
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Luxxu Group Limited (the "Company"), you should at once forward this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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



L U X X U

GROUP LIMITED

Luxxu Group Limited

勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

**(1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Placing Agent



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

VINCO 榮高

Vinco Financial Limited

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

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 17 March 2025. Dealings in the Rights Shares in their nil-paid form will take place from Friday, 28 March 2025 to Monday, 7 April 2025 (both days inclusive). If the conditions of the Rights Issue are not fulfilled or waived (as applicable), the Rights Issue will not proceed. Any persons contemplating dealings in the Shares prior to the date on which the conditions of the Rights Issue are fulfilled or waived (as applicable), and/or dealings in the nil-paid Rights Shares, are accordingly subject to the risk that the Rights Issue may not become unconditional and may not proceed.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. Please refer to the section headed "Conditions of the Rights Issue" in this circular. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent places under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

A letter of advice from Vinco Financial Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 49 to 77 of this circular and a letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 47 to 48 of this circular.

A notice convening the EGM to be held at 11:00 a.m. on Friday, 7 February 2025 at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong together with the form of proxy are enclosed with this circular. Whether or not you are able to attend the EGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

17 January 2025

CONTENTS

	<i>Page</i>
Expected Timetable	1
Definitions	5
Letter from the Board	12
Letter from the Independent Board Committee	47
Letter from Vinco Financial	49
Appendix I – Financial information of the Group	I-1
Appendix II – Unaudited pro forma financial information of the Group	II-1
Appendix III – General information	III-1
Notice of extraordinary general meeting	EGM-1

EXPECTED TIMETABLE

The expected timetable for the proposed Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing is set out below.

Event	Expected Date/Time
Latest date and time for lodging transfer documents in order to be qualified to be attending and voting at the EGM	4:30 p.m. on Tuesday, 28 January 2025
Closure of register of members of the Company to determine entitlement to attend and vote at the EGM	Wednesday, 29 January 2025 to Friday, 7 February 2025 (both days inclusive)
Latest date and time for lodging proxy forms for the EGM	11:00 a.m. on Wednesday, 5 February 2025
Record date for determining attendance and voting at the EGM	Friday, 7 February 2025
Date and time of the EGM	11:00 a.m. on Friday, 7 February 2025
Announcement of poll results of the EGM	Friday, 7 February 2025
Re-opening of the register of members of the Company	Monday, 10 February 2025
 The following events are conditional on the fulfillment of the conditions for the implementation of the Capital Reduction, which are included in this circular:	
Effective date of the Capital Reorganisation	Friday, 14 March 2025
Commencement of dealings in the Adjusted Shares	9:00 a.m. on Friday, 14 March 2025
Original counter for trading in the Existing Shares in board lot size of 10,000 Existing Shares (in the form of existing share certificates) temporarily closes	9:00 a.m. on Friday, 14 March 2025
Temporary counter for trading in board lot size of 2,000 Adjusted Shares (in the form of existing share certificates) opens	9:00 a.m. on Friday, 14 March 2025

EXPECTED TIMETABLE

First day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares	9:00 a.m. on Friday, 14 March 2025
Last day of dealings in the Adjusted Shares on a cum-rights basis relating to the Rights Issue	Friday, 14 March 2025
First day of dealings in the Adjusted Shares on an ex-rights basis relating to the Rights Issue	Monday, 17 March 2025
Latest time for lodging transfers of the Adjusted Shares in order to be qualified for the Rights Issue	4:30 p.m. on Tuesday, 18 March 2025
Closure of register of members to determine the entitlements to the Rights Issue	Wednesday, 19 March 2025 to Tuesday, 25 March 2025 (both days inclusive)
Record Date for the Rights Issue	Tuesday, 25 March 2025
Re-opening of the register of members of the Company	Wednesday, 26 March 2025
Prospectus Documents are made available and/or despatched (as the case may be) to the Qualifying Shareholders (in the case of the Non-Qualifying Shareholders, the Prospectus only)	Wednesday, 26 March 2025
Designated broker starts to stand in the market to provide matching services for odd lots of the Adjusted Shares	9:00 a.m. on Friday, 28 March 2025
Original counter for trading in the Adjusted Shares in the new board lot size of 20,000 Adjusted Shares (in the form of new share certificates) re-opens	9:00 a.m. on Friday, 28 March 2025
Parallel trading in the Adjusted Shares (in the form of both existing share certificates in board lot size of 2,000 Adjusted Shares and new share certificates in the new board lot size of 20,000 Adjusted Shares) commences	9:00 a.m. on Friday, 28 March 2025

EXPECTED TIMETABLE

First day of dealings in nil-paid Rights Shares in the new board lot size of 20,000 Rights Shares	9:00 a.m. on Friday, 28 March 2025
Latest time for splitting of the PALs	4:30 p.m. on Tuesday, 1 April 2025
Last day of dealings in nil-paid Rights Shares in the new board lot size of 20,000 Rights Shares	Monday, 7 April 2025
Latest Time for Acceptance and payment for the Rights Share	4:00 p.m. on Thursday, 10 April 2025
Announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Placing	Thursday, 17 April 2025
Designated broker ceases to provide matching services for odd lots of the Adjusted Shares	4:00 p.m. on Tuesday, 22 April 2025
Temporary counter for trading in board lot size of 2,000 Adjusted Shares (in the form of existing share certificates) closes	4:10 p.m. on Tuesday, 22 April 2025
Parallel trading in Adjusted Shares (in the form of existing share certificates and new share certificates for the Adjusted Shares) ends	4:10 p.m. on Tuesday, 22 April 2025
Commencement of the Placing Period (if there are any Unsubscribed Rights Shares and NQS Unsold Rights Shares available)	Tuesday, 22 April 2025
Last day for free exchange of existing share certificates for the Existing Shares into new share certificates for the Adjusted Shares	Thursday, 24 April 2025
Latest time of placing of Unsubscribed Rights Shares and NQS Unsold Rights Shares subject to the Compensatory Arrangements	4:00 p.m. on Wednesday, 30 April 2025
Latest Time for termination of the Placing Agreement	4:00 p.m. on Friday, 2 May 2025

