

HATCHER GROUP LIMITED

亦辰集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8365)

Executive Directors:

Mr. Li Man Keung Edwin (*Executive Chairman*)
Mr. Hui Ringo Wing Kun
Mr. Yeung Chun Yue David (*Vice Chairman*)
Mr. Michael Stockford

Non-executive Director:

Ms. Chan Hiu Shan

Independent non-executive Directors:

Mr. William Robert Majcher
Mr. Ho Lik Kwan Luke
Mr. Lau Pak Kin Patric

Registered office:

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

Principal place of business in Hong Kong:

21/F., Low Block,
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

10 January 2025

*To the Qualifying Shareholders and, for information only,
the Non-Qualifying Shareholders*

Dear Sir or Madam,

- (1) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES
FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE;
(4) CONNECTED TRANSACTIONS IN RELATION TO THE UNDERWRITING AGREEMENT;
(5) APPLICATION FOR WHITEWASH WAIVER;
(6) PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;
(7) PROPOSED CAPITAL REDUCTION AND SUB-DIVISION;
AND
(8) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the (i) the First Announcement; (ii) the holding announcement of the Company dated 27 September 2024; (iii) the supplemental and delay in despatch announcement of the Company dated 14 October 2024; (iv) the further supplemental and clarification announcement of the Company dated 5 November 2024; (v) the delay in despatch of circular announcement of the Company dated 11 November 2024; (vi) the revised expected timetable announcement of the Company dated 15 November 2024; (vii) the appointment of IFA announcement of the Company dated 15 November 2024; (viii) the further delay in despatch of circular announcement of the Company dated 29 November 2024 (ix) the revised expected timetable announcement of the Company dated 9 December 2024; (x) the further delay in despatch of circular announcement of the Company dated 20 December 2024; and (xi)

the revised expected timetable announcement of the Company dated 3 January 2025 (collectively, the “**Previous Announcements**”) of the Company in relation to, among other things, the Increase in Authorized Share Capital, the Change in Board Lot Size, the Rights Issue, the Underwriting Agreement, application for Whitewash Waiver and CB Subscription.

The purpose of this circular is to provide you with, among other things, (i) further details of the Change in Board Lot Size, the Increase in Authorised Share Capital, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription, the Capital Reduction and Sub-division; (ii) a letter of recommendations from the Listing Rules IBC in respect of the Rights Issue and the Underwriting Agreement; (iii) a letter of recommendations from the Takeovers Code IBC in respect of the Rights Issue, the Underwriting Agreement and the Whitewash Waiver; (iv) a letter of advice from the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and the Independent Shareholders in respect of the aforesaid; (v) other information required under the Listing Rules and the Takeovers Code; and (vi) the notice of the EGM.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The Board proposes to increase the authorised share capital of the Company from HK\$20,000,000 divided into 80,000,000 Shares to HK\$100,000,000 divided into 400,000,000 Shares. Subject to the passing of an ordinary resolution by the Shareholders at the EGM to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective on the date of the EGM.

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

Condition of the Increase in Authorised Share Capital

The Increase in Authorised Share Capital is conditional on the passing of the relevant ordinary resolution by the Shareholders at the EGM.

The Increase in Authorised Share Capital is not conditional on completion of the Rights Issue or the CB Subscription Agreement.

PROPOSED CHANGE IN BOARD LOT SIZE

The Shares are currently traded on the Stock Exchange in board lot size of 5,000 Shares. The Board proposes to change the board lot size for trading from 5,000 Shares to 10,000 Shares per board lot. Based on the closing price of HK\$0.325 per Share as at the Latest Practicable Date, the value of each board lot of 10,000 Shares would be HK\$3,250.

Condition of the Change in Board Lot Size

The Shareholders’ approval is not required for the Change in Board Lot.

Completion of the Change in Board Lot Size is not conditional on completion of the Increase in Authorised Share Capital, the Rights Issue and the CB Subscription Agreement.

Reasons for Change in Board Lot Size

Pursuant to Rule 17.76 of the GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995, the Stock Exchange reserves the right to require the issuer to change the trading method or to proceed with a consolidation or splitting of its securities. Pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020, the expected board lot value should be greater than HK\$2,000 per board lot taking into account the minimum transaction costs for a securities trade. As at 8 January 2025, being the Latest Practicable Date, the closing price of each Share was HK\$0.325, with a board lot size of 5,000 Shares, the Shares are trading at HK\$1,625 per board lot.

The Board considers that the proposed Change in Board Lot Size, resulting in a value of HK\$3,250 per board lot of 10,000 Shares (by reference to the price on 8 January 2025), would enable the Company to avoid the occurrence of non-compliance with the trading requirements under the GEM Listing Rules. The Board believes the Change in Board Lot Size will not have any material adverse effect on the financial position of the Company nor result in change in the relative rights of the Shareholders and are in the interests of the Company and the Shareholders as a whole.

PROPOSED RIGHTS ISSUE

The Board proposes, subject to, amongst other things, the approval by the Independent Shareholders at the EGM, the Rights Issue with the terms summarised as follows:

Issue statistics

Basis of the Rights Issue	:	three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Rights Subscription price	:	HK\$0.250 per Rights Share
Net price per Rights Share (i.e. Rights Subscription price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.242 per Rights Share
Number of Shares in issue as at the date of this circular	:	42,817,360 Existing Shares

Number of Rights Shares to be issued pursuant to the 'Rights Issue	:	Up to 128,452,080 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date) and up to 130,264,080 Rights Shares (assuming no further issue or repurchase of the Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options)
		The aggregate nominal value of the Rights Shares will be up to HK\$1,302,640.80
Total number of Shares in issue upon completion of the Rights Issue	:	Up to 171,269,440 Shares (assuming no further issue or repurchase of Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before the completion of the Rights Issue) and up to 173,685,440 Shares (assuming no further issue or repurchase of Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue)
Gross proceeds from the Rights Issue	:	Not less than approximately HK\$32.1 million and not more than approximately HK\$33.0 million before expenses
Right of excess applications	:	There will be no right of excess application in the Rights issue
Rights Shares subject to the Underwriting:		Up to 88,452,080 Unsubscribed Rights Shares

As at the Latest Practicable Date, there were 604,000 outstanding Share Options granted by the Company exercisable into 604,000 Shares. Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding convertible bonds, options, derivatives, warrants, conversion rights or other similar rights entitling holders thereof to subscribe for or convert into or exchange for new Shares prior to the Record Date. Save for the Rights Issue and the CB Subscription, the Company has no further intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming no further issue or repurchase of Shares on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 128,452,080 Rights Shares proposed to be issued pursuant to the terms of the Rights Issue represent approximately 300% of the total number of issued Shares as at the Latest Practicable Date and 75% of the total number of issued Shares as enlarged by the issue of the Rights Shares.

Assuming no further issue or repurchase of Shares on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of outstanding Share Options and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 130,264,080 Rights Shares proposed to be issued pursuant to the Rights Issue represents approximately 300% of the total number of issued Shares as at the Latest Practicable Date and 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

Undertaking

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

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company as at the close of business on the Record Date and not be a Non-Qualifying Shareholder. In order to be registered as members of the Company prior to the close of business on the Record Date, all transfers of the Shares (together with the relevant share certificate(s)) must be lodged with the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 6 February 2025.

It is expected that the dealings in the Rights Shares in nil-paid form will take place from Tuesday, 18 February 2025 to Tuesday, 25 February 2025 (both dates inclusive).

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider each nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. Shareholders with their Shares held by a nominee (or held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date. For investors whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Thursday, 6 February 2025.

Holders of Share Options who wish to participate in the Rights Issue should exercise their Share Options (if permitted) in accordance with the terms and conditions of the Share Option Scheme and be registered as holders of the Shares so allotted and issued to them pursuant to such exercise with the Company on or before the Record Date.

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

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company.

If a Qualifying Shareholder does not take up any of his/her/its entitlement in full under the Rights Issue, his/her/its proportionate shareholding in the Company will be diluted.

Closure of register of members for the Rights Issue

The register of members of the Company will be closed from Friday, 7 February 2025 to Thursday, 13 February 2025 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of the Shares will be registered during the above book closure period.

Basis of provisional allotments

The Rights Shares will be provisionally allotted on the basis of three (3) Rights Shares 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 as shown therein. Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by completing a PAL and lodging the same with a remittance for the Rights Shares being accepted with the Registrar by the Latest Time for Acceptance.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

Rights of Overseas Shareholders (if any)

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

Pursuant to Rule 17.41(1) of the GEM Listing Rules, the Board will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on legal advice, the Board is of the opinion that it would be necessary or expedient not to offer the Rights Shares to any Overseas Shareholders on account either of the legal restrictions under the laws of relevant place(s) or the requirements of the relevant overseas regulatory body or stock exchange, no provisional allotment of the nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Non-Qualifying Shareholders and the Rights Issue will not be extended to them. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus.

Based on the register of members of the Company, as at the Latest Practicable Date, there are 2 Overseas Shareholders with registered addresses located in BVI, 1 Overseas Shareholder with registered address located in the PRC, 1 Overseas Shareholder with registered address located in Canada and 1 Overseas Shareholder with a registered address located in United Arab Emirates. The Company has sought legal opinion regarding the legal restrictions under the applicable securities legislation of such jurisdictions and the requirements of the relevant regulatory body or stock exchange with respect to the Rights Issue in relation to the Overseas Shareholders and has been advised that there is no restrictions under relevant securities law or other similar laws which would prevent the Company from including the Overseas Shareholder(s) with registered address(es) located in BVI, the PRC, Canada and United Arab Emirates in the Rights Issue. Based upon such advice, the Overseas Shareholders having registered address in BVI, the PRC, Canada and United Arab Emirates will not be excluded from the Rights Issue and shall therefore be the Qualifying Shareholders. Accordingly, the Rights Issue will be extended to such Overseas Shareholders having registered address in BVI, the PRC, Canada and United Arab Emirates.

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the GEM Listing Rules.

