approximate planned areas:

Land site area	29,000 m^2
Gross saleable area	84,000 m^2
Residential areas	59,000 m^2
Commercial areas	25,000 m^2
Carpark spaces	1,000 units

During the pandemic, construction and development of Second Maoming Project had been severely delayed, so as to the pre-sales plan. As at 31 December 2023, approximately 60% of the construction had been completed, including the basement, kindergarten and first 2 blocks of residential buildings. Pre-sales of the residential blocks started in June 2022, and pre-sales of the other parts of the project was rescheduled as follows:

Pre-sales of residential properties	Second half of 2024
Pre-sales of apartment properties	Second half of 2024
Pre-sales of commercial properties	Second half of 2024
Pre-sales of car parks and shops	Second half of 2024
Completion and delivery	First half of 2025

Since the onset of the pandemic and up until recently, the Group has faced significant financial challenges resulting from the prolonged construction process of its properties. The primary challenges stem from the construction expenses incurred and the unsettled trade and other payables owed to the relevant contractors involved. As of 31 December 2023, the outstanding amount of trade and other payables which was mainly related to this project amounted to approximately RMB132.3 million.

Typically, the Group relies on pre-sale deposits from property purchasers (recorded in terms of contract liabilities position of the Group) to cover the ongoing construction costs for the subsequent stages of the property project; however, the prolonged construction work and delays in pre-sales have depleted the Group's resources and had a detrimental impact on its liquidity. This was evident from the relatively low cash level of the Group of approximately RMB17.2 million as of 31 December 2023.

However, with reference to the Group's net asset position of approximately RMB148.1 million as at 31 December 2023, the Group was able to and has been utilising most of its financing resources and working capitals from the development of other segments and/or property projects, was to settle its significant liquidity needs resulting from the construction work. The Directors are of the view that additional funding is not only intended to ease out the cash flow liquidity pressure and to sustain operations of the on-going projects, but also to fulfil the associated upfront payment obligations to support the development of potential property projects ahead, contingent upon more favourable conditions in the property market. In the event that the liquidity mismatch persists without securing additional funding through equity financing, or in the event of an undersubscription of the Rights Issue and the pro-rata proceeds and the cash balance are insufficient to cover the required amount, the Group would heavily depend on debt financing activities, such as bank overdrafts and other facilities, to meet its obligations and such debt pressure would continue until the pre-sales of upcoming properties are realized. Meanwhile, the Group's overall profitability would be adversely affected with relatively high interest charges, thereby impeding its capacity to allocate financial resources towards the development of other segments or potential property projects.

The net proceeds from the Rights Issue (whether fully subscribed or not) are intended to serve as equity resources to alleviate ongoing liquidity pressures. However, it should be noted that these proceeds are not intended to be the sole source for covering the outstanding trade and other payables recorded as of 31 December 2023 as the Group is expected to gradually generate cash inflow from the sales of properties held for sales, which amounted to approximately RMB152.9 million as at 31 December 2023. On top of that, among the properties under development which amounted to approximately RMB383.8 million as at 31 December 2023, as the Company incurs further expense of approximately RMB35,000,000 for completion of two residential buildings, it estimates that it will be able to collect over RMB100 million in the next 18 months from sales from the two residential buildings, depending on the market conditions at that time. The payments to be made with main contractors of the Group typically adhere to credit terms and are repaid through installment payments.

(b) Approximately HK$23,000,000 (being approximately 25.78% of the net proceeds) is intended to be used to repay the borrowing liabilities of the Group. The Group had several interest bearing borrowings amounting to approximately RMB30.0 million in aggregate as at 31 December 2023, which includes a secured loan with outstanding principal of approximately HK$23,000,000 from a finance company and is secured by the leasehold land and building of the Group, interest-bearing at 13% per annum and repayable on or before 15 November 2024. The Directors believes that repaying such liabilities will enable the Group to release its pledge on the relevant collateral and improve its gearing ratio. By doing so, the Group can potentially negotiate better terms with banks and other financial institutions. This strategic move aims to improve the Group's financial position and provide opportunities for more favourable financing arrangements.

(c) Approximately HK$12,000,000 (being approximately 13.45% of the net proceeds) is intended to be used as deposit for trading of raw cane sugar and as investment in the food supply chain to support the trading of raw cane sugar. The Group has been engaged in trading of raw cane sugar since 2014, where the revenue generated from trading of raw cane sugar amounted to approximately RMB27,663,000 for the year ended 31 December 2020. In response to the volatile and challenging market conditions caused by the COVID-19 pandemic, the Group had chosen to temporarily suspend its trading of raw cane sugar from 2021 to 2023. This decision was made due to the significant fluctuations in the global market for raw cane sugar, which have made it increasingly difficult to achieve profitable returns from trading activities.

As the global economy gradually recovers from the pandemic, different industries are experiencing varying rates of recovery. In 2024, the demand for domestic raw cane sugar is being influenced by several factors, including the improved pandemic situation in the PRC, adjustments to prevention and control policies, and the lifting of border restrictions between countries. According to OECD-FAO Agricultural Outlook 2023-2032, world sugar consumption is seen increasing for a third successive season in 2022/23. However, the growth of global sugar consumption is anticipated to be moderate due to the projected deceleration in global economic growth in 2022/2023. In Asia, it is anticipated that imports will continue to represent 42% of consumption and the share of imported raw sugar for industrial use will continue to increase, mainly driven by key buyers, China and Indonesia. By 2032, Asia is estimated to account for 59% of global imports. In the PRC, consumption is emerging from a period of no real growth that started in 2016 with a period of high prices, followed by a three-year zero-Covid policy. With the reopening of the markets, consumption is expected to rise again over the next ten years.

In light of these market conditions, the Group has conducted a thorough assessment of the raw cane sugar market. The Group has actively collaborated with different business vendors to establish a supply chain platform that enhances its procurement capabilities from upstream suppliers of raw cane sugar. The Group aims to leverage the expertise and resources of various partners in the commodities, logistics and energy sectors, as to create a robust network of reliable supply chain to optimize the Group's procurement of raw cane sugar to fulfil the demand in the PRC market. Leveraging the expertise of its management team, the Group has been resuming its business operations and actively soliciting raw cane sugar orders. To support these efforts and the business requirement to place up to full upfront deposit to obtain letters of credit from banks to secure a stable supply of raw cane sugar from upstream suppliers. Once a stable supply is secured, the Group will take on orders and make arrangements for delivery to customers. The remaining portion of proceeds is expected to be used as an initial investment in connection with a processing plant and/or storage facility for the raw cane sugar business. As at the Latest Practicable Date, the terms of the investment remain under negotiation and have not been finalised. The Directors are of the view that upon the resumption of the Group's trading of raw cane sugar business and establishment of entrusted business relationship with suppliers, the Group will be able to negotiate better prices and credit terms to gradually reduce liquidity pressure from placing deposits with these upstream suppliers.

(d) Approximately HK$8,000,000 (being approximately 8.97% of the net proceeds) is intended to be used for the general working capital of the Group. The intended primary use of these funds is for business operation and development, encompassing various aspects. Specifically, HK$5,000,000 will be allocated towards staff costs. Additionally, HK$1,500,000 will be designated for sales and marketing fees and HK$1,500,000 will be set aside for relevant legal and professional fees. This allocation aims to support the overall growth and functioning of the Company.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro rata basis as set out above.

Apart from the Rights Issue, the Directors have also explored other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that the credit lines provided by bank borrowings is very limited and requires collateral. As at 31 December 2023, the Group had a loan with an outstanding principal amount of approximately HK$23,000,000 from a finance company secured by the leasehold land and building of the Group, and the Directors have also evaluated other assets of the Group, including the value of properties held for sale and properties under development in the PRC as of 31 December 2023. However, it is determined that pre-sales value of these assets were not viewed and evaluated favorably by banks or financial institutions until they are completed and sold in the market, which consequently hindered the Group's ability to negotiate favorable credit terms. If available, the expected size of bank borrowing required by the Group will likely carry additional interest costs and create further pressure to the liquidity and profitability of the Group. As set out in the annual report of the Company for the year ended 31 December 2023, the Company recorded total borrowings of approximately RMB30.0 million, and the Group's gearing ratio was approximately 20%. If the Company decided to meet the funding needs by debt financing, the Company's hypothetical gearing ratio would have been approximately 82% as at 31 December 2023 (assuming all the gross proceeds could be raised by debt financing). In regards to equity fundraising methods available to the Company, the Directors considered the placing of new Shares, and noted that the Company had recently completed a placement of new Shares under the Company's general mandate of 20% of the number of issued Shares on 6 March 2024, raising approximately HK$6.88 million in net proceeds, which is far from the amount required for its current plans. The Directors also noted that whether under a refreshed general mandate or a specific mandate, a further placing of new Shares will inevitably and immediately dilute the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables Shareholders to sell their Nil-Paid Rights Shares in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Having considered the above 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 the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Despite the above, the management of the Group had still attempted to explore the possibility of obtaining bank borrowings, placing of new Shares or open offer of comparable size to the Rights Issue with the Group's principal banker and a securities brokerage firm in Hong Kong. After exploring the idea with the Group's principal banker in Hong Kong and one securities brokerage firm, the Group considered that these financing alternatives were not feasible as (i) the Group failed to receive any positive response from its principal banker in Hong Kong likely due to the proposed size of the debt financing and that the Group is unable to provide acceptable collateral in favour of the bank; (ii) the proposed size of the fund raising is significant compared to the Company's market capitalization of roughly HK$67 million (based on the closing price on the Last Trading Day); and (iii) for a securities brokerage firm to be willing to act as placing agent for equity fund raising of such size, the placing commission would be 3.5%, which is well above that as stated in the Placing Agreement of 2.5%.

The Company has considered and approached the substantial shareholder of the Company and underwriters licensed under the SFO to conduct type 1 regulated activities to underwrite the Rights Issue. However, neither the substantial shareholder of the Company nor the underwriters showed any interest to underwrite the Rights Issue. As such, the Company conducts the Rights Issue on a non-underwritten basis.

The Company has no present intention to conduct further fundraising activities at this stage, and the management of the Company intends to evaluate the results of Rights Issue, before determining whether any further fundraising activities are required.

FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Set out below is a summary of the fundraising activities conducted by the Company during the past twelve months immediately prior to the Latest Practicable Date:

Date of announcement	Fund-raising activity	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
6 March 2024	Placing of new Shares under general mandate	HK$6.88 million	Repayment of outstanding liabilities and general working capital of the Group, which shall be applied on, including, staff cost, professional fees, rental payments and general administrative and operating expenses of the Group.	The net proceeds have been fully utilized as intended.

Save for the above, the Company has not conducted any other fundraising exercise in the past twelve months immediately prior to the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.27A of the Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the Independent Shareholders in general meeting by a resolution at which any controlling shareholders and their 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 Rights Issue. The Rights Issue will be carried out in compliance with Rule 7.21(1)(a) of the Listing Rules. Given that the Company has put in place the excess application arrangements as required by Rule 7.21(1)(a) of the Listing Rules, the Directors have determined that there will be no compensatory arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(b) of the Listing Rules. The Directors believe that the introduction of excess application arrangements aims to incentivise existing Shareholders to increase their investment in the Group. This initiative is intended to cultivate a stronger and more resilient shareholder base that demonstrates trust in and actively supports the Group's future growth. The Placing of the Unsubscribed Rights Shares will not be conducted for the benefit of the Shareholders to whom the rights were offered, and will instead be utilized to pay the Company's debts and fund the business expansion plans as described in the section "Reasons for the Rights Issue, the Placing and Use of Proceeds" above.

The Placing will be subject to Shareholders' approval. The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Placing Agreement and the transactions contemplated thereunder and the Specific Mandate to allot and issue the Unsubscribed Rights Shares.

To the best knowledge of the Directors, no Shareholder is required to abstain from voting at the EGM in respect of the resolution(s) relating to the Rights Issue, the Placing and the Specific Mandate.

As at the Latest Practicable Date, the Company has no controlling shareholder. As such, 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 resolution approving the Rights Issue in accordance with Rule 7.27A of the Listing Rules. No Directors or chief executive of the Company, nor any of their respective associates that have an interest in any Shares as at the Latest Practicable Date.

The Company has not conducted any rights issue or open offer 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 within such 12-month period.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Independent Board Committee and the Independent Financial Adviser

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Yau Sze Yeung, Mr. Chen Weijiang, and Mr. Lee Chun Tung, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder, are on normal commercial terms, fair and reasonable, in the interests of the Company and the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM, taking into account the recommendations of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed by the Company (with the approval of the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, in the interests of the Independent Shareholders as a whole, and to advise the Independent Shareholders as to the voting at the EGM.

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

The Rights Issue is conditional upon the fulfilment of certain conditions, including, among others, 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 "Proposed Rights Issue – Conditions of the Rights Issue" in this circular. Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.

Completion of the Placing is subject to the satisfaction of the conditions precedent in the Placing Agreement. As the Placing may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

The Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. If there is an undersubscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, and the Unsubscribed Rights Shares are not fully placed by the Placing Agent, the size of the Rights Issue will be reduced accordingly. Investors are advised to exercise caution when dealing in the Shares.

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/or waived (where applicable), and any Shareholders dealing in the Rights Shares in nil-paid form will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares or Rights Shares in their nil-paid form are recommended to consult their professional advisers.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolution. Grand Moore Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 40 to 41 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 42 to 96 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

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

EGM

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder. A notice convening the EGM of the Company to be held at 11:00 a.m. on Friday, 7 June 2024 at Suite 1501, 15th Floor, Tower 1, Silvercord 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the form of proxy accompanying this circular in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM (i.e. 11:00 a.m. on Wednesday, 5 June 2024 (Hong Kong time)) or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Rule 13.39 of the 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 resolution to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the Shareholders. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to the approval of the Rights Issue and Placing Agreement by the Independent Shareholders at the EGM, the Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Company together with the PAL and EAF on Friday, 21 June 2024. The Prospectus Documents will also be made available on the websites of the Company (www.chinauptown.com.hk) and the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Company will send copies of the Prospectus to Excluded Shareholders for their information only but will not send the PAL and EAF to them.

ADDITIONAL INFORMATION

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

By order of the Board
China Uptown Group Company Limited
Pang Chung Fai Benny
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue and the Placing Agreement.

CHINA UPTOWN

China Uptown Group Company Limited
中國上城集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 2330)

22 May 2024

To the Independent Shareholders

Dear Sir or Madam,

(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS;
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular of the Company dated 22 May 2024 (the "**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

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

The Independent Financial Adviser has been appointed as the independent financial adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing Agreement, and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully,
the Independent Board Committee

Mr. Yau Sze Yeung	**Mr. Chen Weijiang**	**Mr. Lee Chun Tung**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

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

中毅資本有限公司
Grand Moore Capital Limited

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

22 May 2024

To the Independent Board Committee and
the Independent Shareholders of
China Uptown Group Company Limited

Dear Sirs,

PROPOSED RIGHTS ISSUE ON THE BASIS OF TWO RIGHTS SHARES FOR EVERY ONE SHARE HELD ON THE RECORD DATE ON A NON-UNDERWRITTEN BASIS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to (i) advise the Independent Board Committee and the Independent Shareholders in respect of whether the terms of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder (the "**Transactions**") are fair and reasonable as far as the Independent Shareholders are concerned; (ii) give our recommendation as to whether the Transactions are in the interest of the Company and the Shareholders as a whole; and (iii) advise the Independent Shareholders on how to vote at the EGM. Details of the Transactions are set forth in the "Letter from the Board" (the "**Board Letter**") contained in the circular (the "**Circular**") issued by the Company to the Shareholders dated 22 May 2024, of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As stated in the Board Letter, subject to the approval by the Independent Shareholders at the EGM, the Company proposes to implement the Rights Issue to raise, before expenses, approximately HK$91.61 million by issuing up to 610,714,104 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK$0.15 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yau Sze Yeung, Mr. Chen Weijiang and Mr. Lee Chun Tung, has been established to advise the Independent Shareholders as to whether the Transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. We, Grand Moore Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions.