EXPECTED TIMETABLE

Announcement of the results of the Rights Issue (including the results of the Placing and the Net Gain)	Friday, 9 May 2025
Despatch of share certificates for the Rights Shares and/or refund cheques	Monday, 12 May 2025
First day of dealings in the fully-paid Rights Shares in the new board lot size of 20,000 Rights Shares	Tuesday, 13 May 2025
Payment of Net Gain to relevant No Action Shareholders (if any) or Non-Qualifying Shareholders (if any)	Thursday, 22 May 2025

Notes:

- (1) Shareholders should note that the dates and deadlines specified in the above timetable, and in other parts of this circular are indicative only and subject to change. Further announcement(s) will be made if there is any change to the expected timetable.
- (2) Unless otherwise specified, all references to times and dates are references to Hong Kong times and dates.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE

The Latest Time for Acceptance will not take place as scheduled if there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning or “extreme conditions” caused by super typhoons issued by the Hong Kong Observatory:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Thursday, 10 April 2025. Instead, the Latest Time for Acceptance will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Thursday, 10 April 2025. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warning in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

If the Latest Time for Acceptance does not take place on the currently scheduled date, the dates mentioned in the section headed “Expected timetable” in this circular may be affected. The Company will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

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

“Adjusted Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganisation becoming effective
“AFRC”	the Accounting and Financial Reporting Council
“Announcement”	the announcement of the Company dated 2 December 2024 in relation to, the Capital Reorganisation, the Change in Board Lot Size, the Rights Issue and the Placing
“Articles”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted or the Extreme Conditions is announced in Hong Kong between 9:00 a.m. and 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Capital Reduction”	the proposed reduction of the issued share capital of the Company by reducing the par value of each Consolidated Share from HK\$0.50 to HK\$0.01 by cancelling the paid-up share capital to the extent of HK\$0.49 on each issued Consolidated Share
“Capital Reorganisation”	the proposed Share Consolidation, Capital Reduction and Share Subdivision
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Change in Board Lot Size”	the proposed change in board lot size of the Shares for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares

DEFINITIONS

“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Company”	Luxxu Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1327)
“Compensatory Arrangements”	the compensatory arrangements pursuant to Rule 7.21(1)(b) of the Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares and the Compensatory Arrangements” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	The ordinary share(s) of par value of HK\$0.50 each in the share capital of the Company immediately after the Share Consolidation but prior to the Capital Reduction and Share Subdivision
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering, and if thought fit, approving the resolutions in relation to the Capital Reorganisation and the Rights Issue, which is expected to be held at 11:00 a.m. on Friday, 7 February 2025 and any adjournment thereof
“Existing Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“Extreme Conditions”	extreme conditions including but not limited to serious disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
“Grand Court”	the Grand Court of the Cayman Islands
“Group”	the Company and its subsidiaries