Arrangements for the NQS Rights Shares

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and before the last day for dealing in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. Any net proceeds of sale thereof, after deduction of expenses, will be paid in Hong Kong dollars to the Non-Qualifying Shareholders pro rata to their respective entitlements as at the close of business on the Record Date, provided that if any of such persons would be entitled to a sum not exceeding HK\$100, such sum will be retained by the Company for its own benefit. Any such unsold nil-paid Rights Shares to which such Non-Qualifying Shareholders would otherwise have been entitled will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement or offered for subscription by the Placing Agent to the Placees under the Placing.

The Rights Subscription Price

The Rights Subscription Price of HK\$0.250 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 or when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Rights Subscription Price represents:

- (i) a discount of approximately 31.5% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 24.0% to the average closing price of HK\$0.329 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;

- (iii) a discount of approximately 22.4% to the average closing price of approximately HK\$0.322 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 24.6% to the average closing price of approximately HK\$0.332 per Share as quoted on the Stock Exchange for the thirty (30) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 10.4% to the theoretical ex-rights price of approximately HK\$0.279 per Share based on the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a discount of approximately 91.9% to the audited consolidated net asset value per Share of approximately HK\$3.087 (based on the latest published audited consolidated net asset value of the Group of approximately HK\$132.2 million as disclosed in the annual result announcement of the Company for the year ended 30 September 2024);
- (vii) a discount of approximately 94.1% to the unaudited consolidated net asset value per Share of approximately HK\$4.270 (based on the latest published unaudited consolidated net asset value of the Group of approximately HK\$182.8 million as disclosed in the interim report of the Company for the six months ended 31 March 2024);
- (viii) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 23.6% represented by the theoretical diluted price of approximately HK\$0.279 to the benchmarked price of approximately HK\$0.365 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the closing price on the Last Trading Day of HK\$0.365 and the average closing price of HK\$0.329 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day); and
- (ix) a discount of approximately 23.1% to the closing price of HK\$0.325 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Rights Subscription Price was determined after arm's length negotiation between the Company, the Placing Agent and the Underwriter with reference to, among others, (i) the recent closing price of the Shares taking into consideration that the Company's average Share price per month experienced a month-by-month drop ranging 7.6% to 25.4% per month since 1 January 2024 up to the Last Trading Day; (ii) the prevailing market conditions of the capital market in Hong Kong taking into consideration the cautious investment sentiment in Hong Kong as a result of economic uncertainties; (iii) the financial position of the Group taking into consideration that the Company recorded a loss of approximately HK\$8.2 million and HK\$14.3 million for the years ended 30 September 2023 and 2024

respectively; and (iv) the imminent funding and capital needs of the Company in Hong Kong taking into consideration the increase in administrative expenses and other operating expenses from approximately HK\$69.9 million for the year ended 30 September 2023 to approximately HK\$122.0 million for the year ended 30 September 2024, and the potential cost of the Company's expansion plan intended to turn around the Company's loss-making position as more particularly disclosed in the paragraph headed "Reasons for the Rights Issue and use of proceeds" in this circular.

In determining the discount of the Rights Subscription Price, the Directors have taken into account that it is a common practice for listed companies on the Stock Exchange to issue rights shares at a discount to the prevailing market price in order to enhance the attractiveness of the rights issue and to encourage the Shareholders to participate in the future growth of the Group, hence consider the terms of the Rights Issue, including the Rights Subscription Price, to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the Independent non-executive Directors) believe that despite the dilution impact that the existing Shareholders will experience as a result of the Rights Issue, the Rights Issue will enable the Group to strengthen its capital base, improving its financial performance and allowing it to turn around from its loss-making position, and to grow its business pursuant to the Group's ongoing development strategies. The Directors (including the Independent non-executive Directors) also believe that despite the fact that the Subscription Price is a deep discount to the closing price on the Last Trading Day of approximately 31.5%, a discounted subscription price provides a more attractive opportunity to encourage the Qualifying Shareholders to participate in the Rights Issue and to maintain their respective shareholding interests in the Company. Based on the foregoing, the Directors (other than the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) consider that the Subscription Price is fair and reasonable, and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares (when allotted, fully paid or credited as fully paid and issued) will rank *pari passu* in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the fully paid Rights Shares will be entitled to receive all dividends and distributions which may be declared, made or paid on or after the date of allotment and issue of the fully paid Rights Shares.

Stamp duty and other applicable fees

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

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully paid Rights Shares are expected to be sent on or before Thursday, 13 March 2025 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. If the Underwriting Agreement is terminated or does not become unconditional, refund cheques will be despatched on or before Thursday, 13 March 2025, by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

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

Odd lots matching services

In order to alleviate the difficulties arising from the existence of odd lots of the Rights Shares arising from the Rights Issue, a designated broker will be appointed to match the purchase and sale of odd lots of the Shares at the relevant market price per Share for the period from 9:00 a.m. on Wednesday, 5 February 2025 to 4:00 p.m. on Tuesday, 25 February 2025 (both dates inclusive). Holders of the Shares in odd lots represented by the existing certificates for the Shares who wish to take advantage of this facility either to acquire odd lots of the Shares to make up a full board lot or dispose of their odd lots of the Shares may, directly or through their broker, contact Mr. Ringo Hui of VBG Capital Limited at 21/F, Grand Millennium Plaza, 181 Queen's Road Central, Hong (telephone number: 2200 7611) during such period. Holders of odd lots of the Shares should note that successful matching of the sale and purchase of odd lots of the Shares is on the best effort basis and not guaranteed. Any Shareholder who is in any doubt about the odd lot arrangement is recommended to consult his/her/its own professional advisers.

Taxation

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

Application for listing

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

After the Change in Board Lot Size, the nil-paid Rights Shares shall be traded in the board lot of 10,000 Shares.

Rights Shares will be eligible for admission into CCASS

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both 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 nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares on the Stock Exchange, or such other dates as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

Pursuant to Rule 10.31(1)(b) of the GEM Listing Rules, the Company must make arrangements to dispose of any Unsubscribed Shares not validly applied for by the No Action Shareholders by offering such Unsubscribed Shares to independent placees for the benefit of those Shareholders. There will be no excess application arrangements in relation to the Rights Issue as stipulated by Rule 10.31(1)(a) of the GEM Listing Rules.

The Company appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent placees on a best effort basis, and any premium over the aggregate amount of (i) the Rights Subscription Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (the “Net Gain”) will be paid to the relevant No Action Shareholders and Non-Qualifying Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, seek to procure, by not later than 4:00 p.m. on Monday, 10 March 2025, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares at a price not less than the Rights Subscription Price. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any) will be paid rounded down to the nearest cent on a pro-rata basis to the relevant No Action Shareholders and Non-Qualifying Shareholders as set out below:

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for, and where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL and where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS; and

- (ii) for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders whose names and addresses appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

If the Net Gain payable to a No Action Shareholder or Non-Qualifying Shareholder mentioned above (i) is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

No irrevocable undertaking

As at the Latest Practicable Date, no irrevocable undertaking regarding whether to take up or reject the Rights Issue has been provided by any Directors or substantial shareholders or the Underwriter.

Conditions of the Rights Issue

The Rights Issue is conditional upon the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriter not terminating the Underwriting Agreement.

The Underwriting Agreement contains detailed conditions and events which may cause the Underwriting Agreement to be terminated by the Underwriter. Please refer to the section headed “Conditions of the Rights Issue and the Underwriting Agreement” in this circular for details of the conditions and grounds of termination of the Underwriting Agreement. If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed.

The terms of the Placing Agreement (including the placing fee) were determined after arm’s length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

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

THE UNDERWRITING AGREEMENT

The Underwriting Agreement

On 23 September 2024 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite the Underwritten Shares on a best effort basis subject to the terms and conditions of the Underwriting Agreement as below:

Date:	23 September 2024
Issuer:	The Company
Underwriter:	Tanner Enterprises Group Limited, being an investment holding company incorporated in the British Virgin Islands with limited liability and wholly-owned by Mr. Li Man Keung Edwin, an executive Director Mr. Li Man Keung Edwin, is a substantial shareholder, beneficially holding 6,598,800 Shares, representing approximately 15.41% of the issued share capital of the Company as at the Latest Practicable Date. As such, Tanner Enterprises is a connected person of the Company under Chapter 20 of the GEM Listing Rules
Number of Rights Shares underwritten:	Up to 88,452,080 Rights Shares
Underwriting commission:	No underwriting commission will be payable by the Company to the Underwriter under the Underwriting Agreement

It is not in the ordinary course of business for Tanner Enterprises to act as an underwriter or enter into underwriting agreements.

The terms of the Underwriting Agreement were determined after arm's length negotiation between the Company and the Underwriter by reference to the financial position of the Group, the size of the Rights Issue, the current and expected market condition and the prevailing market rate. The Directors (other than the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Subject to the fulfilment of the conditions (or any waiver, as the case may be, by the Underwriter) contained in the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms thereof, the Underwriter shall subscribe for, pursuant to the terms of Underwriting Agreement and the Prospectus Documents (insofar as the same are applicable), the Underwritten Shares.

Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue and the obligations of the Underwriter under the Underwriting Agreement are conditional on:

- (a) the passing by the Shareholders at the EGM of an ordinary resolution to approve the proposed Increase in Authorised Share Capital, the Rights Issue and the Underwriting Agreement, and a special resolution to approve the Whitewash Waiver in accordance with the Listing Rules and the Takeovers Code;
- (b) the Listing Committee granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms);
- (c) the Executive granting the Whitewash Waiver to Tanner Enterprises and the satisfaction of all conditions (if any) attached to the Whitewash Waiver;
- (d) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of one copy of each of the Prospectus Documents duly signed by all the Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (together with any other documents required by the applicable law or regulation to be annexed thereto) by no later than the Prospectus Posting Date;
- (e) the posting of the Prospectus Documents to the Qualifying Shareholders by no later than the Prospectus Posting Date and the posting of the Prospectus and a letter to the Excluded Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue by no later than the Prospectus Posting Date;
- (f) the compliance with the requirements under the applicable laws and regulations of Hong Kong and Cayman Islands;
- (g) the representations and warranties of the Company referred to in the Underwriting Agreement remaining true and accurate and not misleading in all material respects at all times and none of the undertakings of the Company in the Underwriting Agreement having been breached;
- (h) there being no breach of the undertakings and obligations of the Company under the terms of the Underwriting Agreement; and
- (i) the Underwriting Agreement not being terminated by the Underwriter pursuant to the terms thereof on or before the Latest Time for Termination.