OUR INDEPENDENCE

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

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

With regards to our independence from the Company, it is noted that (i) apart from normal professional fees paid or payable to us in connection with the current appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received or will receive any fees or benefits from the Company, its subsidiaries or their respective controlling Shareholders that could reasonably be regarded as relevant to our independence; and (ii) the aggregate professional fees paid or to be paid to us do not make up a significant portion of our revenue during the relevant period which would affect our independence. Accordingly, we consider that we are independent to act as the Independent Financial Adviser in respect of the Transactions pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

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

We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information, opinions or representations given or made by or on behalf of the Company, nor conducted any independent in-depth investigation into the business affairs, assets and liabilities or future prospects of the Company, their respective subsidiaries or associates (if applicable) or any of the other parties involved in the Transactions, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. The Company has been separately advised by its own professional advisers with respect to the Transactions and the preparation of the Circular (other than this letter).

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information and financial overview of the Group

As stated in the Board Letter, the Company is an investment holding company. The principal activities of the Group are (i) property development and investment; and (ii) trading of raw sugar. Certain summary financial information of the Group as extracted from the 2023 Annual Report for the years ended 31 December 2022 and 2023 ("**FY2022**" and "**FY2023**" respectively) is set out below:

	For the year ended 31 December	
	2023	**2022**
	RMB'000	*RMB'000*
	(audited)	(audited)
Revenue	4,442	60,709
Gross profit	180	9,084
Loss for the year attributable to owners of the Company	46,231	55,768

The Group's revenue decreased from approximately RMB60,709,000 for FY2022 to approximately RMB4,442,000 for FY2023, representing a decrease of approximately RMB56,267,000 or 92.7%. As per the 2023 Annual Report, the revenue for FY2023 was all contributed from property development and investment business, and the decrease in the Group's revenue was mainly due to the significant decrease in revenue generated from sales of properties and impairment loss recognised on properties held for sales.

The Group's gross profit decreased from approximately RMB9,084,000 for FY2022 to approximately RMB180,000 for FY2023, representing a decrease of approximately RMB8,904,000 or 98.0%. The Group's gross profit margin decreased from approximately 15.0% for FY2022 to approximately 4.1% for FY2023, representing a decrease of approximately 10.9%. The decrease in the Group's gross profit was mainly attributable to abovementioned decrease in revenue generated from sales of properties and impairment loss recognised on properties held for sales.

The Group recorded loss for the year attributable to owners of the Company of approximately RMB46,231,000 for FY2023, representing a decrease of approximately RMB9,537,000 or 17.1%, as compared to that of approximately RMB55,768,000 for FY2022. Such decrease in loss for the year attributable to owners of the Company was mainly due to the absence of impairment loss recognised on properties under development during FY2023, where the Group recorded an impairment loss recognised on properties under development of approximately RMB48,187,000 during FY2022, but was partially offset by the abovementioned decrease in gross profit.

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

	As at	
	31 December 2023	**31 December 2022**
	RMB'000	*RMB'000*
	(audited)	(audited)
Bank balances and cash	17,208	26,710
Current assets	632,502	595,940
Properties under development	383,753	349,000
Net current assets	134,861	188,018
Total assets	651,734	614,052
Current liabilities	497,641	407,922
Trade and other payables	132,331	151,142
Contract liabilities	124,528	32,496
Total liabilities	503,659	414,096
Equity attributable to owners of the Company	176,933	224,147

The Group's bank balances and cash amounted to approximately RMB17,208,000 as at 31 December 2023, representing a decrease of approximately RMB9,502,000 or 35.6%, as compared to that of approximately RMB26,710,000 as at 31 December 2022. The abovementioned bank balances and cash as at 31 December 2023 of approximately RMB17,208,000 (equivalent to approximately HK$18,933,000) represents approximately 21.2% of the estimated net proceeds of the Rights Issue of HK$89,200,000 and is therefore grossly insufficient for the purpose of the Rights Issue's use of proceeds. The Group recorded net current assets of approximately RMB134,861,000 as at 31 December 2023, representing a decrease of approximately RMB53,157,000 or 28.3%, as compared to that of approximately RMB188,018,000 as at 31 December 2022. Such decrease was mainly attributable to the combined effects of an increase in current assets of approximately RMB36,562,000 or 6.1% and an increase in current liabilities of approximately RMB89,719,000 or 22.0% as at 31 December 2023. We note from the 2023 Annual Report that the increase in current assets was mainly attributable to the increase in properties under development and restricted bank deposits. The Group's properties under development, being the key line item under the current assets of the Group as at 31 December 2023, amounted to approximately RMB383,753,000, representing an increase of approximately RMB34,753,000 or 10.0%, as compared to that of approximately RMB349,000,000 as at 31 December 2022. Meanwhile, the increase in current liabilities was mainly due to the increase in contract liabilities. The key line items under the current liabilities of the Group as at 31 December 2023, refer to (i) trade and other payables; and (ii) contract liabilities. The Group's trade and other payables amounted to approximately RMB132,331,000 as at 31 December 2023, representing a decrease of approximately RMB18,811,000 or 12.4%, as compared to that of approximately RMB151,142,000 as at 31 December 2022. The Group's contract liabilities amounted to approximately RMB124,528,000 as at 31 December 2023, representing an increase of approximately RMB92,032,000 or 283.2%, as compared to that of approximately RMB32,496,000 as at 31 December 2022. The deterioration in liquidity and solvency gives rise to a decrease in current ratio from approximately 1.46 times as at 31 December 2022 to approximately 1.27 times as at 31 December 2023.

The Group's total liabilities increased by approximately RMB89,563,000 or 21.6%, from approximately RMB414,096,000 as at 31 December 2022 to approximately RMB503,659,000 as at 31 December 2023. Such increase was mainly attributable to the abovementioned increase in contract liabilities. As per the 2023 Annual Report, the Group's total secured bank borrowings and other borrowing amounted to approximately RMB29,994,000 as at 31 December 2023.

The Group recorded equity attributable to owners of the Company of approximately RMB176,933,000 as at 31 December 2023, representing a decrease of approximately RMB47,214,000 or 21.1%, as compared to that of approximately RMB224,147,000 as at 31 December 2022. This was mainly attributable to the loss for the year attributable to owners of the Company during FY2023.

2. Reasons for the Rights Issue, the Placing and use of proceeds

As stated in the Board Letter, the Company is an investment holding company. The principal activities of the Group are (i) property development and investment; and (ii) trading of raw sugar.

The estimated net proceeds of the Rights Issue and the Placing (after deduction of expenses) if the Rights Issue is subscribed in full is expected to amount to approximately HK$89.2 million (assuming no change in the number of Shares in issue on or before the Record Date).

Assuming full subscription under the Rights Issue, the Company intends to apply the net proceeds of approximately HK$89.2 million as follows:

(a) Approximately HK$46,200,000 (being approximately 51.79% of the net proceeds) is intended to be used for the settlement of prolonged construction costs, the trade and other payables to the main contractor and other contract liabilities for the Second Maoming Project in 2024 and beyond. The Group has been developing and operating two property development projects located in Maoming City, Guangdong Province, the PRC. The First Maoming Project has been developed into a composite of residential and commercial properties in three phases. Majority of the commercial and residential properties of the First Maoming Project had been delivered in 2019 and most of the proceeds from sales of the First Maoming Project has been used in the development of the Second Maoming Project situated at Maoming Jixiang District*(茂名市吉祥小區).

On 27 November 2019, Maoming Shang Cheng Real Estate*(茂名上誠置業有限公司), an indirect non-wholly owned subsidiary of the Group, successfully won the bid for land use rights of the Second Maoming Project situated at Maoming Jixiang District*(茂名市吉祥小區)with a total site area of approximately 29,274.16 square meters at a consideration of approximately RMB241,512,000. When the land acquisition transaction by Maoming Shang Cheng Real Estate was completed in 2020, the Second Maoming Project was planned to be developed into a composite of residential and commercial properties with the following approximate planned areas:

Land site area	29,000 m^2
Gross saleable area	84,000 m^2
Residential areas	59,000 m^2
Commercial areas	25,000 m^2
Carpark spaces	1,000 units

During the pandemic, construction and development of Second Maoming Project had been severely delayed, so as to the pre-sales plan. As at 31 December 2023, approximately 60% of the construction had been completed, including the basement, kindergarten and first 2 blocks of residential buildings. Pre-sales of the residential blocks started in June 2022, and pre-sales of the other parts of the project was rescheduled as follows:

Pre-sales of residential properties	Second half of 2024
Pre-sales of apartment properties	Second half of 2024
Pre-sales of commercial properties	Second half of 2024
Pre-sales of car parks and shops	Second half of 2024
Completion and delivery	First half of 2025

Since the onset of the pandemic and up until recently, the Group has faced significant financial challenges resulting from the prolonged construction process of its properties. The primary challenges stem from the construction expenses incurred and the unsettled trade and other payables owed to the relevant contractors involved. As of 31 December 2023, the outstanding amount of trade and other payables which was mainly related to this project amounted to approximately RMB132.3 million.

Typically, the Group relies on pre-sale deposits from property purchasers (recorded in terms of contract liabilities position of the Group) to cover the ongoing construction costs for the subsequent stages of the property project; however, the prolonged construction work and delays in pre-sales have depleted the Group's resources and had a detrimental impact on its liquidity. This was evident from the relatively low cash level of the Group of approximately RMB17.2 million as of 31 December 2023.

However, with reference to the Group's net asset position of approximately RMB148.1 million as at 31 December 2023, the Group is able to and has been utilising most of its financing resources and working capitals from the development of other segments and/or property projects, was to settle its significant liquidity needs resulting from the construction work. The Directors are of the view that additional funding is not only intended to ease out the cash flow liquidity pressure and to sustain operations of the on-going projects, but also to fulfil the associated upfront payment obligations to support the development of potential property projects ahead, contingent upon more favourable conditions in the property market. In the event that the liquidity mismatch persists without securing additional funding through equity financing, or in the event of an undersubscription of the Rights Issue and the pro-rata proceeds and the cash balance are insufficient to cover the required amount, the Group would heavily depend on debt financing activities, such as bank overdrafts and other facilities, to meet its obligations and such debt pressure would continue until the pre-sales of upcoming properties are realized. Meanwhile, the Group's overall profitability would be adversely affected with relatively high interest charges, thereby impeding its capacity to allocate financial resources towards the development of other segments or potential property projects.

The net proceeds from the Rights Issue (whether fully subscribed or not) are intended to serve as equity resources to alleviate ongoing liquidity pressures. However, it should be noted that these proceeds are not intended to be the sole source for covering the outstanding trade and other payables recorded as of 31 December 2023 as the Group is expected to gradually generate cash inflow from the sales of properties held for sales, which amounted to approximately RMB152.9 million as at 31 December 2023. On top of that, among the properties under development which amounted to approximately RMB383.8 million as at 31 December 2023, as the Company incurs further expense of approximately RMB35,000,000 for completion of two residential buildings, it estimates that it will be able to collect over RMB100 million in the next 18 months from sales from the two residential buildings, depending on the market conditions at that time. The payments to be made with main contractors of the Group typically adhere to credit terms and are repaid through installment payments.

(b) Approximately HK$23,000,000 (being approximately 25.78% of the net proceeds) is intended to be used to repay the borrowing liabilities of the Group. The Group had several interest-bearing borrowings amounting to approximately RMB30.0 million in aggregate as at 31 December 2023, which includes a secured loan with outstanding principal of approximately HK$23,000,000 from a finance company and is secured by the leasehold land and building of the Group, interest-bearing at 13% per annum and repayable on or before 15 November 2024. The Directors believes that repaying such liabilities will enable the Group to release its pledge on the relevant collateral and improve its gearing ratio. By doing so, the Group can potentially negotiate better terms with banks and other financial institutions. This strategic move aims to improve the Group's financial position and provide opportunities for more favourable financing arrangements.

(c) Approximately HK$12,000,000 (being approximately 13.45% of the net proceeds) is intended to be used as deposit for trading of raw cane sugar and as investment in the food supply chain to support the trading of raw cane sugar. The Group has been engaged in trading of raw cane sugar since 2014, where the revenue generated from trading of raw cane sugar amounted to approximately RMB27,663,000 for the year ended 31 December 2020. In response to the volatile and challenging market conditions caused by the COVID-19 pandemic, the Group had chosen to temporarily suspend its trading of raw cane sugar from 2021 to 2023. This decision was made due to the significant fluctuations in the global market for raw cane sugar, which have made it increasingly difficult to achieve profitable returns from trading activities.

As the global economy gradually recovers from the pandemic, different industries are experiencing varying rates of recovery. In 2024, the demand for domestic raw cane sugar is being influenced by several factors, including the improved pandemic situation in the PRC, adjustments to prevention and control policies, and the lifting of border restrictions between countries. According to OECD-FAO Agricultural Outlook 2023-2032, world sugar consumption is seen increasing for a third successive season in 2022/23. However, the growth of global sugar consumption is anticipated to be moderate due to the projected deceleration in global economic growth in 2022/23. In Asia, it is anticipated that imports will continue to represent 42% of consumption and the share of imported raw sugar for industrial use will continue to increase, mainly driven by key buyers, China and Indonesia. By 2032, Asia is estimated to account for 59% of global imports. In the PRC, consumption is emerging from a period of no real growth that started in 2016 with a period of high prices, followed by a three-year zero-Covid policy. With the reopening of the markets, consumption is expected to rise again over the next ten years.

In light of these market conditions, the Group has conducted a thorough assessment of the raw cane sugar market. The Group has actively collaborated with different business vendors to establish a supply chain platform that enhances its procurement capabilities from upstream suppliers of raw cane sugar. The Group aims to leverage the expertise and resources of various partners in the commodities, logistics and energy sectors, as to create a robust network of reliable supply chain to optimize the Group's procurement of raw cane sugar to fulfil the demand in the PRC market. Leveraging the expertise of its management team, the Group has been resuming its business operations and actively soliciting raw cane sugar orders. To support these efforts and the business requirement to place up to full upfront deposit to obtain letters of credit from banks to secure a stable supply of raw cane sugar from upstream suppliers. Once a stable supply is secured, the Group will take on orders and make arrangements for delivery to customers. The remaining portion of proceeds is expected to be used as an initial investment in connection with a processing plant and/or storage facility for the raw cane sugar business. As at the Latest Practicable Date, the terms of the investment remain under negotiation and have not been finalised. The Directors are of the view that upon the resumption of the Group's trading of raw cane sugar business and establishment of entrusted business relationship with suppliers, the Group will be able to negotiate better prices and credit terms to gradually reduce liquidity pressure from placing deposits with these upstream suppliers.

(d) Approximately HK$8,000,000 (being approximately 8.97% of the net proceeds) is intended to be used for the general working capital of the Group. The intended primary use of these funds is for business operation and development, encompassing various aspects. Specifically, HK$5,000,000 will be allocated towards staff costs. Additionally, HK$1,500,000 will be designated for sales and marketing fees and HK$1,500,000 will be set aside for relevant legal and professional fees. This allocation aims to support the overall growth and functioning of the Company.

In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro-rata basis as set out above.

As discussed with the Management, the prolonged construction work and delays in pre-sales have depleted the Group's resources and had a detrimental impact on its liquidity. The Group cash level amounted to approximately RMB17.2 million as of 31 December 2023, representing a decrease of approximately 35.6% from that of 31 December 2022 of approximately RMB26.7 million. The Group will apply the allocated proceeds of HK$46,200,000 in the following manner: (a) approximately RMB35,027,000 (equivalent to approximately HK$38,537,000) is intended to be used for the settlement of management fees and related construction costs to main contractor for certain buildings of the Second Maoming Project requested by the main contractor in March 2024 (the "**March 2024 Injection**") through installment payments in order to meet the original completion target of July 2024; and (b) the remaining portion is intended to be used for settlement of management fees and related construction costs to main contractor for other buildings of the Second Maoming Project. The Group's cash level amounted to approximately RMB17.2 million as of 31 December 2023, which is grossly insufficient to settle the March 2024 Injection (although, as discussed with the Management, the March 2024 Injection could be settled through installment payments, payment schedule of which is subject to further negotiation), and result in the main contractor's possible delay in completion in July 2024 as committed to purchasers. Therefore, we consider additional funding is necessary not only to sustain operations of the on-going projects but also to fulfil the associated upfront payment obligations to support the development of potential property projects ahead, contingent upon more favorable conditions in the property market, so as to continue the Group's property development business and capture potential profitability from such segment in the future.