DEFINITIONS

“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board, comprising all the independent non-executive Directors, established to make recommendations to the Independent Shareholders in respect of the terms of the Rights Issue
“Independent Financial Adviser” or “VincO Financial”	VincO Financial Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser of the Company appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions contemplated thereunder
“Independent Shareholder(s)”	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue and the Placing at the EGM under the Listing Rules
“Independent Third Parties”	third party(ies) independent of the Company and its connected persons and not connected with any of them or their respective associates
“Last Trading Day”	2 December 2024, being the last full trading day before the release of the Announcement
“Latest Practicable Date”	15 January 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this circular prior to its publication
“Latest Time for Acceptance”	4:00 p.m. on Thursday, 10 April 2025 (or such other time and date as may be determined by the Company), being the latest time for the acceptance of, and payment for, the Rights Shares
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Memorandum”	the memorandum of association of the Company, as amended from time to time
“Net Gain”	the aggregate of any premiums (being the aggregate amount paid by the placees) after deducting the aggregate amount of the Subscription Price for the Placing Shares placed by the Placing Agent under the Placing Agreement
“No Action Shareholder(s)”	Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue who do not subscribe for the Rights Shares (whether partially or fully) under the PAL(s), or such persons who hold any nil-paid rights at the time such nil-paid rights lapse
“Non-Qualifying Shareholder(s)”	Overseas Shareholder(s) whom the Board, after making enquiries, consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“NQS Unsold Rights Shares”	the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form
“Optionholder’s Undertaking(s)”	the undertaking(s) executed by the holders of the Share Options, whereby each of such Share Option holders irrevocably undertake, represent and warrant to the Company that he/she will not exercise such Share Options held by him/her for the period from the date of such undertaking to the close of business on the Record Date (both days inclusive)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear on the register of members of the Company as at close of business on the Record Date and whose address(es) as shown on such register at that time is(are) in (a) place(s) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“Placing”	arrangements to place the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by the Placing Agent on a best effort basis to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are Independent Third Parties during the Placing Period on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities
“Placing Agreement”	the placing agreement dated 2 December 2024 entered into between the Company and the Placing Agent in relation to the placing of the Placing Shares
“Placing Long Stop Date”	Monday, 30 June 2025 or such later date as the Company and the Placing Agent may agree in writing
“Placing Period”	the period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Tuesday, 22 April 2025 and ending at 4:00 p.m. on Wednesday, 30 April 2025, or any other date by mutual written agreement between the Placing Agent and the Company
“Placing Share(s)”	the Unsubscribed Rights Share(s) and the NQS Unsold Rights Share(s)
“Posting Date”	Wednesday, 26 March 2025 (or such other date as may be determined by the Company), being the date on which the Prospectus Documents are made available to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders
“PRC”	The People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Prospectus”	the prospectus to be issued by the Company in relation to the Rights Issue
“Prospectus Documents”	the Prospectus and the PAL(s)
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholders whose name(s) appear on the register of members of the Company on the Record Date
“Record Date”	Tuesday, 25 March 2025 or such other date as the Company may determine, for the determination of the entitlements under the Rights Issue
“Registrar”	the Company branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Rights Issue”	the issue of Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every one (1) Adjusted Share held on the Record Date payable in full on acceptance
“Rights Share(s)”	107,827,200 Adjusted Shares to be allotted and issued pursuant to the Rights Issue (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Existing Share(s), Consolidated Share(s), and/or Adjusted Share(s) as the case may be
“Share Consolidation”	the proposed consolidation of every five (5) Existing Shares of par value of HK\$0.10 each into one (1) Consolidated Share of par value of HK\$0.50 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Share Option”	the share option(s) granted by the Company pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Shareholders passed on 19 December 2014
“Share Subdivision”	the proposed subdivision of authorised but unissued Shares of par value of HK\$0.50 each into fifty (50) Adjusted Shares of par value of HK\$0.01 each
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.15 per Rights Share
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers issued by the SFC (as may be amended from time to time)
“Unsubscribed Rights Share(s)”	the number of Unsubscribed Rights Share(s) not taken up by the Qualifying Shareholder(s) or renouncee(s) or transferee(s) of nil-paid rights under PAL(s) during the Rights Issue
“%”	per cent

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of RMB1.0 to HK\$1.1. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

LETTER FROM THE BOARD



L U X X U

GROUP LIMITED

Luxxu Group Limited

勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

Executive Directors:

Mr. Liang Yanhuang

Mr. Yang Xi

Registered office:

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P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

Independent non-Executive Directors:

Mr. Yu Chon Man

Ms. Duan Baili

Mr. Zhong Weili

Principal place of business in Hong Kong:

Unit 506, 5/F

New World Tower 1

18 Queen's Road Central, Central

Hong Kong

To the Shareholders,

Dear Sir or Madam,

- (1) PROPOSED CAPITAL REORGANISATION;
(2) PROPOSED CHANGE IN BOARD LOT SIZE;
(3) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY ONE (1) ADJUSTED SHARE
HELD ON THE RECORD DATE; AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

References are made to the Announcement in relation to, the Capital Reorganisation which involves the Share Consolidation, the Capital Reduction and the Share Subdivision, the Change in Board Lot Size, the Rights Issue and the Placing.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information regarding (i) details of the Capital Reorganisation and the Change in Board Lot Size; (ii) further information regarding the Rights Issue and the transactions contemplated thereunder; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue; (v) other information required under the Listing Rules; and (vi) the notice of the EGM.

(1) PROPOSED CAPITAL REORGANISATION

The Board proposes to implement the Capital Reorganisation which will involve the Share Consolidation, Capital Reduction and Share Subdivision as follows:

(1) Share Consolidation

Every five (5) issued and unissued Existing Shares of par value of HK\$0.10 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.50 each;

(2) Capital Reduction

The issued share capital of the Company will be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.49 on each of the then issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.50 to HK\$0.01. The credit arising from the Capital Reduction be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company; and

(3) Share Subdivision

Immediately following the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK\$0.50 each in the authorised share capital of the Company will be subdivided into fifty (50) authorised but unissued Adjusted Shares of par value of HK\$0.01 each.

Effect of the Capital Reorganisation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$130,000,000 divided into 1,300,000,000 Existing Shares of par value of HK\$0.10 each, of which 539,136,000 Existing Shares have been issued and are fully paid or credited as fully paid. Upon the Share Consolidation becoming effective but before the completion of the Capital Reduction and Rights Issue and assuming no change in the number of Shares in issue from the Latest Practicable Date to the effective date of the Share Consolidation, the

LETTER FROM THE BOARD

authorised share capital of the Company will become HK\$130,000,000 divided into 260,000,000 Consolidated Shares of HK\$0.50 each, of which 107,827,200 Consolidated Shares (which are fully paid or credited as fully-paid) will be in issue.

Upon the Share Consolidation becoming effective, the Consolidated Shares will rank *pari passu* in all respects with each other. No fractional Consolidated Shares will be issued by the Company. Any fractional entitlements of the Consolidated Shares will be aggregated and sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Shares regardless of the number of share certificates held by such holder.

Immediately upon the Capital Reduction becoming effective and assuming no further Shares will be issued or repurchased from the Latest Practicable Date up to and including the date of which the Capital Reorganisation shall become effective, the par value of all the issued Consolidated Shares shall be reduced from HK\$0.50 each to HK\$0.01 each by cancelling the paid-up share capital to the extent of HK\$0.49 per Share in issue.