Other than conditions (g) to (i) which can be waived in whole or in part by the Underwriter by notice in writing to the Company prior to the Latest Time for Termination, all other conditions above cannot be waived. In the event of the said conditions not being fulfilled or waived, the Underwriting Agreement shall terminate (save in respect of any rights and obligations which may accrue under the Underwriting Agreement prior to such termination) and neither the Company nor the Underwriter shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breach and the Rights Issue will not proceed.

Completion of the Rights Issue is not conditional on completion of the CB Subscription Agreement, or vice versa.

The long stop date of the Underwriting Agreement (by which date all conditions to the Underwriting Agreement must have been fulfilled or (where permitted) waived) is 30 April 2025, or such other date as the Underwriter and the Company may agree in writing.

No irrevocable undertaking

As at the Latest Practicable Date, no irrevocable undertaking regarding whether to take up or reject the Rights Issue has been provided by any Directors or substantial shareholders or the Underwriter.

Termination of the Underwriting Agreement

- (1) If prior to the Latest Time for Termination, in the absolute opinion of the Underwriter:
- (a) the success of the Rights Issue would be affected by:
 - (i) 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 opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (ii) 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 (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
 - (iii) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
 - (b) any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities) occurs which in the reasonable opinion of the Underwriter makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (c) the Prospectus Documents when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or the GEM Listing Rules or any applicable regulations) which has not prior to the date hereof been publicly announced or published by the Company and which may in the opinion of the Underwriter is material to the Group as a whole and is likely to affect the success of the Rights Issue or might cause a prudent investor not to accept the Rights Shares provisionally allotted to it;

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate this Agreement.

- (2) The Underwriter shall be entitled by notice in writing to rescind this Agreement if prior to the Latest Time for Termination:
 - (a) any material breach of any of the warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
 - (b) it comes to the knowledge of the Underwriter that any event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date hereof would have rendered any of the representations, warranties and undertakings contained in the Underwriting Agreement untrue or incorrect in any respect.

Any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

If prior to the Latest Time for Termination any such notice as referred to above is given by the Underwriter, the obligations of all parties under the Underwriting Agreement shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with the Underwriting Agreement (save for any antecedent breaches hereof) and the Rights Issue shall not proceed.

If the Underwriter terminate the Underwriting Agreement, the Rights Issue will not proceed. An announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

INFORMATION ON THE UNDERWRITER

The Underwriter is an investment holding company incorporated in the British Virgin Islands with limited liability, and is not engaged in underwriting of issue of securities in its ordinary course of business. The Underwriter is wholly beneficially owned by Mr. Li Man Keung Edwin, an executive Director. It is the intention of the Underwriter to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group. The Underwriter has no intention to introduce any major changes to the businesses of the Group including redeployment of the fixed assets of the Group.

The Directors are of the view that the Underwriter's intention to continue to carry on the businesses of the Group and to continue the employment of the employees of the Group is fair and reasonable and in the interest of the Company and Shareholders as a whole.

Restriction on dealings

The Company has undertaken to the Underwriter that for the period from the date of the Underwriting Agreement and ending on the date which from the Latest Time for Termination is Monday, 10 March 2025, unless with the prior written consent of the Underwriter, the Company shall not (except for the Rights Shares):

- (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares (except for the allotment or issue of Shares upon exercise of the outstanding Share Options);
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in paragraph (i); or
- (iii) announce any intention to enter into or effect any such transaction described in paragraph (i) or (ii).

THE COMPENSATORY ARRANGEMENTS

Placing Agreement

On 23 September 2024 (after trading hours of the Stock Exchange), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure places, on a best effort basis, to subscribe for up to 40,000,000 Unsubscribed Rights Shares with consideration that a maximum of 88,452,080 Unsubscribed Rights Shares have been fully taken up by the Underwriter. The Placing of a maximum of 40,000,000 Unsubscribed Rights Shares will be subject to the Underwriter having taken up 88,452,080 Unsubscribed Rights Shares which is the maximum number it may be required to take up under the Underwriting Agreement.

If there are fewer than 88,452,080 Unsubscribed Rights Shares, the Underwriter will take them up in full and there will be no Unsubscribed Right Shares to be placed in the Placing.

If there are more than 88,452,080 Unsubscribed Rights Shares but less than 128,452,080 Unsubscribed Rights Shares, the Underwriter will take up 88,452,080 Unsubscribed Rights Shares and the remaining Unsubscribed Rights Shares will be subject to the Placing.

Details of the Placing Agreement are as follows:

- Date : 23 September 2024 (after trading hours of the Stock Exchange)
- Placing Agent : Redbridge Global Strategies Limited, a licensed corporation carrying out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO, was appointed as the placing agent to place, or procure the placing of, up to 40,000,000 Unsubscribed Rights Shares, on a best effort basis, to the Placee(s) after a maximum of 88,452,080 Unsubscribed Rights Shares have been fully taken up by the Underwriter.
- Mr. Michael Stockford, who has been appointed as an executive director of the Company with effect from 1 October 2024, beneficially owns approximately 34.0% in Redbridge Global Strategies Limited, and the remaining 66% is beneficially owned by two Independent Third Parties, namely Mr. Panagiotis Georgiou and Mr. Ignacio Infante who are both businessmen based in Europe and investor in the capital markets in Asia.
- As at the Latest Practicable Date, neither of Redbridge Global Strategies Limited or Mr. Michael Stockford owned any Shares of the Company.
- Placing fee : No placing commission will be payable by the Company to the Placing Agent for the subscription of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares
- Placing price of the Unsubscribed Rights Shares : The placing price of the Unsubscribed Rights Shares shall be not less than the Rights Subscription Price.
- The price will be determined based on the demand for the Unsubscribed Rights Shares and market conditions at the time of placement.
- Placees : The Unsubscribed Rights Shares shall only be offered
- (i) to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties and whom are not acting in concert with the Underwriter and its concert parties; (ii) such that no Placee shall become a Substantial Shareholder immediately following the Placing; and (iii) such that the Placing will not have any implications 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.

- Ranking of Unsubscribed Rights Shares : The 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.
- Completion date of the Placing : Monday, 10 March 2025 or such other date as the Company and the Placing Agent may agree.

Conditions of the Placing Agreement

The Placing Agreement is conditional upon:

- (a) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Rights Shares;
- (b) all necessary consents and approvals (including but not limited to the approvals from the respective board of directors of each the Company and the Placing Agent) 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 under the Placing Agreement having been obtained (as at the Latest Practicable Date, there are no additional consents and approvals required in respect of the Placing Agreement); and
- (c) the Placing Agreement not having been terminate in accordance with the terms of the Placing Agreement.

None of the above conditions can be waived by the Company or the Placing Agent. If any of the conditions precedent above is not fulfilled by the Latest Time for Termination (or such later time or date as may be agreed between the Placing Agent and the Company in writing), all obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and terminate and none of the parties shall have any claim against the other in relation to the Placing Agreement.

INFORMATION ON MR. MICHAEL STOCKFORD AND RELATIONSHIP WITH THE PLACING AGENT AND CB SUBSCRIBER

As at the Latest Practicable Date, Mr. Michael Stockford is presumed to be acting in concert with Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue, and Mr. Hui Ringo Wing Kun in respect of the Company under Class 6 (directors of the Company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts)) in the definition of “acting in concert” in the Takeovers Code.

Mr. Michael Stockford’s appointment as an executive director of the Company announced in the First Announcement took effect from 1 October 2024. Neither Mr. Michael Stockford nor any companies controlled by him nor any party acting in concert with him is a shareholder of the Company.

Mr. Michael Stockford beneficially owns approximately 34.0% of Redbridge Global Strategies Limited, being the Placing Agent, and the that remaining 66% is beneficially owned by two Independent Third Parties, namely Mr. Panagiotis Georgiou and Mr. Ignacio Infante who are both businessmen based in Europe and investors in the capital markets in Asia. As at the Latest Practicable Date, none of Redbridge Global Strategies Limited, Mr. Michael Stockford, Mr. Panagiotis Georgiou or Mr. Ignacio Infante beneficially owns any Shares of the Company.

Mr. Stockford is the sole ultimate beneficial owner of Redbridge Capital Management Limited, which is the investment manager of the CB Subscriber.

Neither the Placing Agent nor Mr. Michael Stockford has any side arrangements, agreements, understanding or undertaking (whether formal or informal and whether express or implied) with the Company. There will be no placing commission payable by the Company to the Placing Agent and the engagement of the Placing Agent is a connected transaction for the Company that is fully exempt under the “de minimis” provisions in Chapter 20 of the GEM Listing Rules.

Mr. Michael Stockford became an executive Director of the Company on 1 October 2024. Mr. Michael Stockford (i) has no other relationship with Tanner Enterprises or Mr. Li Man Keung Edwin; (ii) is not acting in concert with Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue, Mr. Hui Ringo Wing Kun or any parties acting in concert with any of them in respect of the Company before the date of his appointment; and (iii) did not hold any Shares in the Company at the date of the CB Subscription Agreement and did not hold any Shares as at the Latest Practicable Date. At the time the CB Subscription Agreement was executed, Mr. Stockford was not a connected person of the Company.

The Company has been advised separately by Tanner Enterprises and the Placing Agent that they are not acting in concert.

TAKEOVERS CODE RULE 26.4

By reason of Rule 26.4 of the Takeovers Code, amongst other things, except with the consent of the Executive, no nominee of an offeror or persons acting in concert with it may be appointed to the board of the Company until the offer document has been posted. Mr. Michael Stockford is not a nominee of Tanner Enterprises.