As discussed above, the borrowing of HK$23,000,000 (interest-bearing at 13% per annum equivalent to annual interest expense of approximately HK$2,990,000 on a simple interest basis) from a finance company secured by the leasehold land and building of the Group is repayable on or before 15 November 2024. In view of the current liquidity situation of the Group and in the absence of further financing, we are of the view that it is unlikely that the Group will be able to repay the aforementioned borrowings when they become due, so it is likely that the Group will have to negotiate the refinancing of such borrowings upon maturity which would continuously incur the annual interest expense (which is seemingly larger than the Group's total finance cost of approximately RMB1,940,000 for FY2023) as mentioned above exerting pressure on the Group's financial performance. We further concur with the Directors that repaying such liabilities will enable the Group to release its pledge on the relevant collateral and improve its gearing ratio. Although the other fundraising alternatives were not feasible as at the Latest Practicable Date as discussed below, we concur with the Directors that the Group can also potentially negotiate better terms with banks and other financial institutions for possible future debt financing(s) after repayment of the aforementioned borrowing, release of pledge and improvement of gearing ratio.

As discussed with the Management, the Group has conducted a thorough assessment of the raw cane sugar market and considered the market demand for raw cane sugar would gradually pick up as the global economy gradually recovers from the pandemic. We note that, according to the online library of the Organisation for Economic Co-operation and Development, (i) over 2023-2032, global sugar consumption is projected to continue growing at around 1.1% per annum, reaching 193 million tonnes by 2032, driven by population and income growth; and (ii) the PRC's domestic sugar consumption continues to rise and is now estimated at 17 million tonnes in 2024, leaving a sugar deficit of around 5.76 million tonnes, which will need to be balanced with imported sugar. Therefore, we consider funding is crucial for the Group to resume the segment of trading of raw cane sugar and capture the profitability from such segment. As advised by Management, the business of trading of raw cane sugar has been suspended for years, the Company needs to place up to full upfront deposits with upstream supplier(s) to secure the equivalent amount of raw cane sugar. Moreover, we have obtained from the Management and reviewed the supporting documents in relation to certain potential customers' indicative demand for the Group's raw cane sugar. We note that there are not less than 5 potential customers showing their interests in placing orders for the Group's raw cane sugar, with indicative monthly demand that is in excess of what the Group can achieve with the HK$12,000,000 earmarked for this business. Although such amount allocated for this business cannot immediately satisfy the potential demand for the Group's raw cane sugar in full, the Management considers that it would be beneficial for the Group to gradually ramp up this business while using the cash inflow from future sales to gradually scale up purchases from upstream supplier(s) to fulfill the potential demand. Based on the experience and estimation of the Management, the Group will apply the allocated proceeds of HK$12,000,000 in the following manner: (i) HK$10,000,000 is intended to use for the deposit with upstream supplier(s); and (ii) the remaining HK$2,000,000 is intended to use for the investment for the food supply chain subject to the negotiation progress with the potential partner.

Having considered the aforementioned factors, we consider (i) the Group has funding needs to conduct the Rights Issue; and (ii) the allocation of the net proceeds from the Rights Issue is fair and reasonable and in the interest of the Company and the Shareholders as a whole. In the event of an undersubscription of the Rights Issue, the net proceeds will be utilised on a pro-rata basis as set out above. We enquired the Management and understood from the Management that (i) despite that the March 2024 Injection is yet to be settled in full, the Company and the main contractor are still in good business relationship and the main contractor is cooperative, and the construction work for the Second Maoming Project has been on-going; (ii) the amount and payment schedule of the March 2024 Injection is subject to further negotiation between the Company and the main contractor; and (iii) timely and periodic settlement of the March 2024 Injection by batches would sustain the main contractor's ongoing construction work and encourage the main contractor to allocate its resources and deliver the best effort on the Second Maoming Project. On the other hand, as discussed above, the secured loan with outstanding principal of approximately HK$23,000,000 from a finance company at 13% per annum is repayable on or before 15 November 2024, which is less than 6 months away from the Latest Practicable Date. Despite that the maturity date of the secured loan is less than 6 months to go, repaying such liabilities anytime earlier than maturity date will enable the Group to release its pledge on the relevant collateral and improve its gearing ratio, and save interest expenses accordingly. The funding of approximately HK$12,000,000 to be deployed on the raw cane sugar business is crucial for the Group to resume the segment of trading of raw cane sugar and capture the potential profitability from the revival of such segment. The aforementioned funding needs are of three different natures, namely (i) continuation of business operation; (ii) reduction of interest expense and improvement on gearing ratio; and (iii) business development in relation to the timing of funding requirement in each area is neither rigid nor unnegotiable as at the Latest Practicable Date. Given the above and the amount of net proceeds can never be ascertained in the absence of an underwriter, we consider that the allocation of net proceeds from the Rights Issue on a pro-rata basis is not uncommon and not out of the ordinary, and is therefore fair and reasonable.

Apart from the Rights Issue, the Directors have also explored other debt or equity fundraising alternatives such as bank borrowings, placing or an open offer. The Directors note that the credit lines provided by bank borrowings is very limited and requires collateral. As at 31 December 2023, the Group had a loan with an outstanding principal amount of approximately HK$23,000,000 from a finance company secured by the leasehold land and building of the Group, and the Directors have also evaluated other assets of the Group, including the value of properties held for sale and properties under development in the PRC as of 31 December 2023. However, it is determined that pre-sales value of these assets were not viewed and evaluated favorably by banks or financial institutions until they are completed and sold in the market, which consequently hindered the Group's ability to negotiate favorable credit terms. If available, the expected size of bank borrowing required by the Group will likely carry additional interest costs and create further pressure to the liquidity and profitability of the Group. As set out in the 2023 Annual Report, the Company recorded total borrowings of approximately RMB30.0 million, and the Group's gearing ratio was approximately 20%. If the Company decided to meet the funding needs by debt financing, the Company's hypothetical gearing ratio would have been approximately 82% as at 31 December 2023 (assuming all the gross proceeds could be raised by debt financing). In regards to equity fundraising methods available to the Company, the Directors considered the placing of new Shares, and noted that the Company had recently completed a placement of new Shares under the Company's general mandate of 20% of the number of issued Shares on 6 March 2024, raising approximately HK$6.88 million in net proceeds, which is far from the amount required for its current plans. The Directors also noted that whether under a refreshed general mandate or a specific mandate, a further placing of new Shares will inevitably and immediately dilute the interests of existing Shareholders without giving them the opportunity to take part in the exercise. As opposed to an open offer, the Rights Issue enables Shareholders to sell their Nil-Paid Rights Shares in the market. The Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Having considered the above 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 the Rights Issue is an appropriate fundraising method to strengthen the capital base of the Company, which in turn will support the Company's continuing development and business growth, while allowing the Qualifying Shareholders to maintain their proportional shareholdings in the Company.

Despite the above, the management of the Group had still attempted to explore the possibility of obtaining bank borrowings, placing of new Shares or open offer of comparable size to the Rights Issue with the Group's principal banker and a securities brokerage firm in Hong Kong. After exploring the idea with the Group's principal banker in Hong Kong and one securities brokerage firm, the Group considered that these financing alternatives were not feasible as (i) the Group failed to receive any positive response from its principal banker in Hong Kong likely due to the proposed size of the debt financing and that the Group is unable to provide acceptable collateral in favour of the bank; (ii) the proposed size of the fund raising is significant compared to the Company's market capitalization of roughly HK$67 million (based on the closing price on the Last Trading Day); and (iii) for a securities brokerage firm to be willing to act as placing agent for equity fund raising of such size, the placing commission would be 3.5%, which is well above that as stated in the Placing Agreement of 2.5%.

The Company has considered and approached the substantial shareholder of the Company and underwriters licensed under the SFO to conduct type 1 regulated activities to underwrite the Rights Issue. However, neither the substantial shareholder of the Company nor the underwriters showed any interest to underwrite the Rights Issue. As such, the Company conducts the Rights Issue on a non-underwritten basis.

The Company has no present intention to conduct further fundraising activities at this stage, and the management of the Company intends to evaluate the results of Rights Issue, before determining whether any further fundraising activities are required.

In light of the above, placing of new Shares would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. The Company conducted a placing (the "**Previous Placing**") of new Shares under general mandate on 15 February 2024 and the Previous Placing was completed on 6 March 2024 (before publication of the Group annual results announcement for FY2023). With reference to the Board Letter, the Company fully utilized the net proceeds raised from the Previous Placing of approximately HK$6.88 million as at the Latest Practicable Date. The Previous Placing of 50,880,000 placing Shares has consumed almost the entire limit on the general mandate to issue new Shares of up to 50,893,810 Shares granted by the Shareholders in the annual general meeting of the Company held on 31 May 2023.

As advised by Management, the Company had approached a financial institution for conducting other fund raising alternatives, if possible. However, the attempt was rejected due to current negative market condition and low stock market trading volume. For our due diligence purpose, we have obtained and reviewed the relevant supporting documents, i.e. email correspondence, and note that the financial institution showed negative interest in the Group's invitation taking into account the current market conditions. The Previous Placing, as discussed in the paragraph immediately above, was conducted on 15 February 2024 and completed on 6 March 2024, which was before the publication of the Group's annual results announcement for FY2023 in which the Group announced that, among others, the Group's revenue decreased from approximately RMB60,709,000 for FY2022 to approximately RMB4,442,000 for FY2023, representing a decrease of approximately RMB56,267,000 or 92.7%. The significant deterioration of financial performance of the Group has made the Group's other equity financing more difficult amid the current weak market sentiment. In any event, it is noted that the net proceeds of approximately HK$6.88 million from the Previous Placing falls far short of the Rights Issue's estimated net proceeds in the amount of approximately HK$89.2 million. On the other hand, the Board Letter also advised that the Group also failed to receive any positive response from its principal banker in Hong Kong likely due to the proposed size of the debt financing and that the Group is unable to provide acceptable collateral in favour of the bank. As a result, apart from the Rights Issue, the other fundraising alternatives are not feasible. In addition, the financial institution explicitly expressed in writing that it is currently difficult to find suitable investors due to low stock market trading volume. The Group also failed to procure an underwriter to fully/partially underwrite the subject Rights Issue which is consistent with the low investor interests (and implied underwriting risk) expressed by the aforementioned financial institution. Among the 16 Comparables (as defined below) which conducted rights issue recently, only 3 out of 16 rights issue exercise has been underwritten by an underwriter, which is also consistent with the low investor interests (and implied underwriting risk) expressed by the aforementioned financial institution.

Taking into account the pros and cons of each of the alternatives and the net proceeds from the Previous Placing was already fully utilized as at the Latest Practicable Date, we are of the view that the Rights Issue (although being conducted on a non-underwritten basis due to lack of investor interest amid the current market and thus high underwriting risk), which provides all Qualifying Shareholders an opportunity to participate in the future development of the Company on equal terms to maintain their shareholdings in the Company, is the most preferred means of fund raising under the Group's current circumstances. Based on the foregoing, we are of the view that the Rights Issue allows the Group to improve its liquidity and is in the interests of the Company and the Shareholders as a whole.

3. The proposed Rights Issue

As stated in the Board Letter, subject to the approval by the Independent Shareholders at the EGM, the Company proposes to implement the Rights Issue to raise, before expenses, approximately HK$91.61 million by issuing up to 610,714,104 Rights Shares on the basis of two (2) Rights Shares for every one (1) Share held on the Record Date at the Subscription Price of HK$0.15 per Rights Share. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to Excluded Shareholders.

Further details of the Rights Issue are set out below:

3.1 Issue statistics

Basis of the Rights Issue	:	Two (2) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK$0.15 per Rights Share
Net price per Rights Share	:	Approximately HK$0.146 per Rights Share (assuming no changes in the share capital of the Company on or before the Record Date)
Number of Shares in issue as at the Latest Practicable Date	:	305,357,052 Shares
Total number of Rights Shares to be issued pursuant to the Rights Issue	:	Up to 610,714,104 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Aggregate nominal value of the Rights Shares	:	Up to HK$6,107,141.04 (assuming no change in the number of Shares in issue on or before the Record Date)
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 916,071,156 Shares (assuming no change in the number of Shares in issue on or before the Record Date)
Gross proceeds from the proposed Rights Issue	:	Up to approximately HK$91.61 million (assuming no changes in the share capital of the Company on or before the Record Date)

Net proceeds from the Rights Issue	:	Up to approximately HK$89.2 million (assuming no changes in the share capital of the Company on or before the Record Date)
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments

Assuming no changes in the share capital of the Company on or before the Record Date, the 610,714,104 Rights Shares proposed to be allotted and issued pursuant to the terms of the Rights Issue represent (i) 200% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 66.67% of the total number of issued Shares as enlarged by the issue of the Rights Shares immediately upon completion of the Rights Issue.

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

3.2 Non-underwritten basis

Subject to the fulfilment and/or waiver (where applicable) for the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptance of the provisionally allotted Rights Shares. If there is an under-subscription of the Rights Issue as a result of Untaken Rights not being fully taken up by Qualifying Shareholders or transferees of nil-paid Rights Shares, and the Unsubscribed Rights Shares are not fully placed by the Placing Agent, the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder(s) who apply to take up all or part of its entitlement under PAL or applies for excess Rights Shares under EAF may unwittingly incur an obligation to make a general offer under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will, pursuant to Rule 7.19(5) of the Listing Rules, provide for Shareholders to apply on the basis that if the Rights Shares are not fully taken up, the applications of any Shareholder (except for HKSCC Nominees Limited) for his/her/its entitlement under the PAL or for excess Rights Shares under the EAF 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.

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

3.3 The Subscription Price

The Subscription Price of HK$0.15 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 nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(i) a discount of approximately 31.8% to the closing price of HK$0.22 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 42.3% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(iii) a discount of approximately 31.8% to the average closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 31.8% to the average closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) a discount of approximately 22.7% to the theoretical ex-entitlement price of approximately HK$0.17 per Share based on the closing price of approximately HK$0.22 per Share as quoted on the Stock Exchange on the Last Trading Day and the number of Shares as enlarged by the Rights Shares;

(vi) a discount of approximately 71.2% to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2023 of approximately HK$0.52 per Share, which is calculated by dividing the audited consolidated net assets of the Group attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023 as set out in the 2023 Annual Report by the number of Shares in issue as at the Latest Practicable Date; and

(vii) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 21.2%, represented by the theoretical diluted price of approximately HK$0.17 per Share to the benchmarked price of approximately HK$0.22 per Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day.

The net Subscription Price per Rights Share (after deducting the relevant expenses) will be approximately HK$0.146 per Rights Share.