Upon the Share Subdivision becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK\$0.50 each will be subdivided into fifty (50) authorised but unissued Adjusted Shares of par value of HK\$0.01 each.

The Adjusted Shares will rank *pari passu* in all respects with each other in accordance with the Memorandum and the Articles. The issued share capital will be reduced to HK\$1,078,272 divided into 107,827,200 Adjusted Shares of par value of HK\$0.01 each.

Based on the 539,136,000 Existing Shares in issue as at the Latest Practicable Date, a credit of approximately HK\$52,835,328 will arise from the Capital Reduction, which will be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction.

Other than the relevant expenses incurred and to be incurred, the implementation of the Capital Reorganisation will have no effect on the consolidated net asset value of the Group, nor will it alter the underlying assets, business, operations, management or financial position of the Company.

The Capital Reorganisation will not involve any diminution of any liability in respect of any unpaid capital of the Company or the repayment to the Shareholders of any unpaid capital of the Company nor will it result in any change in the relative rights of the Shareholders.

Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date until the effective date of the Capital Reorganisation, the share capital structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after

LETTER FROM THE BOARD

completion of the Share Consolidation but prior to the Capital Reduction and the Share Subdivision becoming effective; and (iii) immediately after the implementation of the Capital Reorganisation is summarised below:

	As at the Latest Practicable Date	Immediately after completion of the Share Consolidation but prior to the Capital Reduction and the Share Subdivision becoming effective	Immediately upon the Capital Reorganisation becoming effective
Par value	HK\$0.10 per Existing Share	HK\$0.50 per Consolidated Share	HK\$0.01 per Adjusted Share
Authorised share capital	HK\$130,000,000 divided into 1,300,000,000 Existing Shares	HK\$130,000,000 divided into 260,000,000 Consolidated Shares	HK\$130,000,000 divided into 13,000,000,000 Adjusted Shares
Issued and fully paid-up or credited as fully paid-up share capital	HK\$53,913,600 divided into 539,136,000 Existing Shares	HK\$53,913,600 divided into 107,827,200 Consolidated Shares	HK\$1,078,272 divided into 107,827,200 Adjusted Shares
Unissued share capital	HK\$76,086,400 divided into 760,864,000 Existing Shares	HK\$76,086,400 divided into 152,172,800 Consolidated Shares	HK\$128,921,728 divided into 12,892,172,800 Adjusted Shares
Unaudited accumulated losses of the Company as at 30 June 2024	Approximately RMB458.2 million (equivalent to approximately HK\$504.0 million)	Approximately RMB458.2 million (equivalent to approximately HK\$504.0 million)	Approximately RMB410.2 million (equivalent to approximately HK\$451.2 million) (assuming no change in the accumulated losses from 30 June 2024 up to the date of the Capital Reorganisation becoming effective)

Conditions of the Capital Reorganisation

The Capital Reorganisation is conditional upon the following:

- (i) the passing of a special resolution to approve the Capital Reorganisation by the Shareholders at the EGM;
- (ii) the Grand Court granting an order confirming the Capital Reduction;
- (iii) compliance with any conditions which the Grand Court may impose in relation to the Capital Reduction;

LETTER FROM THE BOARD

- (iv) registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act with respect to the Capital Reduction; and
- (v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

For the avoidance of doubt, the Capital Reorganisation and the Rights Issue are not interconditional. In the event the ordinary resolution is not passed at the EGM for approving the Rights Issue, the Capital Reorganisation will proceed as scheduled provided the above conditions of the Capital Reorganisation are fulfilled.

Application for listing and dealings

Application will be made to the Listing Committee for the granting of the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Adjusted Shares on the Stock Exchange, the Adjusted Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Adjusted Shares on the Stock Exchange or such other date 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.

Status of the Adjusted Shares

The Adjusted Shares will be identical in all respects and rank *pari passu* in all respects with each other. All necessary arrangements will be made for the Adjusted Shares to be admitted into CCASS.

Free exchange of share certificates

Subject to the Capital Reorganisation becoming effective, the Shareholders may, on or after Friday, 14 March 2025 until Thursday, 24 April 2025 (both days inclusive), submit share certificates for the Existing Shares (in blue colour) to the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, to exchange, at the expense of the Company, for new share certificates for the Adjusted Shares (in green colour). Thereafter, certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each

LETTER FROM THE BOARD

share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Adjusted Shares, whichever the number of certificates cancelled/issued is higher.

All existing share certificates of the Company will continue to be evidence of title to the Shares and continue to be valid for trading, settlement, registration and delivery purposes.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Adjusted Shares arising from the Capital Reorganisation and the Change in Board Lot Size, a designated broker, Astrum Capital Management Limited, an independent third party, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Ms. Angie Yeung of Astrum Capital Management Limited at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (telephone number: (852) 3665 8160) during office hours (i.e. 9:00 a.m. to 12:00 noon and 1:00 p.m. to 4:00 p.m.) for the period from Friday, 28 March 2025 to Tuesday, 22 April 2025 (both days inclusive).

Holders of odd lots of the Adjusted Shares, should note that successful matching of the sale and purchase of odd lots arising from the Capital Reorganisation and the Change in Board Lot Size are not warranted. Any Shareholder who is in any doubt about the odd lots arrangements is recommended to consult his/her/its own professional advisers.