Since the publication of the First Announcement and up to the Latest Practicable Date, apart from the appointment of Mr. Michael Stockford as an executive Director with effect from 1 October 2024, the Company has also appointed Ms. Chan Hiu Shan as a non-executive Director with effect from 2 January 2025. The Company considers that Rule 26.4 of the Takeovers Code does not apply to the appointment of Mr. Michael Stockford and Ms. Chan Hiu Shan for the following reasons: (i) neither Mr. Michael Stockford nor Ms. Chan Hiu Shan is connected with any directors, senior management, substantial shareholder or controlling shareholder (as defined in the GEM Listing Rules) of the Company before the their respective appointment; (ii) neither Mr. Michael Stockford, Ms. Chan Hiu Shan nor any of their companies held any shares in the Company as at the respective date of his/her appointment and as at the Latest Practicable Date; (iii) neither Mr. Michael Stockford nor Ms. Chan Hiu Shan is acting in concert with Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue, Mr. Hui Ringo Wing Kun or any parties acting in concert with any of them in respect of the Company before their respective appointment; and (iv) the Company’s decision to appoint Ms. Chan

Hiu Shan upon nomination by Mr. Hui Ringo Wing Kun is a regulatory compliance measure necessitated by Rule 17.104 of the GEM Listing Rules, which requires issuers to achieve board diversity by appointing at least one director of a different gender by 31 December 2024; hence the appointment of Ms. Chan Hiu Shan is a mandatory governance measure and not a discretionary move by Tanner Enterprise, Mr. Li Man Keung Edwin, and parties acting in concert with any of them in the Company to exert influence or control over the Company.

Nevertheless, as a result of the appointment of Mr. Michael Stockford as an executive Director and Ms. Chan Hiu Shan as a non-executive Director, Mr. Michael Stockford and Ms. Chan Hiu Shan are presumed to be acting in concert with Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David and Mr. Hui Ringo Wing Kun as they will now fall within Class 6 (directors of the Company (together with their close relatives, related trusts and companies controlled by such directors, their close relatives and related trusts)) of those presumed to act in concert in the definition of “acting in concert” in the Takeovers Code.

POSSIBLE ADJUSTMENT TO THE SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

As at the Latest Practicable Date, there were 604,000 outstanding Share Options granted by the Company exercisable into 604,000 Shares. Pursuant to the terms of the Share Option Scheme, the Rights Issue may lead to adjustments to, among others, the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme. The Company will notify the holders of such Share Options and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and such adjustment will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the Latest Practicable Date, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. Save for the Rights Issue and CB Subscription, the Company has no further intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

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

Pursuant to ongoing development strategies of the Group, the Group has been undergoing a diversified expansion from its SFC-licensed businesses to the inclusion of providing environment, social and governance advisory, business consultancy services, corporate secretarial services, accounting and taxation services, risk management and internal control advisory services and human resources services in Hong Kong.

Following 2023, the Group continued to seek and profit from potential investment targets, including but not limited to entering into strategic cooperations with payment gateway providers, AI algorithm developers, big data platforms and other integrated solutions providers.

The Board considers that it is in the interests of the Company and its shareholders to continue its diversified expansion and investing in gaming and entertainment businesses taking into consideration forecast increase in the global online game industry.

According to Statista, a leading online provider of market and consumer data headquartered in Germany, the global mobile online game industry was valued at approximately US\$108.2 billion in 2022 and is projected to grow annually at a compound annual growth rate (CAGR) of approximately 13.6% during the period from 2023 to 2030, reaching approximately US\$339.5 billion by 2030. In particular, the following sets forth the forecast market growth of the mobile online game industry by specific region or country.

- (a) Japan: The Japan mobile online game industry is projected to generate revenue of approximately US\$16.77 billion in 2024 and is expected to exhibit an annual growth rate of approximately 5.73% between 2024 and 2028, reaching approximately US\$20.96 billion by 2028;
- (b) United States: The United States mobile online game industry is projected to generate revenue of approximately US\$19.61 billion in 2024 and is expected to exhibit an annual growth rate of approximately 6.77% between 2024 and 2027, reaching approximately US\$23.87 billion by 2027;
- (c) Europe: The Europe mobile online game industry is projected to generate revenue of approximately US\$8.23 billion in 2024 and is expected to exhibit an annual growth rate of approximately 6.71% between 2024 and 2027, reaching approximately US\$10.0 billion by 2027; and
- (d) Southeast Asia: The Southeast Asia mobile online game industry is projected to generate revenue of approximately US\$3.14 billion in 2024 and is expected to exhibit an annual growth rate of approximately 7.40% between 2024 and 2027, reaching approximately US\$3.89 billion by 2027.

Source: <https://www.statista.com>

Based on the above and the fact that the Group's online gaming and entertainment business will set forth as a mobile platform comparable to other mobile online games and aimed specifically at mobile gaming users, the Board considers that the Group will be able to benefit from the potential growth by investing in the gaming and entertainment business.

With reference to the voluntary announcement of the Company dated 26 September 2024, the Company and Chromatic Media Ltd., an investment holding company principally engaged in the development and operations of its social gaming platform (the "**Target Company**"), entered into a non-legally binding letter of intent to which the Company intends to invest approximately US\$5.0 million in the establishment of a wholly-owned subsidiary to be incorporated in a gaming-friendly jurisdiction, being countries which would potentially include but not limited to Cambodia, Indonesia, Singapore, Thailand and Vietnam, and the strategic cooperation with the Target Company following the Company's development in the gaming industry.

The ultimate beneficial owner of Chromatic Media Ltd is Mr. Grant Rosenthal, who is the chief information officer of Omega Systems, an IT managed services provider. As at the Latest Practicable Date, Mr. Grant Rosenthal did not hold any Shares in the Company.

As mentioned in the First Announcement, the net proceeds from the Rights Issue after deducting the estimated expenses in relation to the Rights Issue are estimated to be not more than (i) approximately HK\$31.1 million (assuming no change in the number of Shares in issue on or before the Record Date); or (ii) approximately HK\$32.0 million (assuming no change in the number of Shares in issue on or before the Record Date other than the new Shares to be allotted and issued pursuant to the full exercise of the outstanding options to subscribe for Shares granted under the share option scheme adopted by the Company on 4 May 2017).

A portion of the estimated net proceeds of Rights Issue, being approximately HK\$21.8 million, is expected to be utilised in development of the gaming and entertainment business, and the remaining net proceeds, being approximately HK\$9.3 million, are expected to be used as general working capital in following manner:

Intended use of the net proceeds of Rights Issue	Net proceeds to be used
Establishment of a wholly-owned subsidiary to be incorporated in a gaming- friendly jurisdiction and the hiring of operational staff for the gaming platform	HK\$6.4 million
Marketing expense for capturing new customers to take part in the gaming platform	HK\$15.4 million
General working capital in the operation of existing licensed and non-licensed businesses	HK\$9.3 million
Total	HK\$31.1 million

In view that the Company is estimated to maintain an increasing administrative expense and other operating expenses, in particular the estimated increase in the number of staff for the year ending 30 September 2025, the Directors intend to allocate the net proceeds within the scope of general working capital as below:

Intended use of the net proceeds within the scope of general working capital in the operation of existing licensed and non-licensed businesses	Net proceeds to be used
Staff costs	HK\$7.9 million
Other general administrative expenses	HK\$1.4 million
Total	HK\$9.3 million

The size of the fundraising was determined based on the estimated budget for the Company to invest in the gaming and entertainment business, and divided in proportion to the details of the plan as disclosed above.

In determining the investment amount of US\$5.0 million, the size of the fundraising and the respective allocation of the net proceeds, the Directors has considered various factors including (i) the estimated operation expenses and marketing expenses of approximately US\$1.4 million and US\$1.6 million respectively based on the cashflow forecast provided by management of the Target Company in establishing and maintaining a new gaming platform for the first 12 months; and (ii) the profit-making nature in low and high estimates of the new gaming platform provided by management of the Target Company for the first 18 months.

As the Company does not yet have management expertise in the gaming industry, the Company seeks to identify and enter into service agreements with 2 suitable candidates by 30 June 2025, who would each be appointed in a management role and responsible in overseeing and providing key instructions in the operations and marketing sector of the gaming industry respectively, who possess the necessary experience in the operations and management of gaming and entertainment businesses. These expertise would include the knowledge and competence in business, financial and operations management, marketing and strategic planning that are relevant to the field of gaming and recreation management. In order to become accustomed with the necessary experiences and expertise in the gaming business, the Directors and existing senior management staff intend to undertake internal training organised on a weekly basis in relation to gaming business operations and management for a duration of 6 months prior to the commencement of the business operations of the Target Company provided by the 2 suitable candidates upon their respective employment. The Directors set out to commence the online gaming business only until full attendance of the internal training has been undertaken and until they can ascertain with confidence by undertaking management-relevant assessments in relation to the gaming and entertainment business set out by the 2 suitable candidates that they would be capable to manage and supervise the new business with the necessary experience and expertise in the gaming business.

The Company has not yet identified the 2 suitable candidates as at the Latest Practicable Date.

To realise its business objectives in the online gaming industry, the Company intends to work closely with the Target Company and implement the following strategies in setting up its online gaming platform:

- Establishing and maintaining technology infrastructure: In order to cater to the needs of the development of the online gaming platform, the Group intends to set up and continuously improve its technology infrastructure with focus on the efficiency of operations and the quality of services provided to users through the platform. To support the expected increasing amount of data exchange between the Group and the relevant users and the intended promotion of its online gaming platform, the Group plans to purchase, install and set up equipment and facilities by 30 June 2025, including advanced computer servers and Internet connection service with larger bandwidth. The Directors are of the opinion that well established and constantly improving technology infrastructure plays a fundamental role in ensuring the smooth operation and continued development of the Group's business. The Directors expect that the implementation cost of the technology infrastructure would amount to approximately US\$1.2 million for the first 12 months, and the online gaming platform as a mobile console app will be launched by 30 September 2025.
- Establishing marketing efforts: In order to promote awareness of the online gaming platform, the Group plans to implement a series of marketing measures and undertake advertising campaigns aiming to promote the general awareness of the online gaming platform. Advertisements will be produced and published on mainstream gaming websites following its launch in 30 September 2025 and reception reviewed on a monthly-basis, as well as other online resources and networks that provide exposure to potential customers based on interest and behaviour. Furthermore, the Group will organize and sponsor relevant conventions and exhibitions in the name of its online gaming platform for market players and users to participate. The Group also intends to promote by hosting various affairs on conventions and exhibitions of online game industries. The Directors expect that the cost of establishment of its marketing efforts would amount to approximately US\$1.6 million.