The Subscription Price was determined with reference to an assortment of factors. In particular, the Directors had taken note of and considered:

(i) the prevailing market price and recent trading performance of the Shares, which includes the daily closing price and daily trading volume of the Shares during the Review Period, having considered that trading in the Shares on the Stock Exchange had been suspended during the Trading Suspension Period. The closing price of the Shares before the Trading Suspension Period was HK$0.32 per Share. Throughout the Review Period, the closing price of the Shares showed instability, ranging from a low of HK$0.11 per Share to a high of HK$0.37 per Share. However, the closing price on the Last Trading Day demonstrated an overall downward trend from HK$0.32 per Share to HK$0.22 per Share. Additionally, the average daily trading volume was approximately 0.06% of the total issued Shares as at the Last Trading Day, indicating a lack of liquidity and demand for the Shares;

(ii) the Group's consecutive net losses of approximately RMB78.1 million and RMB51.9 million for FY2022 and FY2023, respectively. Furthermore, the net asset position of the Group significantly decreased from approximately RMB200.0 million as of 31 December 2022 to approximately RMB148.1 million as of 31 December 2023. The Directors also observed that the market capitalization of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalization of the Group during the Review Period ranged from approximately HK$28.5 million to approximately HK$113.0 million, which represented a discount of approximately 82.2% and 29.4% respectively to the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023. This substantial disparity reflects a lack of market confidence in the Group's financial performance, position, and future prospects. As a result, the market value of the Shares no longer accurately reflects the underlying net asset value. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 10 comparable transactions were conducted on a discount to consolidated net asset value per share, ranging from approximately 25.1% to approximately 96.2%, indicating that the Group's discount to consolidated net asset value per share aligns with the market norm. The Directors observed that the rest of these companies which have not conducted their comparable transactions on a discount to consolidated net asset value per share were mainly either in net liabilities positions in each of their latest annual reports or had delayed issuing the relevant annual report. The Directors believes that the 16 comparable transactions did not appear to have determined their respective subscription prices using their respective net asset value per share as a reference, indicating that using the net asset value per share as a reference point cannot be established as a market practice. Having considered the significant amount of funding to be raised from this Rights Issue, and preemptive nature to enable existing Shareholders' participation, the Board believes that determining the Subscription Price based on the lower end of the prevailing market price during the Review Period, despite it being at a significant discount to the net asset value as at 31 December 2023, is fair and reasonable;

(iii) the prevailing bearish condition of the Hong Kong stock market during the Review Period, where the average Hang Seng Index (HSI) remained low at 16,327. The HSI fluctuated between a low closing of 14,961 on 22 January 2024 (a 15-month low) and a high closing of 17,094 on 12 March 2024, and subsequently ended at 16,723 as of the Last Trading Day;

(iv) the relatively large fundraising size when compared with the Group's market capitalisation as at the Last Trading Day; and

(v) the Directors considered that it is reasonable to set the Subscription Price at a discount to the closing price per Share on the Last Trading Day and the consolidated net asset value per Share attributable to the Shareholders in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate, given the abovementioned challenging market conditions, unfavourable price trend and lack of liquidity and demand of the Shares.

The Directors believe that despite the theoretical dilution effect that existing Shareholders will experience as a result of the Rights Issue (see paragraph (vii) above), the Rights Issue will signal the Group's ability to raise new capital and improve its gearing and financial performance by lowering the level of debt and financing costs of the Group through repayment of indebtedness, and continue to grow its business as described in the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in the Board Letter. Based on the foregoing, the Directors consider that the Subscription Price is fair and reasonable, and the Rights Issue is in the interests of the Company and the Shareholders a whole.

In view of the above, and having considered that all the Qualifying Shareholders will be offered equal opportunity to subscribe for the Rights Shares by way of provisional allotment, the Directors consider that the terms of the Rights Issue and the Placing Agreement, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As at the Last Trading Day, the theoretical dilution price, the benchmarked price and the theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) for the Rights Issue were approximately HK$0.17 per Share, HK$0.22 per Share and approximately 21.2%. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

3.4 The Placing Agreement

As stated in the Board Letter, on 8 April 2024 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed to procure Placee(s), on a best efforts basis, to subscribe for the Unsubscribed Rights Shares under the Specific Mandate.

Details of the Placing Agreement are summarised as follows:

Date	:	8 April 2024 (after trading hours of the Stock Exchange)
Issuer	:	the Company
Placing Agent	:	China Demeter Securities Limited was appointed as the Placing Agent to procure, on a best efforts basis, Placees to subscribe for the Unsubscribed Rights Shares. The Placing Agent confirmed that each of it and its ultimate beneficial owner(s) is independent of and not connected with the Company and its connected persons or any of their respective associates.
Placing fee	:	2.5% of the aggregate placing price of the Unsubscribed Rights Shares successfully placed by or on behalf of the Placing Agent.
Placing price	:	The placing price of each of the Unsubscribed Rights Shares shall be not less than the Subscription Price.
Placees	:	The Unsubscribed Rights Shares are expected to be placed to the Placee(s) who and whose ultimate beneficial owner(s) shall be the Independent Third Party(ies).
Ranking	:	Unsubscribed Rights Shares (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 others, the following conditions being fulfilled:

(1) the passing by the Shareholders (or the Independent Shareholders, as the case may be) 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 and the grant of the Specific Mandate for the allotment and issue of the Unsubscribed Rights Shares) by no later than the date on which the Prospectus Documents are posted;

(2) the Listing Committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in the Rights Shares in their nil-paid and fully-paid forms;

(3) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained;

(4) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events; and

(5) the posting of copies of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus to the Excluded Shareholders for information purpose only.

Placing completion date	:	The third Business Day after the Latest Placing Time or such other date as the Company and the Placing Agent may agree in writing.
Termination	:	If, prior to the Latest Placing Time:

(1) in the reasonable opinion of the Placing Agent, the success of the Placing would be materially and adversely affected by:

(a) 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

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date 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

(c) any materially adverse change in the business or in the financial or trading position of the Group as a whole; or

(d) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

(2) 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,

the Placing Agent shall be entitled, without any liability to the Company, by notice in writing to the Company served prior to the Latest Placing Time, to terminate the Placing Agreement.

As stated in the Board Letter, the terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company and are on normal commercial terms. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 9 comparable transactions were conducted on a best effort basis and has compensatory arrangements for rights issue, where the highest placing commission was 3.5% and the lowest was 0.5%; while the other 7 comparable transactions involved excess applications and did not disclose any placing arrangements or applicable placing commission. Since the Company's placing fee is within the abovementioned range, and also taking into account of the adverse impacts on the demand for the Group's Shares including the Group's history of prolonged Trading Suspension Periods until December 2023, the recent equity financing activities in March 2024, and the perceived lack of investors' confidence in the Group's prospects arising from the consecutive loss making performance of the Group, the Directors consider that the placing fee charged by the Placing Agent is no less favourable to the Company than the market rate in recent placing transactions and are therefore of the view that the terms of the Placing Agreement 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. Furthermore, the Directors are of the view that the abovementioned comparable transactions are a fair and representative sample as (i) all the 16 comparable transactions that were identified have been selected without any filtering in order to better represent a true and fair view of the recent market trend of placing fees involved in rights issue transactions; (ii) including comparable transactions with different funding needs and rights issue structure provides a more comprehensive understanding of the overall market conditions; and (iii) despite the comparable transactions involved placing as compensatory arrangements, the placing fees should be comparable given the similar nature of work involved by the placing agents regardless of whether conducted as part of compensatory arrangements or as a separate placing exercise.

The final placing price for the Unsubscribed Rights Shares shall be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement. The net price per Unsubscribed Rights Share placed will be approximately HK$0.146, (assuming a placing price of HK$0.15 per Share). The net proceeds from the Placing will be utilized for the same purposes as described in the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in the Board Letter. In the event the placing price is higher than the Subscription Price, any additional proceeds from the Placing will be allocated with priority towards settlement of prolonged construction costs, unsettled trade and other payables in the manner described in paragraph (a) of the section headed "Reasons for the Rights Issue, the Placing and Use of Proceeds" in the Board Letter. Having considered, as discussed in section 2 of this letter, timely and periodic settlement of the March 2024 Injection by batches would sustain the main contractor's ongoing construction work and encourage the main contractor to allocate its resources and deliver the best effort on the Second Maoming Project, we consider such arrangement fair and reasonable.

The Placing Agent shall ensure that the Unsubscribed Rights Shares are placed (i) only to institutional, corporate or individual investors who and whose ultimate beneficial owners shall be Independent Third Parties; (ii) such that no Placee shall become a substantial shareholder immediately following the Placing; (iii) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and (iv) such that the Placing will not result in the Company incapable of complying with the Public Float Requirements under the Listing Rules immediately following the Placing. The Company will continue to comply with the Public Float Requirements under Rule 8.08 of the Listing Rules and the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

As of the Latest Practicable Date, none of the conditions precedents under the Placing Agreement have been fulfilled. None of the conditions precedents to the Placing Agreement are waivable.

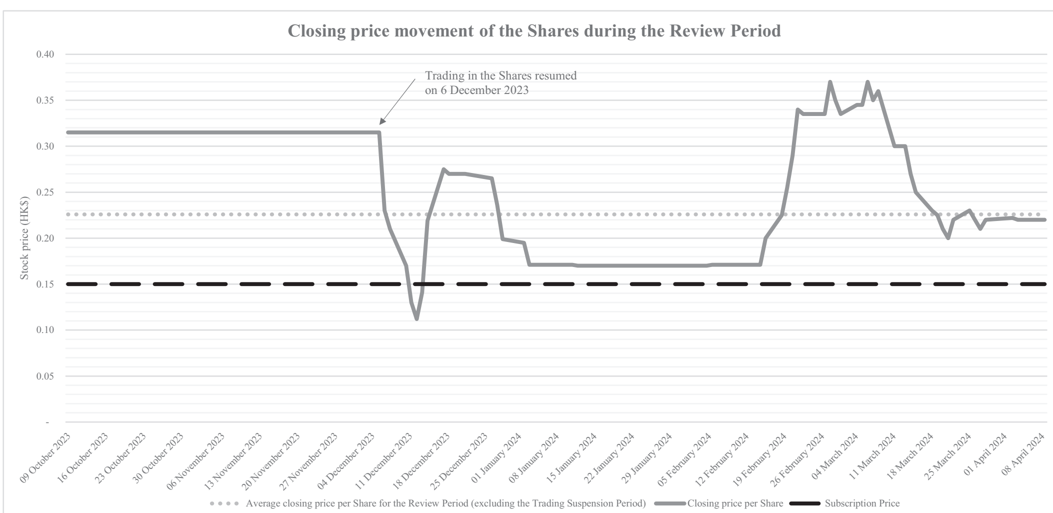
Given that the Placing Agreement would provide (1) a distribution channel of the Unsubscribed Rights Shares to the Company; and (2) a channel of participation in the Rights Issue for independent investors, the Directors consider that the Placing Agreement is fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

4. Historical price and trading volume of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the daily closing price of the Shares as quoted on the Stock Exchange during the 6 months ended the date of the Announcement, i.e. the Review Period; and (ii) the average daily trading volume of the Shares for each of the months during the Review Period.

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

4.1 Closing price movement of the Shares during the Review Period



Source: website of the Stock Exchange

Trading in the Shares on the Stock Exchange had been suspended (the "**Trading Suspension**") during the Trading Suspension Period and the closing price of the Shares before the Trading Suspension was approximately HK$0.32 per Share. On 5 December 2023, the Company published an announcement in relation to the fulfilment of all resumption guidance for the trading of shares in the Company (the "**Resumption Announcement**"). Trading in the Shares resumed on 6 December 2023, on which day the closing price of the Shares reached to approximately HK$0.32 per Share. Subsequently, the closing price of the Shares plunged to approximately HK$0.11 per Share on 13 December 2023. The closing price of the Shares then experienced a swift bounce-back reaching to approximately HK$0.28 per Share on 18 December 2023. The closing price of the Shares then exhibited a generally downward trend thereafter before reaching approximately HK$0.17 per Share on 3 January 2024. The closing price of the Shares then remained stable up to and including 15 February 2024. On 15 February 2024, the Company announced (the "**Placing Announcement**") placing of new shares under general mandate (the "**Placing**"). Subsequently, the closing price of the Shares experienced a somewhat sharp increase to approximately HK$0.37 per Share on 6 March 2024, and ultimately exhibited a sliding trend thereafter before reaching approximately HK$0.22 per Share on the Last Trading Day.

In relation to the sharp decrease of the closing price per Share from approximately HK$0.32 per Share on 6 December 2023 to approximately HK$0.11 per Share on 13 December 2023, we note that such sharp decrease in closing price of the Shares was (i) due to the publication of the Resumption Announcement; and (ii) coupled with a marked increase in trading volume on 7 December 2023 and 11 December 2023 of 315,600 Shares and 499,600 Shares, respectively. Nevertheless, trading volume in those two days represented only a range of approximately 0.1% to 0.2% of the total issued Shares as at the end of their corresponding month. 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 for the aforementioned sharp decline in the closing price of the Shares, and we were advised that such decline in the closing price of the Shares was due to (i) the generally weakened Hong Kong market; and (ii) the publication of the Resumption Announcement. Save as disclosed above, we are not aware of any information which caused the substantial change in the closing price of the Shares.

Furthermore, in relation to the sharp increase of the closing price per Share from approximately HK$0.17 per Share on 15 February 2024 to approximately HK$0.37 per Share on 6 March 2024 (after trading hours on which the Company published an announcement in relation to completion of the Placing (the "**Placing Completion**")), we note that such sharp increase in closing price of the Shares was possibly associated with the publication of the Placing Announcement and market expectation on the Placing Completion. 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 for the aforementioned sharp increase in the closing price of the Shares, and we were advised that such increase in the closing price of the Shares was possibly due to the publication of the Placing Announcement and market expectation on the Placing Completion. Save as disclosed above, we are not aware of any information which caused the substantial change in the closing price of the Shares.

In addition, the average closing price of the Shares during the Review Period (excluding the Trading Suspension Period) of approximately HK$0.23 per Share, represents a premium of approximately 53.3%, as compared to the Subscription Price of HK$0.15 per Rights Share.

On the other hand, we note that the closing price of the Shares during the Review Period has not been on a straightly downward trend but rather unstable between the lowest closing price of the Shares of approximately HK$0.11 per Share to the highest closing price of the Shares of approximately HK$0.37 per Share during the Review Period.

Taking into account that (i) the Subscription Price is not determined with reference to the lowest closing price on a straightly downward trend but to the aforementioned instability of the closing price of the Shares during the Review Period; (ii) the prolonged Trading Suspension (which lasted for more than 18 months) had handicapped the Company's capability to obtain financing from the market; and (iii) the immensely thin trading volume of the Shares as discussed in section 4.3 of this letter below, we consider a discount of the Subscription Price to the recent trading price of the Shares is necessary to enhance the attractiveness of the Rights Issue given the ratio of two Rights Shares for every one Share and the recent market prices of the Shares.

In view of (i) the reasons for and benefits of the Rights Issue as discussed in section 2 of this letter, in particular, the settlement of prolonged construction cost, the trade and other payables to the main contractor and other contract liabilities for the Second Maoming Project in 2024 and beyond; (ii) the Rights Shares are offered to all Qualifying Shareholders and each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company; and (iii) the Subscription Price of the Rights Issue is compared favorably against the Comparables (as defined below) as detailed in section 5 of this letter, we consider the discount of the Subscription Price incentivizes the Shareholders to participate in the future growth of the Group, and is fair and reasonable to the Company and the Shareholders as a whole.

4.2 Average daily trading volume for each month/period during the Review Period

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

Month/period	Number of trading days	Average daily trading volume of the Shares during the month/period *(Note 1)* *(approximate)*	Average daily trading volume of the Shares during the month/period to the total number of issued Shares *(Note 2)* *(approximate)*
2023			
October (from 9 October 2023)	16	-	-
November	22	-	-
December (excluding the Trading Suspension Period)	16	116,450	0.05%
2024			
January	22	1,364	0.00%
February	19	61,979	0.02%
March	20	568,330	0.22%
April (up to the date of the Announcement, i.e. 8 April 2024)	4	130,000	0.04%

Source: website of the Stock Exchange

Notes:

1. It is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period.

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

During the Review Period, the average daily trading volume of the Shares in each month/period ranged from a low of nil Shares in October 2023 and November 2023 (due to the Trading Suspension) to a high of 568,330 Shares in March 2024. The average daily trading volume of the Shares in March 2024 represents approximately 0.22% to the total number of issued Shares as at the end of the corresponding month.

4.3 Our observations

We considered the trading liquidity of the Shares were very thin during the Review Period, with average daily trading volume of the Shares for all months/periods being less than 0.10% to the total number of issued Shares as at the end of their respective month/period (except for March 2024). We anticipate that the Qualifying Shareholders may have difficulties in acquiring or selling a significant number of Shares in the open market if the same trading pattern of the Shares persists during and after the completion of the Rights Issue without exerting impact on the market price of the Shares. We are therefore of the view that it is reasonable to set the Subscription Price at a discount to the average closing price of the Shares and it would encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interests in the Company.

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

5.1 The Comparables

In order to assess the fairness and reasonableness of the proposed terms of the Rights Issue, we have identified an exhaustive list of 16 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. 8 April 2024.