(2) PROPOSED CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Existing Shares are traded on the Stock Exchange in the board lot size of 10,000 Existing Shares. The Board proposes, subject to the Capital Reorganisation becoming effective, to change the board lot size for trading on the Stock Exchange from 10,000 Existing Shares to 20,000 Adjusted Shares. Hence, the Capital Reorganisation and the Change in Board Lot Size are inter-conditional.

Based on the closing price of HK\$0.068 per Existing Share (equivalent to the theoretical closing price of HK\$0.340 per Adjusted Share) as at the Latest Practicable Date, (i) the value of each existing board lot of 10,000 Existing Shares is HK\$680; (ii) the theoretical value of each board lot of 10,000 Adjusted Shares would be HK\$3,400 assuming the Capital Reorganisation becoming effective; and (iii) the theoretical value per board lot of 20,000 Adjusted Shares would be HK\$6,800 assuming that the Capital Reorganisation and the Change in Board Lot Size becoming effective.

LETTER FROM THE BOARD

The Change in Board Lot Size will not result in change in the relative rights of the Shareholders. Shareholders should take note that Shareholders approval is not required for the Change in Board Lot Size.

Reasons for the Capital Reorganisation and the Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or proceed with a consolidation or splitting of securities. 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 in September 2024 (the “Guide”) has further stated that (i) market price of the shares at a level less than HK\$0.10 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

During the past 12 months immediately prior to and including the Latest Practicable Date, the closing price per Existing Share fell within the range between HK\$0.04 and HK\$0.146; whereas the value of each existing board lot of 10,000 Existing Shares lied within the range between HK\$400 and HK\$1,460. Out of the 246 trading days during the past 12 months immediately prior to and including the Latest Practicable Date, the closing price per Existing Share fell below HK\$0.1 on a total of 243 days and the value of each existing board lot of 10,000 Existing Shares remained below HK\$2,000 throughout the entire period. The Board considers that the proposed Share Consolidation, resulting in a theoretical value of HK\$0.340 per Consolidated Share (based on the closing price of HK\$0.068 per Existing Share on the Latest Practicable Date), would enable the Company to avoid the occurrence of non-compliance with the trading requirements under the Listing Rules.

Assuming the Share Consolidation and the Change in Board Lot Size having become effective, (i) based on the closing price of HK\$0.068 per Share (equivalent to the theoretical closing price of HK\$0.340 per Consolidated Share) as quoted on the Stock Exchange on the Latest Practicable Date, the theoretical value of each board lot of 20,000 Consolidated Shares would be HK\$6,800; whereas (ii) based on the theoretical ex-rights price of HK\$0.21 per Adjusted Share (taking into account the effect of the Capital Reorganisation and calculated based on the benchmarked price of approximately HK\$0.270 (taking into account the effect of the Capital Reorganisation) per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day), the theoretical value of each board lot of 20,000 Adjusted Shares would

LETTER FROM THE BOARD

be HK\$4,200. It is expected that the Share Consolidation and the Change in Board Lot Size will increase the nominal value of the Shares and will bring about a corresponding upward adjustment in the trading price per board lot of the Consolidated Shares on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in the Consolidated Shares.

Pursuant to the Companies Act, the Company may not issue Shares at a discount to the nominal value of such Shares. As the Subscription Price, which was determined with reference to the prevailing market price of the Existing Shares, is below the par value of each Consolidated Share, the Company is not permitted to issue the Rights Shares under the laws of the Cayman Islands until and unless the par value of each Consolidated Share is reduced pursuant to the Capital Reorganisation. In order to facilitate possible fund raising activities including the Rights Issue in the future, it is necessary to implement the Capital Reorganisation to lower the par value of the Shares, giving greater flexibility to the Company to issue new Shares in the future.

The proposed Capital Reorganisation will enable the par value of the Consolidated Shares to be reduced from HK\$0.50 to HK\$0.01 each. The credit arising from the Capital Reduction will be transferred to the contributed surplus account and the contributed surplus account will be applied towards offsetting against 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 the credit (if any) of the contributed surplus account after offsetting against the accumulated losses will be applied by the Company in any manner as permitted by all applicable laws and the Memorandum and Articles.

As at 30 June 2024, the unaudited accumulated losses of the Company was approximately RMB458.2 million. Upon the Capital Reorganisation becoming effective, the accumulated losses of the Company will be reduced by approximately RMB48.0 million (equivalent to approximately HK\$52.8 million).

The Board is of the opinion that the proposed Capital Reorganisation will give greater flexibility to the Company to (i) conduct fundraising exercise to raise capital, including the Rights Issue; (ii) declare dividends; and/or (iii) 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.

As at the Latest Practicable Date, save as disclosed in this circular, the Company currently (i) does not have any agreement, arrangement, understanding, intention, or negotiation (either concluded or in process) on any potential fundraising activities which will involve issue of equity securities of the Company; (ii) has no other plan or intention to carry out any future corporate actions in the next twelve months which may have an effect

LETTER FROM THE BOARD

of undermining or negating the intended purpose of the Share Consolidation and the Change in Board Lot Size; and (iii) has no plan to declare dividends or undertake any corporate exercise which requires the use of distributable reserves of the Group.

As such, the Directors are of the view that the Capital Reorganisation and the Change in Board Lot Size are in the best interests of the Company and its Shareholders as a whole. In the event there is any change to the business environment and/or financial position of the Company due to unforeseeable circumstances, and the Company is required to conduct further fund raising exercises when suitable opportunities arise in order to support future development of the Group, the Company will publish further announcement(s) in compliance with the Listing Rules, as and when appropriate.