- Enhancing and expanding operating staff: In order to cater the future development and maintenance of the online gaming platform, the Group intends to enter into service contracts with a small number of staff with online game related experience by 30 June 2025 principally responsible for various functions of the online gaming platform leading to its launch in 30 September 2025. The Directors expect that an additional 8 employees, including 2 in management roles, will be hired by 31 December 2025, and the relevant labour costs for the allocated and newly hired employees for the operation would amount to approximately US\$0.2 million.

The business model of the Target Company principally sets out to be a social gaming platform featuring problem-solving puzzle games to be developed by the Target Company catered to adult gamers in the form of a mobile console app allowing players to purchase credit to play in online games which are for entertainment only. As part of the purchase of game credit, players will be awarded with alternative merchandise credit redeemable for merchandise prizes in the form of clothing and soft toys. The target revenue stream will mainly be derived from (i) the sales of in-game credit, virtual items and in-game avatars; and (ii) the provision of in-game marketing and promotion services to advertisers who promote products in the games to players.

With consideration that the business model and target revenue stream may be regarded as a regulated gambling activity under the legal restrictions and government policies under applicable laws and regulations where the online gaming business may set out in (the “Applicable Laws”), the Company has sought legal opinion and has been advised that the business model and target revenue stream, being the purchase of game credits in exchange for redeemable merchandise prizes in the form of clothing and soft toys, would not be categorized as a gambling activity in the jurisdictions of Cambodia, Indonesia, Singapore, Thailand and Vietnam, being the potential countries where the wholly-owned subsidiary will be incorporated and operated in. As a result, the Directors will seek to employ internal controls and procedures designed to help ensure that the online gaming operations are conducted in a professional manner. The internal control measures will set out to enable the Company to detect irregularities and unusual activity or trends in the transactions that take place in the online gaming platform, which if detected, are to be reported to the senior management for investigation and remediation. Should the Company detect any deviation when setting out the business model of the Target Company, the Company would not allow any commencement of its business operations until necessary changes have been made in order to maintain compliance under the Applicable Laws.

Following the strategic cooperation between the Group and the Target Company, the Group intends to leverage the expertise of the Target Company’s management team in development of the online mobile gaming platform, assistance in registration to any local gaming licensing and establishment of the marketing tactics as aforementioned above. The Company has yet to identify which country the online gaming operations will set to take place, and the Target Company has yet to commence realization of its online gaming operations in any country pending on the estimated funding required.

In view of the fact that the Group has been loss making for the past two financial years, the Directors believe that the development of its new gaming and entertainment business will allow a diversification of the Group's revenue stream and broaden the Group's reach to new clientele at an international level. The Directors believe this development would be in the interests of the Company.

The Company has no intention to dispose of, downsize or terminate any of its existing businesses, and will allocate as much time and effort as before in the maintaining and development of its existing businesses.

Save for the Rights Issue and the CB Subscription as disclosed in this circular, although the investment funds required are more than the estimated proceeds from the Rights Issue, the Company currently has no plan or intention to carry out any other fund-raising plans in the next 12 months.

Fund-raising alternatives

Apart from the Rights Issue, the Board has considered various fund-raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, placing of new shares and open offer. The Board notes that bank borrowings, if available, would result in additional interest burden, higher gearing ratio of the Company from approximately 18.8% as at 30 September 2024 and create pressure to the liquidity of the Company. Hence, the Board does not consider it to be beneficial to the Company. As for an open offer, while it is similar to a rights issue, offering Qualifying Shareholders to participate, it does not allow free trading of rights entitlements in the open market. As opposed to open offer, Rights Issue would allow Qualifying Shareholders to participate in the future development of the Company and at the same time offer more flexibility to the Qualifying Shareholders to choose whether to maintain their respective pro-rata shareholding interests in the Company and dealing with the Shares.

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

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

APPLICATION FOR WHITEWASH WAIVER

As at the date of the Underwriting Agreement, and the Latest Practicable Date, the Underwriter and parties acting in concert with it (being Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan for the purposes of the Takeovers Code), taken together, in aggregate, hold 9,018,800 Shares, representing approximately 21.06% of the issued share capital of the Company.

Assuming (i) there is no change in the number of issued Shares from 23 September 2024, being the date of the first Previous Announcement, up to and including the closing date of the Rights Issue; (ii) none of the Qualifying Shareholders have taken up their entitlements under the Rights Issue; and (iii) a maximum of 88,452,080 Unsubscribed Rights Shares have been taken up by Tanner Enterprise, the aggregate shareholding of Mr. Li Man Keung Edwin, Tanner Enterprises and parties acting in concert with any of them in the Company (comprising Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan, upon the close of the Rights Issue will increase from the current level of approximately 21.06% to approximately 56.91% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Tanner Enterprises will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by it pursuant to Rule 26.1 of the Takeovers Code.

If the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders and the voting rights of the Company held by Mr. Li Man Keung Edwin and parties acting in concert with him (being Tanner Enterprises, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan) the taking up of Rights Shares by Tanner Enterprises pursuant to the Underwriting Agreement exceeds 50% of the voting rights of the Company. Mr. Li Man Keung Edwin, Tanner Enterprises and parties acting in concert with either of them may further increase their holdings of voting rights of the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer. An application has been made by Tanner Enterprises to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution in relation to the Whitewash Waiver must be approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll. The Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder will be subject to, among other things, the approval by more than 50% of the Independent Shareholders at the EGM by way of poll. The Executive may or may not grant the Whitewash Waiver. As it is a condition precedent to the Rights Issue that the Whitewash Waiver is granted by the Executive, the Rights Issue will not proceed if the Whitewash Waiver is not granted by the Executive or if any other condition precedent under the Underwriting Agreement is not fulfilled.

The Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). If a concern should arise after the release of this circular, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder do not comply with applicable rules and regulations.

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive, if granted, is not approved by the Independent Shareholders, the Rights Issue and the Underwriting Agreement will not become unconditional and will not proceed.

If the Whitewash Waiver is granted by the Executive and approvals by the Independent Shareholders are obtained, upon completion of the Rights Issue, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Rights Shares, the maximum potential holding of voting rights of Mr. Li Man Keung, Tanner Enterprises and parties acting in concert with them in the Company will exceed 50%, Mr. Li Man Keung and Tanner Enterprises may thereafter increase their shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE

The CB Subscription Agreement

On 23 September 2024 (after trading hours, the Company entered into the CB Subscription Agreement with the CB Subscriber, pursuant to which the Company conditionally agreed to issue and the CB Subscriber conditionally agreed to subscribe for the Convertible Bonds in the principal amount of HK\$5,670,000.

Set out below are the principal terms of the CB Subscription Agreement:

Date: 23 September 2024

Parties: (i) the Company as issuer; and
(ii) the CB Subscriber

The CB Subscriber is an open ended fund company (“OFC”) with CR No. OF107 which was incorporated with variable capital, limited liability and segregated liability between the sub-funds in Hong Kong under the SFO and registered with the SFC under section 112D of the SFO on 15 November 2022 with the objective to operate as a collective investment scheme. The fund is a private OFC for the purposes of the Takeovers Code, and is an umbrella OFC for the purposes of all applicable laws and regulations including the SFO, the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571AQ), the Code and the SFC’s Fund Manager Code of Conduct, in all cases as may be amended from time to time.

The fund's investment objective is long-term capital appreciation through a combination of dividend income and capital appreciation of a sub-fund's underlying securities. A sub-fund can invest globally in a mix of listed and private equity investments with no particular geographic or sector focus. A sub-fund may invest in a portfolio of large, medium, and small capitalization stocks. The percentage of a sub-fund's assets invested in listed equity, private equity, fixed income, other funds or cash equivalents will vary from time to time based on the Investment Manager's outlook for the market. A sub-fund may have large weightings in a relatively few number of industries and/or individual securities.

Redbridge Capital Management Limited, a company incorporated with limited liability in Hong Kong with its principal business address at Room 2, Suite 3203-04, 32/F, (Queen's Road Central, Hong Kong, and licensed with the SFC with CE No. BAU760 to carry out Types 4 and 9 regulated activities pursuant to the SFO, has been appointed to provide discretionary investment management services, to give investment advice and provide other services to the fund with respect to each sub-fund. The investment manager is indirect wholly-owned by Mr. Michael Stockford.

The ultimate beneficial owner of the CB Subscriber is Dr. Zhe Zhang, who is the founder and CEO of SIFT Capital Partners Limited, a licensed corporation to carry out type 9 (asset management) under the SFO.

To the best of the Directors' knowledge and having made all reasonable enquiries, each of the CB Subscriber and its ultimate beneficial owner is a third party independent of the Company and its connected persons and do not hold any Shares as at the date of the CB Subscription Agreement and the Latest Practicable Date.

CB Subscription Price: HK\$5,670,000

Conditions of the CB Subscription Agreement

The CB Subscription is conditional upon:

- (i) the passing by the Independent Shareholders of relevant resolution(s) at the EGM in compliance with the requirements of the GEM Listing Rules approving:
 - (a) the CB Subscription Agreement and the transactions contemplated thereunder; and
 - (b) the issue of the Convertible Bonds and a specific mandate for the allotment and issue of the Conversion Shares to holder(s) of the Convertible Bonds in accordance with the terms and conditions of the Convertible Bonds;
- (ii) all necessary consents and approvals (including but not limited to the approvals from the board of directors to the CB Subscription Agreement) required to be obtained on the part of the Company in respect of the CB Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iii) all necessary consents and approvals (including but not limited to the approvals from the Investment Manager to the CB Subscription Agreement) required to be obtained on the part of the CB Subscriber in respect of the CB Subscription Agreement and the transactions contemplated thereunder having been obtained;
- (iv) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds;
- (v) none of the warranties given by the Company under the CB Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect; and
- (vi) none of the warranties given by the CB Subscriber under the CB Subscription Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or is misleading or untrue in any material respect.

In the event that the conditions of the CB Subscription are not fulfilled on or before 30 April 2025 or such other date as may be agreed between the parties to the CB Subscription Agreement, the CB Subscription Agreement shall cease and terminate and neither the Company nor the Subscriber shall have any obligations and liabilities under the CB Subscription Agreement.