Although the Comparables include rights issues in different scale, engaged in different business or have different financial performance and funding needs from the Company, having considered (i) all of the Comparables and the Group are listed on the Stock Exchange; (ii) our analysis is mainly concerned with the principal terms of the rights issues and we are not aware of any established evidence showing any correlation between scale of the rights issue and its underlying principal terms; (iii) including transactions conducted by the Comparables with different funding needs and business represents a more comprehensive overall market sentiment in our comparable analysis; (iv) a 3-month period for the selection of the Comparables has generated a reasonable and meaningful number of sample size of 16 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) the 16 Comparables identified during the aforementioned period were exhaustively included without any artificial selection or filtering on our part so the Comparables represent a true and fair view of the recent market trends for similar transactions conducted by other Hong Kong listed issuers, we consider that the Comparables are fair and representative samples.

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

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

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

Company name (Stock Code)	Announcement date	Basis of entitlement *HK$'million*	Maximum amount of total fund raised	Closing price: premium/(discount) Date of announcement	5-day average	10-day average	(Discount)/ premium of subscription price (to)/ over the theoretical ex-rights/ entitlement price	Premium/ (discount) to consolidated net asset value per share *(Note 1)*	Potential maximum dilution of shareholding *(Note 5)*	Theoretical dilution effect	Compensatory Arrangements/ Excess Application (CA/EA)	Fully Underwritten/ Partially Underwritten/ Placing (FU/ PU/P)	Underwriting Commission *HK$*	Placing Commission	Minimum Underwriting/ Placing fee
Heng Tai Consumables Group Limited (stock code: 197)	8 Apr 2024	1 for 2	18	0.0% *(Note 10)*	0.0% *(Note 11)*	(0.9%)	0.0% *(Note 12)*	(96.2%)	33.33%	0.0% *(Note 13)*	EA	NA *(Notes 3 and 4)*	NA *(Note 3)*	NA *(Note 4)*	NA *(Notes 3 and 4)*
Zijing International Financial Holdings Limited (stock code: 8340)	25 Mar 2024	5 for 1	54	(20.5%)	(25.0%)	(23.1%)	(4.0%)	(52.0%)	83.33%	(20.3%)	CA	P *(Note 3)*	NA *(Note 3)*	0.7%	N
Kingbo Strike Limited (stock code: 1421)	22 Mar 2024	1 for 2	17	(9.1%)	(6.1%)	(3.6%)	(6.3%)	(78.1%)	33.33%	(3.0%)	CA	P *(Note 3)*	NA *(Note 3)*	1.5%	N
Aidigong Maternal & Child Health Limited (stock code: 286)	20 Mar 2024	1 for 3	62	(38.2%)	(42.5%)	(43.2%)	(8.8%)	(80.0%)	25.00%	(11.0%)	EA	FU *(Note 4)*	7.1%	NA *(Note 4)*	N
Space Group Holdings Limited (stock code: 2448)	1 Mar 2024	4 for 1	158	(19.1%)	(18.3%)	(18.9%)	(4.5%)	NA *(Note 2)*	80.00%	(15.2%)	CA	P *(Note 3)*	NA *(Note 3)*	0.5%	N
Raily Aesthetic Medicine International Holdings Limited (stock code: 2135)	26 Feb 2024	1 for 3	21	(74.0%)	(75.3%)	(75.6%)	(69.5%)	(66.7%)	25.0% *(Note 6)*	(18.8%)	EA	PU *(Note 4)*	0.5%	NA *(Note 4)*	N
Basetrophy Group Holdings Limited (stock code: 8460)	23 Feb 2024	3 for 1	41	(31.8%)	(26.4%)	(25.0%)	(10.5%)	(77.6%)	75.00%	(23.9%)	CA	P *(Note 3)*	NA *(Note 3)*	3.5%	N
Guoen Holdings Limited (stock code: 8121)	21 Feb 2024	2 for 1	17	(33.3%)	(35.3%)	(35.8%)	(14.3%)	(60.9%)	66.67%	(23.5%)	EA	FU *(Note 4)*	7.1%	NA *(Note 4)*	N
Green Economy Development Limited (stock code: 1315)	21 Feb 2024	1 for 2	36	(15.3%)	(15.7%)	(9.6%)	(10.6%)	(25.1%)	33.33%	(5.3%)	EA	NA *(Notes 3 and 4)*	NA *(Note 3)*	NA *(Note 4)*	NA *(Notes 3 and 4)*

Company name (Stock Code)	Announcement date	Basis of entitlement HK$'million	Maximum amount of total fund raised	Closing price: premium/(discount) Date of announcement	5-day average	10-day average	(Discount)/ premium of subscription price (to)/ over the theoretical ex-rights/ entitlement price	Premium/ (discount) to consolidated net asset value per share *(Note 1)*	Potential maximum dilution of shareholding *(Note 5)*	Theoretical dilution effect	Compensatory Arrangements/ Excess Application (CA/EA)	Fully Underwritten/ Partially Underwritten/ Placing (FU/ PU/P)	Underwriting Commission *HK$*	Placing Commission	Minimum Underwriting/ Placing fee
Ta Yang Group Holdings Limited (stock code: 1991)	19 Feb 2024	1 for 2	78	(9.8%)	(12.0%)	(13.0%)	(7.0%)	7.1%	33.33%	(3.7%)	EA	NA *(Notes 3 and 4)*	NA *(Note 3)*	NA *(Note 4)*	NA *(Notes 3 and 4)*
Wuxi Life International Holdings Group Limited (stock code: 8148)	9 Feb 2024	2 for 1	31	(20.0%)	NA *(Note 2)*	NA *(Note 2)*	(10.5%)	380.0%	66.67%	(17.3%) *(Note 7)*	EA	NA *(Notes 3 and 4)*	NA *(Note 3)*	NA *(Note 4)*	NA *(Notes 3 and 4)*
Goldstone Capital Group Limited (stock code: 1160)	1 Feb 2024	1 for 2	13	(69.9%)	(69.9%)	(69.9%)	(60.7%)	57.1%	33.33%	(23.3%)	CA	P *(Note 3)*	NA *(Note 3)*	3.5%	N
SingAsia Holdings Limited (stock code: 8293)	30 Jan 2024	2 for 1	14	(11.5%)	(18.7%)	(20.6%)	(3.9%)	(67.3%)	66.67%	(14.2%)	CA	P *(Note 3)*	NA *(Note 3)*	1.5%	100,000
China Oriented International Holdings Limited (stock code: 1871)	16 Jan 2024	1 for 2	40	(18.4%)	(14.8%)	(12.0%)	(13.0%)	(63.3%)	33.33%	(6.1%)	CA	P *(Note 3)*	NA *(Note 3)*	3.0%	N
Tongda Hong Tai Holdings Limited (stock code: 2363)	12 Jan 2024	2 for 1	79	(1.7%)	0.0% *(Note 8)*	(6.5%)	0.0% *(Note 9)*	NA *(Note 2)*	66.67%	(1.7%)	CA	P *(Note 3)*	NA *(Note 3)*	2.0%	N
Teamway International Group Holdings Limited (stock code: 1239)	10 Jan 2024	1 for 1	16	(32.8%)	(32.8%)	(43.8%)	(19.6%)	NA *(Note 2)*	50.00%	(16.4%)	CA	P *(Note 3)*	NA *(Note 3)*	0.5%	N
		Average:	46	(25.3%)	(26.2%)	(26.7%)	(15.2%)	(17.2%)	50.31%	(12.7%)	4.9%	1.9%			
		Min:	13	(74.0%)	(75.3%)	(75.6%)	(69.5%)	(96.2%)	25.00%	(23.9%)	0.5%	0.5%			
		Max:	158	0.0%	0.0%	(0.9%)	0.0%	380.0%	83.33%	0.0%	7.1%	3.5%			
		Median:	36	(19.5%)	(18.7%)	(20.6%)	(9.6%)	(63.3%)	41.67%	(14.7%)	7.1%	1.5%			
The Company	**8 Apr 2024**	**2 for 1**	**92**	**(31.8%)**	**(31.8%)**	**(31.8%)**	**(22.7%)**	**(71.2%)**	**66.67%**	**(21.2%)**	**EA**	**P** *(Note 3)*	**NA** *(Note 3)*	**2.5%**	**N**

Source: website of the Stock Exchange

Notes:

1. The potential maximum dilution effect of each Comparable/the Company is calculated by the number of new rights shares divided by the total number of issued shares as enlarged by the issue of the new rights shares.

2. This information is not disclosed in the relevant announcement of the respective Comparable/ the Company.

3. The rights issue of this Comparable/the Company is on a non-underwritten basis as disclosed in the relevant announcement.

4. There is no placing arrangement for this Comparable/the Company as disclosed in the relevant announcement.

5. Theoretical dilution effect of an offer is calculated according to Rule 7.27B of the Listing Rules and refers to the discount of the "theoretical dilution price" to the "benchmarked price" of shares. "Theoretical diluted price" refers to the sum of (i) the issuer's total market capitalization (by reference to the "benchmarked price" and the number of issued shares immediately before the issue); and (ii) the total funds raised and to be raised from the issue, divided by the total number of shares as enlarged by the issue. While the "benchmarked price" means the higher of: (i) the closing price on the date of the agreement involving the issue; and (ii) the average closing price in the 5 trading days immediately prior to the earlier of: (1) the date of announcement of the issue; (2) the date of the agreement involving the issue; and (3) the date on which the issue price is fixed.

6. It is stated in the announcement of this Comparable dated 26 February 2024 that "assuming the number of Shares to be issued upon exercise of the exercisable Share Options are adjusted on the basis of every five (5) Shares being consolidated into one (1) Consolidated Share". In this regard, the potential maximum dilution of shareholding of approximately 25.0% by assuming no further issue or repurchase of shares on or before the record date other than the rights shares and the full exercise of the exercisable share options.

7. It is stated in the clarification announcement of this Comparable dated 14 February 2024 that "a theoretical dilution effect (as defined under the GEM Listing Rules) represented by a discount of approximately 17.28% of the theoretical ex-rights price of HK$0.134 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the theoretical benchmarked price of HK$0.162 per Adjusted Share". In this regard, the theoretical dilution effect of a discount of approximately 17.28% is adopted for this Comparable.

8. It is stated in the announcement of this Comparable dated 12 January 2024 that "the Subscription Price equals to the average of the closing prices of approximately HK$0.58 per Consolidated Share based on the average closing price of HK$0.058 as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day". In this regard, no premium or discount of its subscription price over or to the average closing price for the five consecutive trading days up to and including the last trading day is adopted for this Comparable.

9. It is stated in the announcement of this Comparable dated 12 January 2024 that "the Subscription Price equals to the theoretical ex-rights price of HK$0.58 per Consolidated Share based on the closing price of HK$0.059 per Share as quoted on the Stock Exchange for the Last Trading Day". In this regard, no premium or discount of its subscription price over or to theoretical ex-rights price is adopted for this Comparable.

10. It is stated in the announcement of this Comparable dated 8 April 2024 that "the Subscription Price equals to the closing price of HK$0.350 per Share as quoted on the Stock Exchange on the Last Trading Day". In this regard, no premium or discount of its subscription price over or to the closing price on the last trading day is adopted for this Comparable.

11. It is stated in the announcement of this Comparable dated 8 April 2024 that "the Subscription Price equals to the average closing price of HK$0.350 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day". In this regard, no premium or discount of its subscription price over or to the average closing price for the five consecutive trading days up to and including the last trading day is adopted for this Comparable.

12. It is stated in the announcement of this Comparable dated 8 April 2024 that "the Subscription Price equals to the theoretical ex-rights price of HK$0.350 per Share based on the closing price of HK$0.350 per Share as quoted on the Stock Exchange on the Last Trading Day". In this regard, no premium or discount of its subscription price over or to theoretical ex-rights price is adopted for this Comparable.

13. It is stated in the announcement of this Comparable dated 8 April 2024 that "the Subscription Price represents no theoretical dilution effect (as defined under rule 7.27B of the Listing Rules) of the theoretical diluted price of HK$0.350 per Share to the benchmarked price of HK$0.350 per Share". In this regard, no theoretical dilution effect is adopted for this Comparable.

5.2 The Subscription Price and dilution

As illustrated in the table above, we note that variance of the subscription price to the closing price on the respective last trading day of the Comparables ranges from a discount of approximately 74.0% to nil, with an average figure being a discount of approximately 25.3%. The Subscription Price's discount to closing price on the Last Trading Day of approximately 31.8% therefore falls within the range of the discount to the last trading day of the Comparables and represents a higher discount than the average figure thereof but is far lower than the maximum discount figure thereof.

We note that the variance of the subscription price to the average closing price of the last five trading days of the Comparables ranges from a discount of approximately 75.3% to nil, with an average figure being a discount of approximately 26.2%. The Subscription Price's discount to the average closing price for the last five consecutive trading days up to and including the Last Trading Day of approximately 31.8% therefore falls within the range of discount to the average closing price of the last five trading days of the Comparables and represents a higher discount than the average figure thereof but is far lower than the maximum discount figure thereof.

We note that the variance of the subscription price to the average closing price of the last ten trading days of the Comparables ranges from a discount of approximately 75.6% to a discount of approximately 0.9%, with an average figure being a discount of approximately 26.7%. The Subscription Price's discount to the average closing price for the last ten consecutive trading days up to and including the Last Trading Day of approximately 31.8% therefore falls within the range of discount to the average closing price of the last ten trading days of the Comparables and represents a higher discount than the average figure thereof but is far lower than the maximum discount figure thereof.

Noting the relatively higher discount of the Subscription Price to the average closing price of the respective last trading day, the last five trading days and the last ten trading days of the Comparables, this situation may have been explained by the following situations that justify additional incentives to entice Shareholders' participation in the Rights Issue: (i) significant deterioration in the Group's financial position; and in particular, the revenue decreased from approximately RMB60,709,000 for FY2022 to approximately RMB4,442,000 for FY2023, representing a decrease of approximately RMB56,267,000 or 92.7%; and (ii) the Trading Suspension Period lasted roughly 18 months which only ended not too long ago on 6 December 2023.

We note that the variance of the subscription price over or to the consolidated net asset value per share of the Comparables ranged from a discount of 96.2% to a premium of 380.0%, with an average figure being a discount of 17.2%. The Subscription Price's discount to the audited consolidated net asset value per Share attributable to the Shareholders as at 31 December 2023 of approximately 71.2% therefore falls within the range of the consolidated net asset value of the Comparables and represents a higher discount than the average figure thereof but is far lower than the maximum discount figure thereof.

Given the Subscription Price was determined with reference to, among other factors, the recent market prices of the Shares and that the closing price of the Shares is market driven and should have reflected the relevant information available to the recent market. The book value of a Company is only a benchmark that does not reflect the market value of the shares at which two willing parties agree to change hands.

On the other hand, having reviewed the basis of determining the subscription price of right shares in the initial rights issue announcement of each of the 16 Comparables, we note that the subscription prices of the Comparables were generally and commonly determined with reference to (i) recent market price of the shares under the prevailing market conditions; (ii) the financial conditions of the company; (iii) the then current market conditions; and (iv) the reasons and benefits of such rights issue, and the actual monetary amount of the funding need. Out of the 16 Comparables, none of them mentioned that the "net assets values" had been taken into account when determining the subscription price of the rights share. In addition, the massive range of the variance of the subscription price over or to the consolidated net asset value per share of the Comparables suggests that this comparison is somewhat not meaningful given that the Comparables as a whole did not appear to have determined their respective subscription prices using their respective net asset value per share as a reference indicating that using the net asset value per share as a reference point cannot be established as a market practice.

Last but not least, as discussed in the Board Letter, the Directors also observed that the market capitalization of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalization of the Group during the Review Period ranged from approximately HK$28.5 million to approximately HK$113.0 million, which represented a discount of approximately 82.2% and 29.4% respectively to the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023. Accordingly, we consider that analysis on the variance of the subscription price from the consolidated net asset value per share provide a reference only and should not be weighted heavily or focused in isolation in concluding the fairness and reasonableness on the Subscription Price.