(3) PROPOSED RIGHTS ISSUE

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of one (1) Rights Share for every one (1) Adjusted Share held as at the Record Date. Set out below are the details of the Rights Issue statistics.

Rights Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.15 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.141 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Existing Shares in issue as at the Latest Practicable Date	:	539,136,000 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	107,827,200 Adjusted Shares (assuming there is no change in the number of Shares in issue up to the effective date of the Capital Reorganisation)

LETTER FROM THE BOARD

Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	107,827,200 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$1,078,272
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	215,654,400 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
Gross proceeds from the Rights Issue	:	Approximately HK\$16.2 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 29,376,000 Existing Shares under the Share Option Scheme.

Save for the Share Options, the Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the Latest Practicable Date.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 107,827,200 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 100% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and 50% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

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

The Subscription Price

The Subscription Price is HK\$0.15 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

LETTER FROM THE BOARD

The Subscription Price represents:

- (i) a discount of approximately 55.88% to the adjusted closing price of HK\$0.340 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.068 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 44.44% to the adjusted closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 44.44% to the adjusted average closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.45% to the adjusted average closing price of HK\$0.275 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.055 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 44.44% to the adjusted average closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 22.22%, based on the theoretical diluted price of HK\$0.210 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK\$0.270 (taking into account the effect of the Capital Reorganisation) per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day);

LETTER FROM THE BOARD

- (vii) a discount of approximately 79.45% to the unaudited consolidated net asset value per Adjusted Share of approximately RMB0.664 (equivalent to approximately HK\$0.730) based on the unaudited consolidated net asset value of the Company of approximately RMB71.6 million as at 30 June 2024 and the total number of 107,827,200 Adjusted Shares in issue immediately upon completion of the Capital Reorganisation;
- (viii) a discount of approximately 82.10% to the audited consolidated net asset value per Adjusted Share of approximately RMB0.762 (equivalent to approximately HK\$0.838) based on the audited consolidated net asset value of the Company as at 31 December 2023 of approximately RMB82.2 million and the total number of 107,827,200 Adjusted Shares in issue immediately upon completion of the Capital Reorganisation.

The Subscription Price was determined with reference to the followings:

- (i) *Market comparables*: With reference to the 25 rights issue exercises conducted by other companies listed on the Stock Exchange during the three months immediately prior to the Last Trading Day, the discount of subscription price per rights share to the closing price per share on the last trading day prior to the announcement of the respective rights issue generally ranged from a premium of approximately 37.90% to a discount of approximately 73.68% (the “**Range of Market Discount Rate**”) with average and median discounts of approximately 23.64% and 22.03%, respectively. Taking into consideration the discount of the Subscription Price of approximately 44.44% to the adjusted closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day falls within the Range of Market Discount Rate, the Directors consider that the discount of the Subscription Price is in line with market practice. Besides, the Directors also consider that it is commercially prudent to set the Subscription Price at a discount which is above the average of the Range of Market Discount Rate taking into consideration factors pertinent to the Group including (i) the relatively challenging outlook of the Hong Kong retail industry in which the Group is engaged in; (ii) the indebtedness position and declining financial performance of the Group; and (iii) the lack of liquidity and demand for the Shares in light of the relatively low trading volume of the Company during the six months prior to and including the Last Trading Day, details of which are set forth herein below;

LETTER FROM THE BOARD

- (ii) *Market conditions:* Looking forward, the Group will continue face challenges in the Hong Kong retail industry in the near future. Based on information publicly available from The Census and Statistics Department, the retail sales value of jewellery, valuable gifts and watches and clocks in Hong Kong decreased from approximately HK\$50,003 million for the ten months ended 30 October 2023 to approximately HK\$42,246 million for the corresponding period in 2024. Global economic uncertainties, geopolitical tensions, and underperformance in Hong Kong's equity and real estate markets will continue to bring adverse impacts on the local economy and consumer market. According to a report from DBS (https://www.dbs.com/content/article/pdf/AIO/112024/241120_insights_annual_outlook_hongkong.pdf), retail sales in Hong Kong are forecast to remain stagnant in 2025, after a 4% drop in 2024. Taking into consideration the industry outlook of the Hong Kong retail industry, the Directors consider that it is reasonable to set the Subscription Price at a discount in order to stir up investment sentiment among investors;
- (iii) *Financial position of the Group:* According to the Company's interim report for the six months ended 30 June 2024, the Group's revenue generated from branded watches business and exhibition business decreased from approximately RMB27.3 million for the six months ended 30 June 2023 to approximately RMB22.1 million for the six months ended 30 June 2024. Further, the Group recorded a net loss of approximately RMB10.7 million for the six months ended 30 June 2024. As at 30 June 2024, the Group had bond payables of approximately RMB27.8 million (equivalent to approximately HK\$30.6 million) in aggregate and the gearing ratio (defined as total interest bearing borrowings divided by shareholders equity) of the Group increased from approximately 32.5% as at 31 December 2023 to approximately 38.8% as at 30 June 2024. In light of the indebtedness position and declining financial performance of the Group during 2023 and 2024, the Directors consider that it is reasonable to set the Subscription Price at a discount in order to garner continuous support from existing Shareholders and interest from potential investors to invest in the Company; and
- (iv) *Reasons for and benefits of the proposed Rights Issue:* details of which are set forth in the paragraph headed "Reasons for the Rights Issue, the Placing and the use of proceeds" in this section.