Completion of the CB Subscription will not be conditional to any conditional precedents of the Rights Issue or the completion of the Rights Issue.

Completion

The CB Subscription Agreement shall complete within 3 Business Days after the day on which the conditions set out above are fulfilled or, as the case may be, waived (or such later date as may be agreed between the Company and the Subscriber in writing).

The following is a summary of key terms of the Convertible Bonds:

Issuer:	The Company
Subscriber:	The CB Subscriber
Issue Price:	100% of the principal amount
Principal amount:	HK\$5,670,000
Conversion price:	The Conversion Price per Conversion Share shall be HK\$0.315, subject to the customary adjustments in certain events including share consolidation, share sub-division, capitalisation issue, capital distribution, rights issue and issue of other securities
Interest rate:	The Convertible Bonds bear no interest
Conversion Shares:	Based on the principal amount of the Convertible Bonds of HK\$5,670,000, the Convertible Bonds are convertible into 18,000,000 Conversion Shares at the initial conversion price of HK\$0.315 per Conversion Share (subject to adjustments)
Conversion Period:	The period commencing from one (1) month from the date of the completion of the Rights Issue, or subject to the mutual agreement between the Company and the Bondholder(s) from the date of the issue of the Convertible Bond, and ending on the maturity date (as defined below) (both dates inclusive)
Conversion rights and restrictions	The holder(s) of the Convertible Bonds shall, subject to compliance with the procedures set out in the terms and conditions thereunder, have the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into the Conversion Shares provided further the exercise of the conversion rights attached to the Convertible Bonds will not cause the Company to be unable to meet the public float requirement under the GEM Listing Rules
Ranking:	The Conversion Shares, when allotted and issued, shall rank <i>pari passu</i> in all respects with the Shares in issue on the relevant conversion date including the right to all dividends other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the relevant conversion date
Maturity date:	The date falling twenty-four (24) months after the date of the issue of the Convertible Bonds

Voting rights:	The holder(s) of the Convertible Bonds shall not have any right to attend or vote in any general meeting of the Company
Transferability:	Subject to compliance with the GEM Listing Rules, the Convertible Bond shall not be assigned or transferred in whole or in part except with the prior written consent of the Company, which consent shall not be unreasonably withheld
Security:	The obligations of the Company under the Convertible Bonds are unsecured

Based on the initial Conversion Price of HK\$0.315 per Conversion Share, a maximum number of 18,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds in full, which represent: (i) approximately 42.0% of the issued share capital of the Company as at the date of this circular; and (ii) approximately 29.6% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon the exercise of the conversion rights attaching to the Convertible Bonds in full. The maximum aggregate nominal value of the Conversion Shares is HK\$4,500,000.

Conversion Price

The initial Conversion Price of HK\$0.315 per Conversion Share represents:

- (i) a discount of approximately 13.7% from the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on the date of the CB Subscription Agreement; and
- (ii) a discount of approximately 4.3% from the average closing price of HK\$0.329 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the CB Subscription Agreement.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$0.315 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of (i) the recent trading performance of the Shares and the financial position of the Group; and (ii) the prevailing market conditions of the capital market in Hong Kong taking into consideration the cautious investment sentiment in Hong Kong as a result of economic uncertainties. The Directors consider that the Conversion Price and the terms and conditions of the CB Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the shareholding structure of the Company arising from the proposed Rights Issue which are for illustrative purpose only.

Set out below is the shareholding structure of the Company (assuming no further issue or repurchase of the Shares and no exercise of any outstanding Share Options on or before the Record Date) (i) as at the Latest Practicable Date; (ii) immediately after completion of the Rights Issue assuming all Qualifying Shareholders take up their respective entitlements; (iii) immediately after completion of the Rights Issue assuming no Qualifying Shareholders take up their respective entitlements and the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are underwritten by the Underwriter; (iv) immediately after completion of the Rights Issue assuming the maximum Unsubscribed Rights Shares is underwritten by the Underwriter and no remaining Unsubscribed Rights Shares are placed to the placees under the Compensatory Arrangements; and (v) immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (assuming that there are no other changes to the shareholding structure of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bonds):

Substantial Shareholders and Directors	As at the Latest Practicable Date		Assuming all Qualifying Shareholders take up their respective entitlements		Assuming no Qualifying Shareholders take up their respective entitlements under the Rights Issue and the Unsubscribed Rights Shares and the NQS Unsold Rights Shares are underwritten by the Underwriter and placed under the Compensatory Arrangements		Assuming the maximum Unsubscribed Shares and the NQS Unsold Rights Shares are underwritten by the Underwriter and no Unsubscribed Rights Shares are placed under the Compensatory Arrangements		Immediately upon full conversion of the Convertible Bonds at the initial Conversion Price (Note 4)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Tanner Enterprises (Note 1)	4,549,200	10.62%	18,196,800	10.62%	93,001,280	54.30%	93,001,280	70.85%	93,001,280	49.14%
Mr. Li Man Keung Edwin (Note 1)	2,049,600	4.79%	8,198,400	4.79%	2,049,600	1.20%	2,049,600	1.56%	2,049,600	1.08%
Mr. Yeung Chun Yue David (Note 2)	1,520,000	3.55%	6,080,000	3.55%	1,520,000	0.89%	1,520,000	1.16%	1,520,000	0.80%
Mr. Hui Ringo Wing Kun (Note 3)	900,000	2.10%	3,600,000	2.10%	900,000	0.53%	900,000	0.69%	900,000	0.48%
Total Shares held by Tanner Enterprises and concert parties	9,018,800	21.06%	36,075,200	21.06%	97,470,880	56.91%	97,470,880	74.25%	97,470,880	51.50%
Public Shareholders										
Mr. Gan Funglun	7,416,000	17.32%	29,664,000	17.32%	7,416,000	4.33%	7,416,000	5.65%	7,416,000	3.92%
Placees	-	0.00%	-	0.00%	40,000,000	23.36%	-	0.00%	40,000,000	21.13%
CB Subscriber	-	0.00%	-	0.00%	-	0.00%	-	0.00%	18,000,000	9.51%
Other public shareholders	26,382,560	61.62%	105,530,240	61.62%	26,382,560	15.40%	26,382,560	20.10%	26,382,560	13.94%
Total	42,817,360	100.00%	171,269,440	100.00%	171,269,440	100.00%	131,269,400	100.00%	189,269,440	100.00%

Notes:

1. 4,549,200 Shares are held by Tanner Enterprises Group Limited which is wholly owned by Mr. Li Man Keung Edwin, an executive Director. Mr. Li Man Keung Edwin also directly holds 2,049,600 Shares. The aggregate Shares beneficially owned by Mr. Li Man Keung Edwin is 6,598,800 Shares.
2. 1,520,000 Shares are held by Great Win Global Limited, which is wholly owned by Mr. Yeung Chun Yue David, an executive Director.
3. 900,000 Shares are held by Bright Music Limited, which is wholly owned by Mr. Hui Ringo Wing Kun, an executive Director.
4. Under the terms of the Convertible Bonds, the conversion rights attached to them cannot be exercised to the extent that the public float of the Company will be less than 25% of the issued share capital of the Company following such exercise, or such exercise will result in the Company being in breach of any provision of the GEM Listing Rules.

The above table is for illustration purposes only and the actual changes to the shareholding structure of the Company upon completion of the Rights Issue may be different for various reasons, including the results of the Rights Issue.

FUND RAISING ACTIVITY OF THE COMPANY IN THE PAST 12 MONTHS

The following is the equity fund raising activity conducted by the Company in the past 12 months immediately before this circular.

Date of announcement	Fundraising activity	Net proceeds raised	Intended use of net proceeds	Actual use of net proceeds
23 February 2024	Subscription of new shares under general mandate	HK\$9.99 million	General working capital	Fully utilized as intended

Save as disclosed above, the Company has not conducted any equity fund raising activities in the past 12 months immediately prior to the date of this circular.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of (i) corporate finance advisory services, (ii) placing and underwriting services, (iii) asset management services, (iv) business consultancy services, (v) environmental, social and governance advisory services, (vi) corporate secretarial services, (vii) accounting and taxation services, (viii) risk management and internal control advisory services, and (ix) human resources services in Hong Kong.

INFORMATION OF THE CB SUBSCRIBER

The CB Subscriber is an open ended fund company (“OFC”) with CR No. OF107 which was incorporated with variable capital, limited liability and segregated liability between the sub-funds in Hong Kong under the SFO and registered with the SFC under section 112D of the SFO on 15 November 2022 with the objective to operate as a collective investment scheme. The fund is a private OFC for the purposes of the Code, and is an umbrella OFC for the purposes of all applicable laws and regulations including the SFO, the Securities and Futures (Open-ended Fund Companies) Rules (Cap. 571AQ), the Code and the SFC’s Fund Manager Code of Conduct, in all cases as may be amended from time to time.

The fund’s investment objective is long-term capital appreciation through a combination of dividend income and capital appreciation of a sub-fund’s underlying securities. A sub-fund can invest globally in a mix of listed and private equity investments with no particular geographic or sector focus. A sub-fund may invest in a portfolio of large, medium, and small capitalization stocks. The percentage of a sub-fund’s assets invested in listed equity, private equity, fixed income, other funds or cash equivalents will vary from time to time based on the Investment Manager’s outlook for the market. A sub-fund may have large weightings in a relatively few number of industries and/or individual securities.

Redbridge Capital Management Limited, a company incorporated with limited liability in Hong Kong with its principal business address at Room 2, Suite 3203–04, 32/F, (Queen’s Road Central, Hong Kong, and licensed with the SFC with CE No. BAU760 to carry out Types 4 and 9 regulated activities pursuant to the SFO, has been appointed to provide discretionary investment management services, to give investment advice and provide other services to the fund with respect to each sub-fund.

The ultimate beneficial owner of the CB Subscriber is Dr. Zhe Zhang, who is the founder and CEO of SIFT Capital Partners Limited, a licensed corporation to carry out type 9 (asset management) under the SFO.