We understand that, as stated in the Board Letter, the Subscription Price was determined with reference to an assortment of factors. In particular, the Directors had taken note of and considered:

(i) the prevailing market price and recent trading performance of the Shares, which includes the daily closing price and daily trading volume of the Shares during the Review Period, having considered that the Trading in the Shares on the Stock Exchange had been suspended during the Trading Suspension Period. The closing price of the Shares before the Trading Suspension Period was HK$0.32 per Share. Throughout the Review Period, the closing price of the Shares showed instability, ranging from a low of HK$0.11 per Share to a high of HK$0.37 per Share. However, the closing price on the Last Trading Day demonstrated an overall downward trend from HK$0.32 per Share to HK$0.22 per Share. Additionally, the average daily trading volume was approximately 0.06% of the total issued Shares as at the Last Trading Day, indicating a lack of liquidity and demand for the Shares;

(ii) the Group's consecutive net losses of approximately RMB78.1 million and RMB51.9 million for FY2022 and FY2023, respectively. Furthermore, the net asset position of the Group significantly decreased from approximately RMB200.0 million as of 31 December 2022 to approximately RMB148.1 million as of 31 December 2023. The Directors also observed that the market capitalization of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalization of the Group during the Review Period ranged from approximately HK$28.5 million to approximately HK$113.0 million, which represented a discount of approximately 82.2% and 29.4% respectively to the audited consolidated net asset value per Share attributable to the Shareholders of approximately RMB148.08 million (equivalent to approximately HK$159.92 million) as at 31 December 2023. This substantial disparity reflects a lack of market confidence in the Group's financial performance, position, and future prospects. As a result, the market value of the Shares no longer accurately reflects the underlying net asset value. Based on a review of companies listed on the Main Board and GEM of the Stock Exchange which announced a rights issue during the 3-month period ended on the date of the Announcement, the Directors have identified an exhaustive list of 16 companies as comparable transactions. Out of all 16 comparable transactions, 10 comparable transactions were conducted on a discount to consolidated net asset value per share, ranging from approximately 25.1% to approximately 96.2%, indicating that the Group's discount to consolidated net asset value per share aligns with the market norm. The Directors observed that the rest of these companies which have not conducted their comparable transactions on a discount to consolidated net asset value per share were mainly either in net liabilities positions in each of their latest annual reports or had delayed issuing the relevant annual report. The Directors believes that the 16 comparable transactions did not appear to have determined their respective subscription prices using their respective net asset value per share as a reference, indicating that using the net asset value per share as a reference point cannot be established as a market practice. Having considered the significant amount of funding to be raised from this Rights Issue, and preemptive nature to enable existing Shareholders' participation, the Board believes that determining the Subscription Price based on the lower end of the prevailing market price during the Review Period, despite it being at a significant discount to the net asset value as at 31 December 2023, is fair and reasonable;

(iii) the prevailing bearish condition of the Hong Kong stock market during the Review Period, where the average Hang Seng Index (HSI) remained low at 16,327. The HSI fluctuated between a low closing of 14,961 on 22 January 2024 (a 15-month low) and a high closing of 17,094 on 12 March 2024, and subsequently ended at 16,723 as of the Last Trading Day;

(iv) the relatively large fundraising size when compared with the Group's market capitalisation as at the Last Trading Day; and

(v) the Directors considered that it is reasonable to set the Subscription Price at a discount to the closing price per Share on the Last Trading Day and the consolidated net asset value per Share attributable to the Shareholders in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate, given that the abovementioned challenging market conditions, unfavourable price trend and lack of liquidity and demand of the Shares.

It is noted that the potential maximum dilution on shareholding of the Comparables ranged from approximately 25.00% to approximately 83.33% (the "**Shareholding Dilution Range**") with an average of approximately 50.31% and a median of approximately 41.67%. The potential dilution effect of the Rights Issue of approximately 66.67% therefore falls within the Shareholding Dilution Range and represents a higher discount than the average and median figure thereof. We note that the dilution effect is determined by the basis of entitlement of the rights issue which also determines the number of rights shares available for subscription. Moreover, given the reasons for and benefits of the Rights Issue as discussed in section 2 of this letter, in particular, the settlement of prolonged construction cost, the trade and other payables to the main contractor and other contract liabilities for the Second Maoming Project in 2024 and beyond, we consider the potential dilution effect of the Rights Issue acceptable.

It is noted that the theoretical dilution effect of the Comparables ranged from a discount of approximately 23.9% to nil (the "**Theoretical Dilution Effect Range**") with an average discount of approximately 12.7% and a median discount of approximately 14.7%. The Rights Issue's theoretical dilution effect of a discount of approximately 21.2% therefore falls within the Theoretical Dilution Effect Range and represents a higher discount than the average figure and the median figure thereof. With regards to the higher-than-average theoretical dilution effect of the Rights Issue, we note that the Group's revenue decreased from approximately RMB60,709,000 for FY2022 to approximately RMB4,442,000 for FY2023, representing a decrease of approximately RMB56,267,000 or 92.7%. In light of the significant decrease in revenue along with the current negative market sentiment, considerable discount has to be offered to the existing Shareholders in order to incentivize them to forgo possible future income generated from the high prevailing interest rate and allocate their assets portfolio from cash to equity and participate in the Rights Issue on the basis of two Rights Shares for every one Share held (such offering ratio enlarges the issue share capital of the Group by 200% and is based upon the actual funding needs, the allocation of which is considered to be fair and reasonable as discussed in section 2 of this letter) and continue to support the Group. The theoretical dilution effect of the Rights Issue is within the 25% threshold as permitted under Rule 7.27B of the Listing Rules. In addition, given that the Rights Issue's theoretical dilution effect of a discount of approximately 21.2% falls within the Theoretical Dilution Effect Range, we consider that such theoretical dilution effect is in line with the market practice, is not out of the ordinary and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Last but not least, the Rights Issue is to be conducted with both Placing and excess application available, while no Comparable has been conducted with both Placing and excess application available. As the Company has put in place the excess application arrangements as required by Rule 7.21(1)(a) of the Listing Rules, there will be no compensatory arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(b) of the Listing Rules for the benefit of the Shareholders to whom the rights were offered. Instead, the Directors procured external placing agent to attract independent investors to subscribe for the Unsubscribed Rights Shares. Such arrangement maximizes the gross proceeds from the Rights Issue by (i) incentivizing existing Shareholders to increase their investment in the Company to cultivate a stronger and more resilient shareholder base; while (ii) attracting the independent investors to subscribe for the Unsubscribed Rights Shares. Despite the aforesaid extra effort by the Directors to achieve maximum gross proceeds from the Rights Issue, the exhaustive list of 16 Comparables represents the latest arm's length rights issue exercises which are representative and comparable to the Rights Issue given that the underlying transactions are of the same nature.

In view of the facts that:

(i) the Subscription Price represents higher discount than the average closing price of the last trading day, the average closing price of the last five trading days and the average closing price of the last ten trading days of the Comparables respectively, but it falls within the ranges of such Comparables and such discount is far lower than the maximum discount figures of such Comparables;

(ii) the Subscription Price is payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares;

(iii) a relatively higher discount as represented by the Subscription Price may increase the overall appeal or attractiveness of the Rights Issue to the Qualifying Shareholders in light of the dire circumstances faced by the Company as discussed in section 1 of this letter;

(iv) the potential dilution effect of Rights Issue falls within the Shareholding Dilution Range and represents a higher discount than the average and median figure thereof but such a situation might have been necessitated by the Company's funding needs as discussed in section 2 of this letter;

(v) the theoretical dilution effect of Rights Issue falls within the Theoretical Dilution Effect Range and represents a higher discount than the average and median figure thereof but such a situation might have been necessitated by the Group's significantly deteriorated revenue during FY2023 so as to incentivize Shareholders' participation in the Rights Issue and the Company's funding needs, the allocation of which is considered to be fair and reasonable as discussed in section 2 of this letter; and

(vi) the Rights Issue is to be conducted with both Placing and excess application available while no Comparable has been conducted with both Placing and excess application available. Such arrangement maximizes the gross proceeds from the Rights Issue by (a) incentivizing existing Shareholders to increase their investment in the Company to cultivate a stronger and more resilient shareholder base; while (b) attracting the independent investors to subscribe for the Unsubscribed Rights Shares,

we consider that the principal terms of the Rights Issue (including the Subscription Price) and potential dilution of the Rights Issue are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole.

5.3 Placing commission

As illustrated in the analysis set out in section 5.1 of this letter, the placing commission of the Comparables range from a low of 0.5% to a high of 3.5%, with the average figure being approximately 1.9%. Accordingly, the placing commission of 2.5% pursuant to the Placing Agreement is above the average placing commission of the Comparables but falls within range of the Comparables and is lower than the maximum placing commission thereof.

In addition, we note that 2 out 16 Comparables have been conducted on fully underwritten basis (the "**FU Comparables**") while 1 out of 16 Comparables have been conducted on non-fully underwritten basis (which is similar to the placing commission under the Placing Agreement given it is only on a best effort basis) (the "**BE Comparable**"). Amid the current market sentiment, the Directors were unsuccessful to procure any financial institution to launch equity fund raising for the Group other than the Placing Agent, as discussed in section 2 of this letter. Even if the Company successfully engages an underwriter to fully underwrite the Rights Shares, for reference only, the full-underwriting commission could amount to 7.1%, as illustrated in the FU Comparables. The best effort underwriting commission amounted to only 0.5%, as illustrated in the BE Comparable. However, we noted that the rights issue of such BE Comparable was announced in February 2024, where the annual results announcement of the BE Comparable for FY2023 had yet to be published and a profit warning announcement was published by the BE Comparable on 6 March 2024, and subsequently the annual results announcement of the BE Comparable was published on 28 March 2024, in which the BE Comparable announced a deepened loss for FY2023 by around 87% as compared to FY2022. The Rights Issue was announced on 8 April 2024 shortly after publication of the Group's annual results announcement for FY2023 in which the Group announced that, among others, the Group's revenue decreased from approximately RMB60,709,000 for FY2022 to approximately RMB4,442,000 for FY2023, representing a decrease of approximately RMB56,267,000 or 92.7%. A higher placing commission of 2.5% as compared to the best effort underwriting commission of the BE Comparable of 0.5% is not unreasonable in order to incentivize the Placing Agent to procure interested equity investors to subscribe for the Shares given the published unfavorable financial condition of the Group. To conclude, (i) the Group's failure to procure an underwriter/any financial institution to launch equity fund raising other than the Placing Agent; (ii) even if the Company successfully procure an underwriter to fully underwrite the Right Shares, the underwriting commission of 7.1% as demonstrated by the FU Comparables is far higher than placing commission of 2.5% pursuant to the Placing Agreement; and (iii) the Placing Agent is independent of and not connected with the Company and its connected persons and the placing commission was determined after arm's length negotiation between the Company and the Placing Agent with us not being aware of any evidence indicating the placing commission involves any favourable treatment to the Placing Agent given that the deteriorated financial performance (in particular the significantly decreased revenue) of the Group as discussed earlier may warrant a relatively higher placing commission, we consider that the placing commission payable to the Placing Agent is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5.4 Excess application arrangements

As stated in the Board Letter, Qualifying Shareholders are entitled to apply for, by way of excess application: (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any); and (ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounces or transferees of nil-paid Rights Shares.

Applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

(i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;

(ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;

(iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and

(iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Relevant Shareholders, whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Given that the Company has put in place the excess application arrangements as required by Rule 7.21(1)(a) of the Listing Rules, the Directors have determined that there will be no compensatory arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(b) of the Listing Rules. The Directors believe that the introduction of excess application arrangements aims to incentivise existing shareholders to increase their investment in the Group. This initiative is intended to cultivate a stronger and more resilient shareholder base that demonstrates trust in and actively supports the Group's future growth. The Placing of the Unsubscribed Rights Shares will not be conducted for the benefit of the Shareholders to whom the rights were offered, and will instead be utilized to pay the Company's debts and fund the business expansion plans as described in the section "Reasons for the Rights Issue, the Placing and Use of Proceeds" in the Board Letter.

We are of the view that the excess application arrangements are in compliance with Rule 7.21(1)(a) Listing Rules. Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotments. As illustrated in the analysis set out in section 5.1 of this letter, we note that 7 out of 16 Comparables have facilitated excess application arrangements. In addition, in light that (i) the Rights Issue has already given the opportunity to all Qualifying Shareholders to maintain their proportionate interests in the Company should they so wish by applying for the Rights Shares in full and acquire additional nil-paid Rights Shares in the market; and (ii) allocation of the excess Rights Shares (if any) will be on a fair and equitable basis as mentioned above, we consider that the excess application arrangements in relation to the Rights Issue are not uncommon in the market, not out of the ordinary and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Possible dilution effect on interests of existing public Shareholders

The attention of the Independent Shareholders is drawn to the section headed "Shareholding Structure of the Company" in the Board Letter for the analysis on shareholding under various scenarios. As noted in the aforementioned section, the shareholding of the 'Other Public Shareholders' is approximately 76.42% as at the Latest Practicable Date. The shareholding interests of the Qualifying Shareholders will not suffer from any dilution immediately after completion of the Rights Issue assuming all Shareholders take up their respective entitlements to the Rights Shares in full. Under the scenario immediately after completion of the Rights Issue assuming none of the Shareholders have taken up any of their entitlement to Rights Shares with all the Unsubscribed Rights Shares placed to Independent Third Parties under the Placing, the shareholding of the 'Other Public Shareholders' will be diluted to approximately 25.47%, representing a decrease in shareholding by approximately 50.95%.

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

(1) Independent Shareholders are given the chance to express their views on the terms of the Rights Issue through their votes at the EGM;

(2) Qualifying Shareholders have the choice to accept or not accept the Rights Issue;

(3) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares;

(4) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue;

(5) Qualifying Shareholders are entitled to apply for, by way of excess application: (i) any unsold entitlements to the Rights Shares of the Excluded Shareholder(s) (if any); and (ii) any nil-paid Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise not subscribed for by renounces or transferees of nil-paid Rights Shares; and

(6) applications for excess Rights Shares may be made by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate any excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

    (i) any excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro-rata basis by reference to the number of the excess Rights Shares applied for under each application;

    (ii) no reference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;

    (iii) no preference will be given to applications for topping up odd-lot holdings to whole lot holdings; and

(iv) pursuant to Rule 7.21(3)(b) of the Listing Rules, the Company will also take steps to identify the applications for excess Rights Shares made by the Relevant Shareholders, whether in their own names or through nominees. The Company shall disregard the Relevant Shareholders' applications for excess Rights Shares to the extent that the total number of excess Right Shares they have applied for exceeds a maximum number equivalent to the total number of Rights Shares offered under the Rights Issue minus the number of Rights Shares taken up by the Relevant Shareholders under their assured entitlement to the Rights Shares.

Having considered that:

(i) the principal terms of the Rights Issue are fair and reasonable as discussed in sections 5.2, 5.3 and 5.4 of this letter;

(ii) any form of non-pro rata equity fund raising activities would also have an immediate dilution effect to other Shareholders;

(iii) if the Company satisfies future funding needs through other equity financing such as placing and open offer or raising additional debts to satisfy its funding needs, such equity/debt financing methods will either have an immediate dilution effect to all existing Shareholders or further increase gearing of the Group as discussed in section 2 of this letter;

(iv) the Rights Issue is conducted on the basis that all Qualifying Shareholders have been offered the equal opportunity to maintain their proportional interests in the Company at a lower than historical prevailing market price;

(v) Qualifying Shareholders are entitled to apply excess Rights Shares, which will be allocated on a fair and equitable basis, as discussed in section 5.4 of this letter;

(vi) the reasons for the Rights Issue, the Placing and use of proceeds as discussed in section 2 of this letter; and

(vii) our further reasonings regarding the Shareholding Dilution Range and the Theoretical Dilution Effect Range as discussed in section 5.2 of this letter,

we are of the view that the dilution effect to the shareholding interests of the non-participating Shareholders is acceptable.

7. Financial effects of the Rights Issue

7.1 Net asset value

Taking into account the proceeds from Rights Issue, it is expected that the net assets of the Group will increase as a result of the Rights Issue. Further, we note from the section headed "Unaudited Pro Forma Financial Information of the Group" as set out in Appendix II to the Circular that the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 December 2023 is approximately RMB176,933,000, while the audited consolidated net tangible assets per Share attributable to equity holders of the Company as at 31 December 2023 before the completion of the Rights Issue is approximately RMB0.70. Assuming full subscription under the Rights Issue, the Group is expected to raise net proceeds of approximately HK$89,200,000 (equivalent to RMB81,074,000). In addition, the net proceed raised under the Placing Completion was approximately HK$6,884,000 (equivalent to RMB6,257,000). After pro forma adjustments, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company after the completion of the Rights Issue would improve to approximately RMB264,264,000, while the unaudited pro forma adjusted consolidated net tangible assets per Share attributable to equity holders of the Company after the completion of the Rights Issue would deteriorate by approximately 58.6% to approximately RMB0.29. Such decrease is due to the fact that the Subscription Price of HK$0.15 per Rights Share is fixed at a considerable discount to the consolidated net tangible assets per Share attributable to equity holders of the Company prior to the completion of the Rights Issue.