LETTER FROM THE BOARD

The Directors consider that it is reasonable to set the Subscription Price at a discount to the prevailing market price and the adjusted consolidated net asset value per Adjusted Share as illustrated above, taking into consideration:

- (i) based on the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day, the Existing Shares have been traded at a discount of approximately 63.01% to the unaudited consolidated net asset value per Existing Share of approximately RMB0.133 (equivalent to approximately HK\$0.146) with reference to the unaudited consolidated net asset value of the Company of approximately RMB71.6 million as at 30 June 2024 and the total number of 539,136,000 Existing Shares in issue as at the Latest Practicable Date;
- (ii) during the six months prior to and including the Last Trading Day, the Company's average daily trading volume (calculated based on the total trading volume divided by the total number of days during the six months prior to and including the Last Trading Day) represented merely approximately 0.06% of the total issued share capital of the Company; and
- (iii) for the year ended 31 December 2022 and 2023, the Company recorded total comprehensive expense of approximately RMB36.0 million and RMB36.2 million, respectively.

Under the prevailing market conditions and economic sentiment and with reference to (i) the recent market performance of the Existing Shares particularly the Company's average daily trading volume during the six months prior to and including the Last Trading Day as illustrated above indicated a lack of liquidity and demand for the Shares; (ii) the latest business performance and financial position of the Group, particularly the Group has been in a loss position during the two years ended 31 December 2022 and 2023; and (iii) the Shares have been traded at a discount to the net asset value per Share, the Directors consider that it would be more practical and commercially reasonable to set a subscription price which is lower than the prevailing market price and the consolidated net asset value per Adjusted Share as illustrated above in order to enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders and investors to participate in the Rights Issue.

The Directors (excluding the members of the Independent Board Committee, whose opinion will be provided after taking into account the advice of the Independent Financial Adviser) consider that, despite any potential dilution impact of the proposed Rights Issue on the shareholding interests of the Shareholders, the terms of the Rights Issue, including the Subscription Price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue can sell the nil-

LETTER FROM THE BOARD

paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical market price of the Shares and discount to the recent closing prices of the Shares; (iii) the funding needs of the Group, details of which are set forth in the paragraph headed Reasons for the Rights Issue, the Placing and the use of Proceeds in this circular; and (iv) the majority of the net proceeds from the Rights Issue will be applied towards the repayment of the Group's outstanding bonds, thereby lowering the interest burden as well as the Group's bond payables by approximately HK\$12.6 million. The Group's gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) will decrease from approximately 38.8% as at 30 June 2024 to approximately 22.1% upon the application of the net proceeds from the Rights Issue as to approximately HK\$12.6 million for the repayment of the Group's outstanding bonds, resulting in an improvement in the financial condition of the Group.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the NQS Unsold Rights Shares will be placed on a best effort basis by the Placing Agent to independent placees under the Placing. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

There is no minimum amount to be raised under the Rights Issue. There are no applicable statutory requirements under the laws of the Cayman Islands regarding minimum subscription levels in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholder who applies to take up all or part of his/her/its entitlement under the PAL may result in the public float of the Shares falling below the minimum public float requirements under Rule 8.08 of the Listing Rules or unwittingly incur an obligation to make a general offer for the Shares under the Takeovers Code. Accordingly, the Rights Issue will be made on terms that the Company will provide for the Shareholders (other than HKSCC Nominees Limited) to apply on the basis that if the Rights Shares are not fully taken up, the application of any Shareholder for his/her/its assured entitlement under the Rights Issue will be scaled down to a level which (i) does not result in any non-compliance with the public float requirements under Rule 8.08 of the Listing Rules on the part of the Company; and (ii) does not trigger an obligation on the part of the relevant Shareholder to make a general offer under the Takeovers Code in accordance with the note to Rule 7.19(5)(b) of the Listing Rules.

LETTER FROM THE BOARD

Possible adjustment to outstanding Share Options

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof, being employees of the Company, to subscribe for a total of 29,376,000 Existing Shares under the Share Option Scheme.

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 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. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

Conditions of the Rights Issue

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

- (i) the Capital Reorganisation and the Change in Board Lot Size having become effective;
- (ii) the passing by more than 50% of the votes cast by the Independent Shareholders by way of poll of all necessary resolutions to be proposed at the EGM for the transactions contemplated under the Rights Issue to be effective in compliance with the Listing Rules, including but not limited to approving, confirming and/or ratifying the Rights Issue, including the allotment and issue of the Rights Shares in their nil-paid and fully paid forms;
- (iii) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively of the Prospectus Documents in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (iv) following registration, the Prospectus Documents having been made available to the Qualifying Shareholders and the Prospectus for information only to the Non-Qualifying Shareholders the publication of the Prospectus Documents on the websites of the Stock Exchange and the Company on or before the Posting Date;

LETTER FROM THE BOARD

- (v) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) by the Stock Exchange (either unconditionally or subject only to the allotment and despatch of the share certificates in respect thereof) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange (and such permission and listing not subsequently having been withdrawn or revoked);
- (vi) the Placing Agreement not having been terminated in accordance with the provisions thereof; and
- (vii) all other necessary waivers, consent and approvals (if required) from the relevant governmental or regulatory authorities for the Rights Issue and the transactions contemplated thereunder having been obtained and fulfilled.