As at the Latest Practicable Date, Dr. Zhe Zhang, being the ultimate beneficial owner of the CB Subscriber, (i) had no relationship with Tanner Enterprises or Mr. Li Man Keung Edwin; (ii) was not a concert party with Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue, Mr. Hui Ringo Wing Kun or any parties acting in concert with any of them; and (iii) did not hold any Shares in the Company.

As at the Latest Practicable Date, Mr. Michael Stockford (i) has no relationship with Tanner Enterprises or Mr. Li Man Keung Edwin; (ii) is not a concert party with Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue, Mr. Hui Ringo Wing Kun or any parties acting in concert with any of them; and (iii) does not hold any of the Shares in the Company.

Mr. Michael Stockford is the sole ultimate beneficial owner of Redbridge Capital Management Limited, which is the investment manager of the CB Subscriber and is beneficially interested in 34% of the Placing Agent.

The Directors took into consideration whether the commercial terms, fairness and reasonableness for the Company in entering into the CB Subscription Agreement and the Placing Agreement would be affected from Mr. Michael Stockford's aforementioned involvement with the CB Subscriber and the Placing Agent. With consideration that (i) the proceeds made available from the CB Subscription Agreement was only made possible from Mr. Michael Stockford's networking with the CB Subscriber; (ii) the Placing Agreement with no placing commission to be incurred by the Company was only made possible from the Mr. Michael Stockford's involvement in the Placing Agent; and (iii) Mr. Michael Stockford's involvement would not affect the opportunity for Qualifying Shareholders to participate in the future development of the Company and maintaining their respective pro-rata shareholding interests in the Company in respect of the Rights Issue, the Directors (other than the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) are of the view that the Rights Issue and the Placing Agreement were entered into on a more favourable commercial term to the Company, and fair and reasonable for the Company.

REASONS FOR AND BENEFITS OF THE PROPOSED SUBSCRIPTION OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The proceeds from the CB Subscription will be HK\$5,670,000. The Company intends to apply the proceeds from the CB Subscription as general working capital of the Group.

Pursuant to ongoing development strategies, the Directors anticipates the Company would be able to create synergy with the CB Subscriber by utilizing its financial expertise and building from the CB Subscriber's networking with consideration that (i) the net proceeds from the CB Subscription would relieve the Group of its potential growing operation and administrative expenses following its development strategies; and (ii) any potential increase in the Company's Shares will provide value in the CB Subscriber's Conversion Shares, and will therefore act as an incentive for the Subscriber to enter into any active role by providing potential networking or financial support in contribution to the continuous growth of the Group.

Taking into consideration of the losses and the poor market sentiment that the Company has been facing, it has been difficult for the Company to seek investment opportunities in and maintain its operations. Although the conversion price under the CB Subscription was set at a discount of 13.7% to the closing price on the Last Trading Day, the Directors took into consideration that the Company's average Share price per month has been experiencing a month-by-month drop from 7.6% to 25.4% since 1 January 2024 up to the Last Trading Day, and it would be difficult to predict that the Shares would be traded at a higher price than the conversion price as set out in the CB Subscription Agreement.

As such, the Directors are of the view that it is on normal commercial terms and fair and reasonable to allow a discounted conversion price under the CB Subscription and promptly respond to the investment opportunity pursuant to the CB Subscription Agreement should the Share price continue to fall.

The Directors (other than the members of the Listing Rules IBC and the Takeovers Code IBC whose opinion are set forth in the letters from the Listing Rules IBC and Takeovers Code IBC below after considering the advice from the Independent Financial Adviser) are of the view that the terms of the CB Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

PROPOSED CAPITAL REDUCTION OF ISSUED SHARES AND SUB-DIVISION OF UNISSUED SHARES

Assuming the Increase in Authorised Share Capital becomes effective, the authorised share capital of the Company will be HK\$100,000,000 divided into 400,000,000 Shares, of which 42,817,360 Shares have been issued and are fully paid or credited as fully paid. The Board proposes the Capital Reduction and the Sub-division to be implemented in the following manner:

- (i) the par value of each of the issued Shares be reduced from HK\$0.25 to HK\$0.01 per issued Share by cancelling the paid up share capital to the extent of HK\$0.24 per issued Share by way of reduction of capital, so as to form issued New Ordinary Shares with par value of HK\$0.01 each;
- (ii) the credit arising from the Capital Reduction be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of credit (if any) will be transferred to a distributable reserve account of the Company and be applied for such purposes as permitted by all applicable laws and the memorandum and articles of association of the Company and as the Board considers appropriate;
- (iii) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Shares with par value of HK\$0.25 each be subdivided into 25 authorised but unissued New Ordinary Shares with par value of HK\$0.01 each; and
- (iv) each of the New Ordinary Shares arising from the Capital Reduction and Sub-division shall rant *pari passu* in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Assuming there will be no change in the issued share capital of the Company from the date of this circular up to the date on which the Capital Reduction and the Sub-division become effective, the share capital structure of the Company will be as follows:

	As of the date of this circular	Immediately after the Capital Reduction and the Sub-division becoming effective
Par value	HK\$0.25 per Share	HK\$0.01 per Share
Amount of the authorised share capital	HK\$100,000,000	HK\$100,000,000
Number of authorised shares	400,000,000	10,000,000,000
Amount of the issued share capital	HK\$10,704,340	HK\$428,173.60
Number of issued shares	42,817,360	42,817,360

As at the Latest Practicable Date, 42,817,360 Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 42,817,360 issued Shares will be reduced from HK\$0.25 to HK\$0.01 per issued Share by cancelling the paid up share capital to the extent of HK\$0.24 per issued Share by way of a reduction of capital, so as to form issued New Ordinary Shares with par value of HK\$0.01 each, the Company's existing issued share capital of HK\$10,704,340 will be reduced by HK\$10,276,166.40 to HK\$428,173.60.

Conditions of the Capital Reduction and Sub-division

The proposed Capital Reduction and Sub-division are conditional to the passing of the ordinary resolution by the Shareholders at the EGM.

Completion of the Capital Reduction and Sub-division will not be conditional on completion of the Increase in Authorised Share Capital, Change in Board Lot Size, Rights Issue and the CB Subscription Agreement.

Reasons for and Effects of the Capital Reduction and the Sub-division

The proposed Capital Reduction and Sub-division will enable the par value of the Shares to be reduced from HK\$0.25 to HK\$0.01 each. The credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company. The balance of credit (if any) will be transferred to the distributable reserve account of the Company which may be utilised by the Directors as a distributable reserve.

The Board is of the opinion that the proposed Capital Reduction will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

The Capital Reduction and the Sub-division will reduce the nominal or par value of the Shares to be from HK\$0.25 to HK\$0.01 each, thus giving greater flexibility to the Company to issue new Shares in the future given that the Company is not permitted, without order of the court, to issue new Shares below their nominal or par value. It is important for Shareholders to note that, at this stage, there can be no assurance that any dividends will be declared or paid in the future, or that the Company will issue New Ordinary Shares, even if the Capital Reduction and the Sub-division take effect.

The Directors are of the view that the Capital Reduction and the Sub-division are in the best interests of the Company and its Shareholders as a whole. Save for applying the credit arising from the Capital Reduction towards offsetting the accumulated losses of the Company and the expenses to be incurred in relation to the Capital Reduction and the Sub-division, the Directors consider that the Capital Reduction and the Sub-division will have no effect on the underlying assets, business operations, management or financial position of the Company or the proportional interests of the Shareholders in the Company.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Underwriter and parties acting in concert with it for the purposes of the Takeovers Code (being Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan), taken together, in aggregate, hold 9,018,800 Shares, representing approximately 21.06% of the issued share capital of the Company.

Assuming (i) there is no change in the number of issued Shares from 23 September 2024, being the date of the announcement of the Company dated 23 September 2024, up to and including the closing date of the Rights Issue; (ii) none of the Qualifying Shareholders take up their entitlements under the Rights Issue; and (iii) a maximum of 88,452,080 Unsubscribed Rights Shares are taken up by Tanner Enterprise, the aggregate shareholding of the concert party comprising Mr. Li Man Keung Edwin, Tanner Enterprises, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan, upon the close of the Rights Issue will increase from the current level of approximately 21.06% to approximately 56.91% of the issued share capital of the Company as enlarged by the issue of the Rights Shares. Tanner Enterprises will, in the absence of the Whitewash Waiver, be obliged to make a mandatory cash offer for all issued Shares not already owned or agreed to be acquired by its pursuant to Rule 26.1 of the Takeovers Code.

If the Whitewash Waiver is granted by the Executive and approved by Independent Shareholders, and all 88,452,080 Underwritten Shares are taken up by Tanner Enterprises pursuant to the Underwriting Agreement the aggregate voting rights in the Company held by Tanner Enterprises immediately afterwards will represent approximately 54.30% of all voting rights (assuming no change in the number of Shares in issue on or before the Record Date) and the aggregate voting rights in the Company held by Mr. Li Man Keung Edwin and parties acting in concert with him (being Tanner Enterprises, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun and Mr. Michael Stockford) will exceed 50% of the voting rights of the Company. Tanner Enterprises may further increase its holding of voting rights of the Company without incurring any further obligation under Rule 26 of the Takeovers Code to make a general offer. An application has been made by Tanner Enterprises to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of

the Independent Shareholders at the EGM by way of poll. Under the Takeovers Code, the resolution in relation to the Whitewash Waiver must be approved by at least 75% of the independent votes that are cast either in person or by proxy by the Independent Shareholders at the EGM by way of poll.

The Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder will be subject to, among other things, the approval by more than 50% of the Independent Shareholders at the EGM by way of poll.

The Executive may or may not grant the Whitewash Waiver. It is a condition precedent to the Rights Issue that the Whitewash Waiver is granted by the Executive. The Rights Issue will not proceed if the Whitewash Waiver is not granted by the Executive or if any other condition precedent under the Underwriting Agreement is not fulfilled.

The Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver would not give rise to any concerns in relation to compliance with other applicable rules or regulations (including the GEM Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder do not comply with applicable rules and regulations.

CONFIRMATIONS BY THE UNDERWRITER AND PARTIES ACTING IN CONCERT WITH IT, ETC.