Despite the decrease in consolidated net tangible assets per Share attributable to equity holders of the Company as a result of the Rights Issue, the Rights Issue is expected to have a positive impact on the Group's overall net assets position upon completion of the Rights Issue.

7.2 Working capital

The Rights Issue is expected to have a positive effect on the Group's working capital upon completion as the proceeds from the Rights Issue will bring in net proceeds of approximately HK$89.2 million (assuming full subscription under the Rights Issue) to the Group, where approximately HK$8.0 million is allocated for the general working capital of the Group, with reference to the Board Letter.

7.3 Liquidity

As per the 2023 Annual Report, the Group had current assets of approximately RMB632,502,000 (equivalent to approximately HK$695,898,000) and current liabilities of approximately RMB497,641,000 (equivalent to approximately HK$547,520,000) as at 31 December 2023. Accordingly, the Group is at a net current asset position and the Group's current ratio (current assets/current liabilities) as at 31 December 2023 was approximately 1.27 times.

The estimated net proceeds from the Rights Issue are expected to enhance the Group's current assets by approximately HK$89.2 million (assuming full subscription under the Rights Issue) and the Rights Issue is expected to improve the Group's liquidity position immediately after its completion.

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

RECOMMENDATION

Having considered the above principal factors and in particular:

(i) the Group experienced a deteriorating cash flows and liquidity with loss for the year attributable to owners of the Company of approximately RMB55,768,000 and approximately RMB46,231,000 for FY2022 and FY2023, respectively, as discussed in section 1 of this letter;

(ii) the Group intends to apply approximately HK$46.2 million (representing approximately 51.79% of the net proceeds of approximately HK$89.2 million) for the settlement of prolonged construction cost, the trade and other payables to the main contractor and other contract liabilities for the Second Maoming Project in 2024 and beyond, as discussed in section 2 of this letter;

(iii) the Group intends to apply approximately HK$23.0 million (representing approximately 25.78% of the net proceeds of approximately HK$89.2 million) for the repayment of the borrowings liabilities of the Group, i.e. several interest bearing borrowings amounting to approximately RMB30.0 million in aggregate as at 31 December 2023, which includes a secured loan with outstanding principal of approximately HK$23,000,000 from a finance company and is secured by the leasehold land and building of the Group, interest-bearing at 13% per annum and repayable on or before 15 November 2024, as discussed in section 2 of this letter;

(iv) the Group intends to apply approximately HK$12.0 million (representing approximately 13.45% of the net proceeds of approximately HK$89.2 million) for the deposit for trading of raw cane sugar and as investment in the food supply chain to support the trading of raw cane sugar, as discussed in section 2 of this letter;

(v) other equity or debt financing options are either, not viable means fulfill the Group's funding needs, have an immediate dilutive effect on existing Shareholders, not in the best interest of the Shareholders as discussed in section 2 of this letter;

(vi) the Rights Issue will give the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interests in the Company by subscribing to the Rights Shares at a lower than historical prevailing price, or to apply for excess Rights Shares;

(vii) the principal terms (including the Subscription Price) of the Rights Issue are fair and reasonable to the Shareholders and in the interest of the Company and the Shareholders as a whole as discussed in section 5.2 of this letter;

(viii) the Rights Issue is to be conducted with both Placing and excess application available while no Comparable has been conducted with both Placing and excess application available. Such arrangement maximizes the gross proceeds from the Rights Issue by (a) incentivizing existing Shareholders to increase their investment in the Company to cultivate a stronger and more resilient shareholder base; while (b) attracting the independent investors to subscribe for the Unsubscribed Rights Shares;

(ix) the placing commission charged by the Placing Agent is fair and reasonable as discussed in section 5.3 of this letter and in the interests of the Company and the Shareholders as a whole;

(x) the excess application arrangements are not uncommon in the market, are not out of the ordinary and are fair and reasonable as discussed in section 5.4 of this letter and in the interests of the Company and the Shareholders as a whole; and

(xi) given the Company's circumstances, the potential dilution effect to the non-participating Shareholders is acceptable as discussed in section 6 of this letter,

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

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

Kevin So	**Florence Ng**
Managing Director – Investment Banking Department	*Associate Director*

Notes:

Mr. Kevin So is a licensed person under the SFO to undertake type 6 regulated activity (advising on corporate finance) and is a responsible officer in respect of Grand Moore Capital Limited's type 6 regulated activity (advising on corporate finance). Mr. So has over 20 years of experience in the corporate finance industry in Hong Kong.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The audited financial information of the Company are disclosed in the annual reports of the Company for the three financial years ended 31 December 2021, 2022 and 2023. The above-mentioned financial information have been published and is available on the website of the Stock Exchange (www.hkex.com.hk) and the Company's website (https://www.chinauptown.com.hk):

a) annual report of the Company for the year ended 31 December 2021 published on 31 March 2023 (pages 101 to 228)

(https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0331/2023033101203.pdf)

b) annual report of the Company for the year ended 31 December 2022 published on 27 April 2023 (pages 105 to 232)

(https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042702006.pdf)

c) annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (pages 105 to 228)

(https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042600960.pdf)

2. INDEBTEDNESS OF THE GROUP

As at the close of business on 31 March 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:

		The Group	
	Secured	**Unsecured**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of other borrowings	21,220	9,266	30,486
Carrying amount of amounts due to non-controlling interests	–	115,498	115,498
Carrying amount of amounts due to directors	–	96	96
Lease liabilities	–	1,822	1,822
	21,220	126,632	147,902

One of the Group's other borrowings was secured, individually by certain property, plant and equipment of the Group approximately RMB14,536,000 as at 31 March 2024.

As at 31 March 2024, the Group provided a total financial guarantee of approximately RMB94.51 million to in respect of the mortgage facilities provided to certain purchasers of the Group's properties.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables and contract liabilities in the ordinary course of business, as at the close of business on 31 March 2024, the Group did not have any debt securities authorised or otherwise created but unissued, or any term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, loans, liabilities under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, lease liabilities, mortgages or charges, other material contingent liabilities or guarantees outstanding.

To the best of the knowledge of the Directors, having made all reasonable enquiries, there has been no material change in the level of indebtedness of the Group since 31 March 2024.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group including the estimated net proceeds from the Rights Issue of approximately HK$89.2 million, cash and cash equivalents on hand, cash flows from operating activities and available banking facilities, the Directors, after due and careful enquiry, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors 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 consolidated financial statements of the Group were made up.

5. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is principally engaged in investment holding and the Group is principally engaged in (i) property development and investment; and (ii) trading of raw cane sugar.

Property Development and Investment

In 2023, the property market continued its downward trend after experiencing a brief recovery. According to the China Real Estate Information Corporation, China's new home sales fell 16.5% year on year to RMB5.4 trillion in 2023 and 35.9% from the industry high in 2021. The Group's property development and investment businesses were affected by the fall in property market and the rise in interest rate.

Various measures were taken by local governments, such as lowering mortgage rates for second-time homebuyers, to halt a decline in residential home sales. Currently, the property market in China is still in between the industry's transitional period, which inevitably takes time and involves fluctuations and adjustments. It will also take some time to adapt to the new development trend of urbanisation and changes in supply and demand in the property market, and to build a new property development model. There are still many difficulties and challenges ahead. However, it is expected that with such measures and supports by local governments in China, the property market will experience a slow recovery.

The Group operates two property development projects located in Maoming City, Guangdong Province, the People's Republic of China (the "**PRC**"). The first Maoming Project has been developed into a composite of residential and commercial properties in three phases (the "**First Maoming Project**"). Majority of the commercial and residential properties of the First Maoming Project had been delivered in 2019 and most of the proceeds from sales of the First Maoming Project has been used in the development of the second Maoming Project situated at Maoming Jixiang District*（茂名市吉祥小區）(the "**Second Maoming Project**").

Sales of the First Maoming Project is near the end while the Second Maoming Project is still under development. As at December 2023, approximately 60% of the construction had been completed. The Group will continue to conduct pre-sales of the properties of Second Maoming Project.

Trading of raw cane sugar

The Group has been engaged in trading of raw sugar since 2014, where the revenue generated from trading of raw cane sugar amounted to approximately RMB27,663,000 for the year ended 31 December 2020. In response to the volatile and challenging market conditions caused by the COVID-19 pandemic, the Group had temporarily suspended its trading of raw cane sugar from 2021 to 2023. This decision was made due to the significant fluctuations in the global market for raw cane sugar, which have made it increasingly difficult to achieve profitable returns from trading activities.

As the global economy gradually recovers from the pandemic, different industries are experiencing varying rates of recovery. The Directors are of the view that Asia-Pacific is likely to witness the fastest growth in the global cane sugar market based on the fact that. India, Thailand, and China account for the largest share of the regional market, owing to the volume of sugarcane harvested and processed into sugar in these countries. Meanwhile according to the Food and Agricultural Organization, China imports most of its sugar as its domestic production is insufficient to meet domestic consumption.

Therefore, the Group would like to seize this opportunity to resume its business operations.

For illustrative purpose only, set out below is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group after completion of the Rights Issue. Although reasonable care has been exercised in preparing the unaudited pro forma financial information, Shareholders who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions for the financial periods concerned.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

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 4.29 of the Listing 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.

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 published results announcement of the Group for the year ended 31 December 2023, with adjustments described below.

	Audited Consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 *(RMB'000)* *(Note 1)*	Unaudited estimated net proceeds from the Rights Issue *(RMB'000)* *(Note 2)*	Unaudited net proceed from placing *(RMB'000)* *(Note 3)*	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 31 December 2023 immediately after the completion of the Rights Issue *(RMB'000)*	Audited consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2023 before the completion of the Rights Issue *(RMB)* *(Note 4)*	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 31 December 2023 immediately after the completion of the Rights Issue *(RMB)* *(Note 5)*
Based on 610,714,104 Rights Shares to be issued at Subscription Price of HK$0.15 per Rights Shares	176,933	81,074	6,257	264,264	0.70	0.29

Note:

1. The consolidated net tangible assets of the Group attributable to owners of the Company of approximately RMB176,933,000 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 RMB176,933,000, as extracted from the annual results announcement of the Company for the year ended 31 December 2023.

2. The estimated net proceeds of approximately HK$89,200,000 (equivalent to RMB81,074,000) from the Rights Issue are based on 610,714,104 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and pursuant to the conversion of the Convertible Bonds and no other change in the share capital of the Company on or before the Record Date) at the Subscription Price of HK$0.15 per Rights Share, after deduction of estimate related expenses (including advisory fees for the professional parties, printing, registration, translation, legal, accounting and documentation charges) payable by the Company.

3. On 6 March 2024, the Company completed a placing of 50,888,000 shares at price of HK$0.14 per share. The net proceed raised was approximately HK$6,884,000 (equivalent to RMB6,257,000). The financial impact on placing of shares is for illustrative purpose only.

4. The number of shares and audited consolidated net tangible assets attributable to owners of the Company used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company before the completion of the Rights Issue, is based on 254,469,052 shares in issue as at 31 December 2023 and approximately RMB176,933,000 as at 31 December 2023 respectively.

5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 31 December 2023 immediately after the completion of the Rights Issue as if the Rights Shares had been completed on 31 December 2023 and the placing, but does not take into account any shares which have been or may be issued upon the exercise of options granted under the share option scheme (if any) subsequent to 31 December 2023. The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Group per share attributable to the owners of the Company immediately after the completion of the Rights Issue is 916,071,156 shares, which consists of (i) 254,469,052 shares in issue as at 31 December 2023, (ii) 50,888,000 placing shares and (iii) 610,714,104 Rights Shares.

6. 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 McMillan Woods (Hong Kong) 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.

McMillanWoods
Professionalism at the forefront

24th Floor
Siu On Centre
188 Lockhart Road
Wanchai Hong Kong

22 May 2024

The Board of Directors of
China Uptown Group Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Uptown Group Company Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 December 2023 and related notes as set out on pages 101 to 102 of the circular issued by the Company dated 22 May 2024 (the "**Circular**"). The applicable criteria on the basis of which the directors 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 two rights shares for one consolidated shares at the subscription price of HK$0.15 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 on 31 December 2023. As part of this process, information about the Group's net tangible assets as at 31 December 2023 has been extracted by the directors from the Group's consolidated statement of financial position as at 31 December 2023, included in the results announcement of the Group for the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITY FOR THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

OUR INDEPENDENCE AND QUALITY MANAGEMENT

We have complied with the independence and other ethical requirement 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.

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

REPORTING ACCOUNTANT'S RESPONSIBILITIES

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting 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 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Rights Issue 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 31 December 2023 would have been as presented.

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

– The related unaudited pro forma adjustments give appropriate effect to those criteria; and

– The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the director of the Company 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 4.29(1) of the Listing Rules.

Yours faithfully,

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately before the completion of the Rights Issue; and (iii) immediately following the completion of the Rights Issue (assuming there is no change in the number of issued Shares and that the Rights Issue is fully subscribed or placed pursuant to the Placing Agreement) are as follows:

As at the Latest Practicable Date:

Authorised:	*HK$*
30,000,000,000 Shares of HK$0.01 each	300,000,000.00
Issued and fully paid:	*HK$*
305,357,052 Shares of HK$0.01 each	3,053,570.52

Immediately before the completion of the Rights Issue:

Authorised:	*HK$*
30,000,000,000 Shares of HK$0.01 each	300,000,000.00
Issued and fully paid:	*HK$*
305,357,052 Shares of HK$0.01 each	3,053,570.52

Immediately following the completion of the Rights Issue (assuming no change in the number of issued Shares and that the Rights Issue is fully subscribed or placed pursuant to the Placing Agreement):

Authorised:	*HK$*
30,000,000,000 Shares of HK$0.01 each	300,000,000.00
Issued and fully paid:	*HK$*
916,071,156 Shares of HK$0.01 each	9,160,711.56

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

The Company did not have any options outstanding under any share option scheme of the Company or any other derivatives, options, warrants and conversion rights or other similar rights which are convertible or exchangeable into Shares as at the Latest Practicable Date.

The Rights Shares to be issued will be listed on the Stock Exchange. 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 the Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

3. DISCLOSURE OF INTERESTS

a) Director's and chief executive's interests and short positions in the Shares, underlying Shares and Debentures of the Company

As at the Latest Practicable Date, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or, which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules to be notified to the Company and the Stock Exchange.

b) Substantial Shareholders' and other persons' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, the interests and short positions of substantial shareholders and other persons (not being a Director or chief executive of the Company) in the shares and underlying shares which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO were as follows.

Long position in the Shares:

Name of Shareholder	Capacity/nature of interest	Number of Shares interested	Approximate percentage shareholding as at the Latest Practicable Date
Ming Hung Fung Company Limited *(Note 1)*	Beneficial owner	72,000,000	23.58
Mr. Liu Dong *(Note 1)*	Interest in a controlled corporation	72,000,000	23.58
China Sugar Holdings Limited *(Note 2)*	Beneficial owner	24,210,526	7.93
Mr. Liu Zhongxiang *(Note 2)*	Interest in a controlled corporation	24,210,526	7.93
Guangdong Nanyue Bank First Direct Branch* *(Note 2)*	Person having a security interest in Shares	24,210,526	7.93

Notes:

(1) These Shares are held by Ming Hung Fung Company Limited, which is 100% owned by Mr. Liu Dong. By virtue of the SFO, Mr. Liu Dong is deemed to be interested in the Shares held by Ming Hung Fung Company Limited.

(2) These Shares are held by China Sugar Holdings Limited which is 100% owned by Mr. Liu Zhongxiang ("**Mr. Liu**"). By virtue of the SFO, Mr. Liu is deemed to be interested in the Shares held by China Sugar Holdings Limited. China Sugar Holdings Limited has provided a share charge in respect of 24,210,526 Shares held by it in favour of Guangdong Nanyue Bank First Direct Branch*.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under section 336 of the SFO. None of the Directors is a director or employee of any substantial shareholder of the Company.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

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

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have 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 since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Gorup which is not expiring or determinable by the Group within one (1) year without payment of any compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or controlling shareholders or their respective close associates had any business or interest which competes or may compete with the business of the Group, or have or may have any other conflicts of interest with the Group.

7. LITIGATION

Neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any other member of the Group as at the Latest Practicable Date.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm there is 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 consolidated financial statements of the Group were made up.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group during the two years preceding the date of this circular:-

(1) the Placing Agreement; and

(2) the placing agreement dated 15 February 2024 entered into between the Company and VC Brokerage Limited as placing agent in respect of placing up to 50,888,000 placing shares at the placing price of HK$0.14 per Share to not fewer than six placees, the details of which were disclosed in the Company's announcement dated 15 February 2024, 19 February 2024 and 6 March 2024.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given their opinions, letters or advices which are contained in this circular:

Name	Qualification
McMillan Woods (Hong Kong) CPA Limited	Certified Public Accountants
Grand Moore Capital Limited	a corporation licensed by the SFC to conduct 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 Experts named above (i) has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and/or its advice in the form and context in which they respectively appear; (ii) was not beneficially interested in any share of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (iii) did not have any direct or indirect interest in any assets which have 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 since 31 December 2023 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	*Executive Directors* Mr. Pang Chung Fai Benny Mr. Fu Yongyuan Mr. Zhang Xiao Jun Mr. Liang Zhichao *Independent non-executive Directors* Mr. Yau Sze Yeung Mr. Chen Weijiang Mr. Lee Chun Tung
Registered Office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in Hong Kong	Suite 1501, 15/F Tower 1, Silvercord 30 Canton Road Tsimshatsui Kowloon Hong Kong
Authorised representatives	Mr. Pang Chung Fai Benny Suite 1501, 15/F Tower 1, Silvercord 30 Canton Road Tsimshatsui Kowloon Hong Kong Ms. Ho Sze Wan Suite 1501, 15/F Tower 1, Silvercord 30 Canton Road Tsimshatsui Kowloon Hong Kong
Company Secretary	Ms. Ho Sze Wan

Financial Adviser to the Company	Minerva Advisory Global Capital Limited Unit 1804B, 18/F Far East Finance Centre 16 Harcourt Road, Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Grand Moore Capital Limited Unit 1401, 14/F, Lippo Sun Plaza 28 Canton Road Tsim Sha Tsui, Kowloon Hong Kong
Legal adviser to the Company in relation to the Rights Issue	*As to Hong Kong law:* CFN Lawyers Room 4101-4104, 41/F. Sun Hung Kai Centre 30 Harbour Road Wan Chai, Hong Kong
Reporting accountants	McMillan Woods (Hong Kong) CPA Limited *Certified Public Accountants* 24th Floor Siu On Centre 188 Lockhart Road Wanchai Hong Kong
Placing Agent	China Demeter Securities Limited Rm A1, 35/F, United Centre 95 Queensway Admiralty, Hong Kong
Hong Kong branch share registrar and transfer office	Union Registrars Limited Suites 3301-04, 33/F. Two Chinachem Exchange Square 338 King's Road North Point, Hong Kong
Principal share registrar and transfer office in the Cayman Islands	Suntera (Cayman) Limited Royal Bank House – 3rd Floor 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands

Principal bankers	China Construction Bank (Asia) Corporation Limited 28/F, CCB Tower 3 Connaught Road Central Central, Hong Kong DBS Bank (Hong Kong) Limited 11/F., The Center 99 Queen's Road Central Central Hong Kong
Stock Code	2330
Company website	www.chinauptown.com.hk

12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Executive Directors

Mr. Pang Chung Fai Benny ("**Mr. Pang**"), aged 51, was appointed as an executive Director and the chairman of the Board on 10 April 2023. Mr. Pang practiced as a lawyer since 1997 with several international law firms in Hong Kong and Sydney, Australia over two decades specialized in capital markets and general corporate and commercial work. Between 2009 to 2023, Mr. Pang held managing role of such law firms. Mr. Pang retired from his legal practice on 31 December 2023.

Mr. Pang was a non-executive director of Huabang Technology Holdings Limited (a company with its shares listed on the main board of the Stock Exchange (stock code: 3638)) from 12 April 2018 to 30 October 2021. He was also an independent non-executive director of Janco Holdings Limited (a company with its shares listed on the GEM of the Stock Exchange (stock code: 8035)) from 27 September 2019 to 5 May 2021, an independent non-executive director of Sanbase Corporation Limited (a company with its shares listed on the GEM of the Stock Exchange (stock code: 8501)) from 8 December 2017 to 30 July 2021 and an independent non-executive director of Yuanda China Holdings Limited (a company with its shares listed on the main board of the Stock Exchange (stock code: 2789)) from 12 April 2011 to 6 June 2023 respectively.

Mr. Pang received his bachelor's degree in laws (honors) from Bond University, Australia, in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law, Sydney and the University of New South Wales, Australia, respectively. He has been admitted as a legal practitioner of the Supreme Court of New South Wales, Australia since 1997 and as a solicitor of the High Court of Hong Kong since 2009.

Mr. Fu Yongyuan ("**Mr. Fu**"), aged 68, was appointed as an executive Director and the chief executive officer of the Company on 10 April 2024. Mr. Fu is a marine engineer and an economist for the shipping management. He graduated from Guangdong Province Economics Management Institute majoring in Industrial Economic Management and has over 40 years of experience in shipping and freight management. For two decades from 1972 to 1992, Mr. Fu served in the COSCO System including 廣州遠洋運輸公司 (COSCO Guangzhou). His responsibilities ranged from management of freight to vessel chartering operations.

Mr. Fu was appointed as an executive director of Titan Petrochemicals Group Limited ("**TPGL**") (a company with its shares listed on the main board of the Stock Exchange (stock code: 1192) and delisted on 23 August 2023) on 3 July 2012 and the chairman and legal representative of 泉州船舶工業有限公司 (Titan Quanzhou Shipyard Co., Ltd.) on 27 August 2012. On 30 September 2015, he resigned as the executive director of TPGL. Mr. Fu was appointed as an executive director of Asia Energy Logistics Group Limited ("**AELG**") (a company with its shares listed on the main board of the Stock Exchange (stock code: 351)) on 6 July 2016. He resigned as an executive director of AELG on 30 October 2020.

Mr. Zhang Xiao Jun ("**Mr. Zhang**"), aged 49, was appointed as an executive Director of the Company on 30 October 2023. Mr. Zhang is an accomplished and performance-driven professional management with extensive experience in reorganizing and streamlining financial operations to increase performance and profitability. As the executive director and president of Guizhou Starcrest Education Management Co. Ltd. in China and Starcrest Education Ltd. (a company whose shares are listed on the main market of London Stock Exchange, stock ticker: OBOR) in the United Kingdom, he has demonstrated expertise in managing funds, optimizing cash flow, establishing investment funds, and providing investment and financing services.

Mr. Zhang is skilled in strategic planning, business intelligence, continuous process improvement, ensuring compliance with financial regulations and implementing effective development strategies. Mr. Zhang excels in corporate governance, promulgating compliance with financial regulations, and ensuring the implementation of robust internal control processes. He has provided strategic guidance in developing and updating policies and procedures, critically assessed and improved internal control processes, and produced accurate cost optimization processes to enhance the organization's efficiency and reduce costs.

Prior to his current roles, Mr. Zhang held the position of assistant to the general manager and deputy general manager at YBN Holdings Limited in Shenzhen, China during August 2006 to March 2016. Additionally, Mr. Zhang served as the general manager at Henan Agricultural Development Investment in Henan, China during August 2008 to March 2016, where he played a key role in setting up the first agricultural industry fund in China with a designed fund size of RMB4.8 billion.

Mr. Zhang holds a Master's degree of Commerce in Funds Management from the University of New South Wales and a Bachelor's degree of Business (Banking and Finance) from Monash University.

Mr. Liang Zhichao ("**Mr. Liang**"), aged 46, was appointed as an executive Director of the Company on 1 March 2024. Mr. Liang has extensive experience in handling relationships and liaising with various administrative departments. He served as a manager of engineering department of 廈門高誠信建設監理有限公司 (Xiamen Gaochengxin Construction Supervision Co. Ltd.*) and 廈門築鼎成工程管理有限公司 (Xiamen Zhudingcheng Engineering Management Co. Ltd.*) during January 2011 to July 2019 and October 2019 to February 2022 respectively. Mr. Liang also served as a legal affairs assistant manager of Virtual Mind Holding Company Limited (a company whose shares are listed on the Stock Exchange, Stock Code: 1520) during June 2022 to December 2023.

Mr. Liang graduated from Xiamen University majoring in business administration.

Independent non-executive Directors

Mr. Yau Sze Yeung ("**Mr. Yau**"), aged 46, was appointed as an independent non-executive Director and the chairman of the audit committee of the Company (the "**Audit Committee**") on 6 July 2022. He has over 20 years of experience in various sections of the financial industry including audit and corporate finance. He has been an independent non-executive director of Chi Ho Development Holdings Limited (a company listed on GEM of the Stock Exchange; stock code: 8423) since February 2017. He was the financial controller of Janco Holdings Limited ("**Janco**") (a company listed on GEM of the Stock Exchange; stock code: 8035) from July 2015 to October 2019 and was also an executive director and company secretary of Janco from April 2016 to October 2019. Mr. Yau obtained a bachelor's degree of business administration in accountancy from City University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chen Weijiang ("**Mr. Chen**"), aged 50, was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee respectively on 3 January 2020. Mr. Chen has over twenty years of experience in the sugar markets in the People's Republic of China. Mr. Chen obtained a law degree from the Xi'an Politics Institute of the People's Liberation Army*(解放軍西安政治學院)and commenced work at the Zhanjiang Hengde Sugar Company Limited*(湛江恒德糖業有限公司)in 1997. From 2007 to 2017, Mr. Chen acted as the executive director of Zhanjiang Hengde Sugar Company Limited*(湛江恒德糖業有限公司).

Mr. Lee Chun Tung ("**Mr. Lee**") (formerly as, Li Chun Chiu), aged 53, was appointed as an independent nonexecutive Director, a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 17 June 2022. He obtained a Master's degree of science in financial engineering from City University of Hong Kong in 2007. He was awarded the Bachelor's (Honour) degree in accounting and finance from Manchester Metropolitan University in 1994. Mr. Lee has been an executive director of Pinestone Capital Limited (a company listed on the main board of the Stock Exchange; stock code: 804) since 14 September 2022. He was the senior vice president of Eternal Sincere Finance Limited from May 2019 to 12 June 2022. He was a chief operating officer of BOA Financial Group Limited from September 2017 to May 2019, a director of the synthetic prime service of Haitong International Securities Company Limited during December 2015 to September 2017, a director of global commodities division of China Merchants Securities (HK) Co., Ltd during April 2014 to December 2015, an operations manager of QRMO (Quality Risk Management & Operations) from June 2013 to April 2014, a director of finance and treasury division of BOC International Holdings Limited during August 2006 to June 2013, an assistant manager of the risk management department of Mizuho Securities Asia Limited from September 2005 to June 2006 and controller of Hong Kong product control division, Singapore financial control division and Hong Kong financial control division of Credit Suisse First Boston (HK) Ltd. during May 2004 to October 2004, October 2002 to April 2004 and December 1999 to October 2002 respectively. Mr. Lee has extensive experience in internal control, risk management and regulatory compliance.

Senior Management

Company secretary

Ms. Ho Sze Wan ("**Ms. Ho**") has over ten years of experience in the corporate secretarial field and has worked for several listed companies in Hong Kong over the years. Ms. Ho is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She holds a Bachelor degree in Laws from University of London and a Master degree in Corporate Governance from The Hong Kong Polytechnic University.

Business Address of the Directors

The business address of the Directors is the same as the Company's principal place of business in Hong Kong.

13. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK$2,300,000, which are payable by the Company.

14. DOCUMENTS ON DISPLAY

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

(i) the letter from the Board, the text of which is set out on pages 10 to 39 of this circular;

(ii) the letter from the Independent Board Committee, the text of which is set out on pages 40 to 41 of this circular;

(iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 42 to 96 of this circular;

(iv) the letter issued by the reporting accountants regarding the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;

(v) the material contract(s) referred to in the paragraph headed "9. Material contracts" in this appendix; and

(vi) the written consents from the Experts as referred to in the paragraph headed "10. Experts and consents" in this appendix.

15. MISCELLANEOUS

(i) 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.

(ii) As at the Latest Practicable Date, the Group had no exposure to foreign exchange liabilities.

(iii) The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the event of inconsistency.

CHINA UPTOWN

China Uptown Group Company Limited
中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of China Uptown Group Company Limited (the "**Company**") will be held at 11:00 a.m. on Friday, 7 June 2024 at Suite 1501, 15th Floor, Tower 1, Silvercord 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT** subject to the satisfaction of the conditions set out in the letter from the Board under the heading "Conditions of the Rights Issue" in the circular of the Company dated 22 May 2024 ("**Circular**"):

   (a) the issue by way of rights of not more than 610,714,104 Rights Shares at the Subscription Price of HK$0.15 per Rights Share on the basis of two Rights Shares for every one Share held by the Qualifying Shareholders as at the close of business on the Record Date, other than those Excluded Shareholders, and substantially on the terms and conditions set out in the Circular (a copy of which marked "A" is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;

   (b) the placing agreement (the "**Placing Agreement**") dated 8 April 2024 entered into among the Company and China Demeter Securities Limited (a copy of which marked "B" is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification), in relation to the placing of the Rights Shares not subscribed by the Qualifying Shareholders and/or the Rights Shares which would otherwise has/have been provisionally allotted to the Excluded Shareholder(s) in nil-paid form that has/have not been sold by the Company at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(c) any one or more Directors be and is/are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and

(d) any one or more Directors be and is/are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue, the Placing Agreement and the transactions contemplated thereunder."

Terms used in this Notice of EGM shall have the same meaning as those defined in the circular of the Company dated 22 May 2024.

By order of the Board
China Uptown Group Company Limited
Pang Chung Fai Benny
Chairman

Hong Kong, 22 May 2024

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

Headquarters and principal place of business in Hong Kong
Suite 1501, 15/F
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one proxy, or if he/she/it is the holder of two or more Shares, more than one proxy to attend and vote in his/her/its stead. A proxy need not be a shareholder of the Company.

2. A form of proxy of the Meeting is enclosed. The form of proxy shall be signed by the shareholder of the Company or his/her/its attorney duly authorised in writing or, in the case of a corporation, the form of proxy must be made under seal or under the hand of an officer or attorney duly authorised on its behalf.

3. In order 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 and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible but in any event by 11:00 a.m. on Wednesday, 5 June 2024 or not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. Where there are joint registered holders of any Share, any one of such persons may vote at the above Meeting (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he/she/it were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

6. In order to determine the entitlement of the shareholders of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 3 June 2024 to Friday, 7 June 2024 (both days inclusive), during which period no transfer of Shares can be registered. To qualify for the attendance and voting at the Meeting, shareholders of the Company must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Friday, 31 May 2024.

7. References to time and dates in this notice are to Hong Kong time and dates.

8. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning or "extreme conditions after super typhoons" announced by the Hong Kong Government is/are in effect any time after 8:00 a.m. on the date of the Meeting, the Meeting will be postponed. The Company will publish an announcement on the website of the Company (www.chinauptown.com.hk) and on the website of the Stock Exchange (www.hkexnews.hk) to notify Shareholders of the date, time and venue of the rescheduled meeting.

9. As at the date of this notice, the Board consists of four executive Directors, namely Mr. Pang Chung Fai Benny (Chairman), Mr. Fu Yongyuan, Mr. Zhang Xiao Jun and Mr. Liang Zhichao, and three independent non-executive Directors, namely Mr. Yau Sze Yeung, Mr. Chen Weijiang and Mr. Lee Chun Tung.