Each of Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan has confirmed that none of them and persons acting in concert with any of them has acquired any voting rights in the Company nor dealt in any securities of the Company and there have been no disqualifying transactions as stipulated under paragraph 3 of Schedule VI to the Takeovers Code, in the six-month period preceding the date of the Previous Announcement dated 23 September 2024 and up to and including the Latest Practicable Date.

Each of Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun, Mr. Michael Stockford and Ms. Chan Hiu Shan has confirmed that as at the Latest Practicable Date,

- (a) save for (i) 6,598,800 Shares, representing approximately 15.41% of the issued share capital of the Company owned by Mr. Li Man Keung Edwin or Tanner Enterprises, a company controlled by Mr. Li Man Keung Edwin; (ii) 1,520,000 Shares, representing approximately 3.55% of the issued share capital of the Company owned by Mr. Yeung Chun Yue David; (iii) 900,000 Shares, representing approximately 2.10% of the issued share capital of the Company owned by Mr. Hui Ringo Wing Kun, they and persons acting in concert with any of them do not hold, control or have direction over any Shares, convertible securities, warrants or options of the Company or any outstanding derivatives in respect of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company;
- (b) they and persons acting in concert with any of them have not received any irrevocable commitment or arrangements to vote in favour of or against the resolutions in respect of the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription;

- (c) there is no borrowing or lending of any relevant securities (as defined in Note 4 of Rule 22 of the Takeovers Code) of the Company by them and persons acting in concert with them;
- (d) save for the Underwriting Agreement, there is no arrangement of the type referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares which might be material to the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription;
- (e) other than those referred to in the section headed “Conditions precedent of the Underwriting Agreement”, there is no agreement or arrangement to which any of them or any person acting in concert with them is a party which related to the circumstances in which any of them may or may not invoke or seek to invoke a precondition or a condition to the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription;
- (f) none of them has dealt in any relevant securities of the Company in the Relevant Period; and
- (g) none of them has entered into any derivative in respect of the relevant securities in the Company which are outstanding.

As at the Latest Practicable Date:

- (a) the Company has not paid and will not pay any consideration, compensation or benefit in whatever form to the Underwriter, Li Man Keung Edwin and parties acting in concert with either of them in connection with the Rights Issue and the Underwriting Agreement;
- (b) apart from the Underwriting Agreement, there is no understanding, arrangement or special deal between any member of the Group on the one hand, and the Underwriter, Li Man Keung Edwin and parties acting in concert with either of them on the other hand; and
- (c) there is no understanding, arrangement or agreement or special deal between (i) any Shareholders (excluding the Underwriter, Li Man Keung Edwin and parties acting in concert with any of them who are Shareholders); and (ii)(x) the Underwriter, Li Man Keung Edwin and parties acting in concert with either of them; or (y) the Company, its subsidiaries or associated companies.

IMPLICATIONS UNDER THE GEM LISTING RULES AND THE TAKEOVERS CODE

As at the Latest Practicable Date, (i) Mr. Li Man Keung Edwin holds directly and indirectly through Tanner Enterprises an aggregate of approximately 15.41% of the issued Shares; (ii) Mr. Yeung Chun Yue David indirectly held through Great Win Global Limited approximately 3.55%; and (iii) Mr. Hui Ringo Wing Kun indirectly held through Bright Music Limited approximately 2.10% of the issued Shares; and (iv) Mr. Michael Stockford did not directly or indirectly hold any Shares. Save for Mr. Li Man Keung Edwin’s, Mr. Yeung Chun Yue David’s and Mr. Hui Ringo Wing Kun’s interests in the Shares, no other Director or chief executive of the Company and their respective associates were interested in the Shares as at the Latest Practicable Date.

The Company has no controlling shareholder, and the Directors (excluding the Independent NonExecutive Directors) and the chief executive of the Company, and their respective associates will be required to abstain from voting in favour of the proposed resolution approving the Rights Issue in accordance with Rule 10.29(1) of the GEM Listing Rules. Accordingly, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun and Mr. Michael Stockford, the chief executive of the Company and their respective associates will abstain from voting in favour of the resolution to approve the Rights Issue and the transactions contemplated thereunder at the EGM.

Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David and Mr. Hui Ringo Wing Kun, parties acting in concert with any of them and shareholders who are interested in and involved in the Underwriting Agreement, the Whitewash Waiver and transactions contemplated thereunder will be required to abstain from voting in respect of the resolutions to approve the Underwriting Agreement and the Whitewash Waiver at the EGM.

As at the date of the CB Subscription Agreement, Mr. Michael Stockford was not a connected person of the Company. As he is now an executive Director and a connected person of the Company, the Board has agreed with the CB Subscriber to treat the CB Subscription Agreement as a connected transaction of the Company and it will be subject to approval of Independent Shareholders and other requirements of Chapter 20 of the GEM Listing Rules. Tanner Enterprises, Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David and Mr. Hui Ringo Wing Kun, the Placing Agent, Mr. Michael Stockford and parties acting in concert with any of them and shareholders who are materially interested in the CB Subscription Agreement will be required to abstain from voting in respect of the resolution to approve the CB Subscription Agreement at the EGM.

Accordingly, in accordance with the GEM Listing Rules and the Takeovers Code as the case may be, all of the executive Directors and the Underwriter, namely Mr. Li Man Keung Edwin, Mr. Yeung Chun Yue David, Mr. Hui Ringo Wing Kun and Tanner Enterprises and their respective concert parties and associates who are involved in, or interested in, the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription will be required to abstain from voting in respect of the resolutions to approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription at the EGM. Save for the above, as at the Latest Practicable Date, no other Shareholders is required to abstain from voting on the relevant resolutions at the EGM.

The Directors are of the view that the terms of the Rights Issue, the Underwriting Agreement, the Whitewash Waiver and the CB Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

The EGM (notice of which is set out in this circular) will be convened for the Shareholders to consider and, if thought fit, approve the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder amongst other things.

ESTABLISHMENT OF LISTING RULES IBC, THE TAKEOVERS CODE IBC AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Company has established the Listing Rules IBC, comprising all the Independent Non-Executive (who have all confirmed that they have no direct or indirect interest in the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder), to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the CB Subscription and the transactions contemplated thereunder on whether the terms are fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole, and whose opinion will be set forth in the letter from the Listing Rules IBC after considering the advice from the Independent Financial Adviser.

The Company has established the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code, comprising all the Independent Non-Executive (who have all confirmed that they have no direct or indirect interest in the Rights Issue, the Underwriting Agreement, the CB Subscription and the transactions contemplated thereunder, and the Whitewash Waiver), to advise the Independent Shareholders in respect of the Rights Issue, the Underwriting Agreement, the CB Subscription and the transactions contemplated thereunder and the Whitewash Waiver on whether the terms are fair and reasonable and as to voting, and whose opinion will be set forth in the letter from the Takeovers Code IBC after considering the advice from the Independent Financial Adviser.

As disclosed under the paragraph headed “Takeovers Code Rule 26.4” in this circular, the Company has appointed Ms. Chan Hiu Shan as a non-executive Director with effect from 2 January 2025. While Rule 2.8 of the Takeovers Code requires the independent committee of the Board to comprise all non-executive directors of the company who have no direct or indirect interest in any offer or possible offer for consideration by the independent committee, given that the Takeovers Code IBC was already formed in October 2024 and a meeting was held to approve the appointment of the Independent Financial Adviser, the Company believes that it is in the best interest of the Independent Shareholders to keep the current composition of the Takeovers Code IBC unchanged, as Ms. Chan may require time to familiarize herself with the information regarding the proposed transaction, potentially limiting her ability to contribute effectively to recommendations for the Independent Shareholders.

Pelican Financial Limited has been appointed with the approval of the Listing Rules IBC and the Takeovers Code IBC pursuant to Rule 2.1 of the Takeovers Code to advise the Listing Rules IBC, Takeovers Code IBC and the Independent Shareholders as to whether the Rights Issue, the Underwriting Agreement, the Whitewash Waiver, the CB Subscription and the transactions contemplated thereunder are fair and reasonable and make recommendations as to voting.

DESPATCH OF THE PROSPECTUS DOCUMENTS

The Prospectus Documents will be despatched to the Qualifying Shareholders on or about Friday, 14 February 2025 after obtaining the approval of the Rights Issue, the Underwriting Agreement, the CB Subscription and the transaction contemplated thereunder and the Whitewash Waiver from the Independent Shareholders at the EGM. Only the Prospectus will be despatched to the Non-Qualifying Shareholders for their information. The Non-Qualifying Shareholders will not be entitled to any assured allotment under the Rights Issue.

EGM

A notice convening the EGM to be held at 21/F., The Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong on Tuesday, 28 January 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-6 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding the EGM, i.e. Sunday, 26 January 2025 at 11:00 a.m. (Hong Kong time). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

RECOMMENDATIONS

The Directors consider that the terms of the Rights Issue, the Underwriting Agreement, the CB Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole, and the Increase in Authorised Share Capital, Capital Reduction and the Whitewash Waiver is fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, the Directors recommend (i) the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Increase in Authorised Share Capital and the Capital Reduction and Sub-division; and (ii) the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Underwriting Agreement, the CB Subscription and the transactions contemplated thereunder and the Whitewash Waiver.

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

The Rights Issue is subject to the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms and the Underwriter not having terminated the Underwriting Agreement.

Please refer to the paragraph headed "Conditions of the Rights Issue" in this circular. If the conditions to the Rights Issue are not fulfilled, the Rights Issue will not proceed.

Any Shareholder or other person dealing in the Shares and/or Rights Shares up to the date on which all the conditions of the Rights Issue are fulfilled will accordingly bear the risk that the Rights Issue may not proceed.

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

Shareholders are advised to exercise caution when dealing in the Shares and/or the Rights Shares. Any Shareholders or other persons contemplating any dealings in the Shares and/or Rights Shares in nil-paid form are recommended to consult their professional advisers.

ADDITIONAL INFORMATION

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

For and on behalf of
Hatcher Group Limited

A handwritten signature in black ink, appearing to be 'Hui Ringo Wing Kun', written in a cursive style.

Hui Ringo Wing Kun
Executive Director