In relation to the condition set out in paragraph (vii) above, the Directors confirmed that, save for (a) the grant of listing of the Rights Shares (in both nil-paid and fully paid forms) and the grant of permission to deal in the nil-paid Rights Shares and the fully-paid Rights Shares by the Stock Exchange; and (b) the registration of the Prospectus Documents by the Stock Exchange and the Company Registrar of Companies in Hong Kong, no other waiver, consent or approval is considered to be necessary for the Rights Issue to be effective.

None of the above conditions precedent can be waived. As at the Latest Practicable Date, none of the above conditions has been fulfilled. If any of the above conditions are not satisfied at or before 4:00 p.m. on Monday, 30 June 2025 (or such later date as the Company may determine), the Rights Issue will not proceed.

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

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 Adjusted 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 future 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, SFC transaction levy, AFRC transaction levy or any other applicable fees and charges in Hong Kong.

LETTER FROM THE BOARD

Qualifying Shareholders

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

In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Adjusted Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Tuesday, 18 March 2025.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 19 March 2025 to Tuesday, 25 March 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) Adjusted Share held by the Qualifying Shareholders as at the close of business on the Record Date. There will be no excess application arrangements in relation to the Rights Issue.

Acceptance for all or any part of a Qualifying Shareholder's provisional allotment should be made only by lodging a duly completed PAL with a remittance for the Rights Shares being accepted by the Registrar by the Latest Time for Acceptance.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Rights Shares arising from the Rights Issue, a designated broker, Astrum Capital Management Limited, an independent third party, has been appointed by the Company to match the purchase and sale of odd lots of the Shares at the relevant market price per Share. Holders of the Shares in odd lots represented by valid share certificates for the Shares who wish to take advantage of this facility either to dispose of their odd lots of the Shares or to top up their odd lots to a full board lot, may directly or through their brokers, contact Ms. Angie Yeung of Astrum Capital Management Limited at Room 2704, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (telephone number: (852) 3665 8160) during office hours (i.e. 9:00 a.m. to 12:00 noon and 1:00 p.m. to 4:00 p.m.) for the period from Friday, 28 March 2025 to Tuesday, 22 April 2025 (both days inclusive).

LETTER FROM THE BOARD

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

Rights of Overseas Shareholders (if any)

As at the Latest Practicable Date, based on the register of members of the Company, there were a total of 14 Overseas Shareholders with registered addresses located outside Hong Kong, details of which are set out below:

Jurisdiction	Number of Overseas Shareholder(s)	Aggregate number of Existing Shares held by Overseas Shareholder(s) in the jurisdiction	Approximate percentage of issued share capital of the Company
The PRC	13	71,098,000	13.19%
Taiwan	1	4,260,000	0.79%

Save for the 14 Overseas Shareholders with registered addresses located in the PRC and Taiwan, there were no other Overseas Shareholders based on the register of members of the Company as at the Latest Practicable Date.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company has made enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. On the basis of the results of such enquiries obtained, the Directors are of view that there are no legal restrictions under the laws of or the requirements of the relevant regulatory bodies or stock exchange in the PRC and Taiwan with respect to the offer of the Rights Shares to the Overseas Shareholders with registered addresses in such jurisdictions as at the Latest Practicable Date. Accordingly, the Directors have decided to extend the Rights Issue to the Overseas Shareholders having registered addresses in the PRC and Taiwan and such Overseas Shareholders are considered as Qualifying Shareholders.

Overseas Shareholders should note that they may or may not be entitled to participate in the Rights Issue, subject to the results of the enquiries to be made by the Board pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. In the event that additional Overseas Shareholder(s), other than the Overseas Shareholders with registered addresses located in the PRC and Taiwan as mentioned above, is/are identified as at the Record Date, such Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

In the event additional Overseas Shareholder(s), other than the Overseas Shareholder with registered address located in the PRC and Taiwan as mentioned above, is/are identified as at the Record Date, the Company will comply with Rule 13.36(2)(a) of the Listing Rules to make enquiries regarding the feasibility of extending the offer of the Rights Issue to Overseas Shareholders, if any, under the laws of the relevant overseas jurisdictions and the requirements of the relevant regulatory bodies or stock exchanges. If, based on the legal advice to be provided by the legal advisor of the Company, the Board considers that it would be necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account of either the legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in such relevant jurisdiction, the Rights Issue will not be extended to such Overseas Shareholders. In such circumstances, the Rights Issue will not be extended to the Non-Qualifying Shareholders. The basis for excluding the Non-Qualifying Shareholders, if any, from the Rights Issue will be set out in the Prospectus to be issued.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid to the Non-Qualifying Shareholders pro rata to their shareholdings held on the Record Date. In light of administrative costs, the Company will retain individual amounts of HK\$100 or less for its own benefit.

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

The Company will make arrangements described in Rule 7.21(1)(b) of the Listing Rule to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent places for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. On 2 December 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares to independent places on a best effort basis.

LETTER FROM THE BOARD

Pursuant to the Placing Agreement, the Company appointed the Placing Agent to place the Placing Shares during the Placing Period to independent placees on a best effort basis, any premium over the Subscription Price for those Rights Shares that is realised will be paid to those No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. The Placing Agent will on a best effort basis, procure, by not later than 4:00 p.m. on Wednesday, 30 April 2024, placees to subscribe for all (or as many as possible) of those Unsubscribed Rights Shares and NQS Unsold Rights Shares. Any Unsubscribed Rights Shares and NQS Unsold Rights Shares remain not placed after completion of the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- A. 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
- B. for Non-Qualifying Shareholders, the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

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

The Optionholder's Undertakings

As at the Latest Practicable Date, each of the holders of the Share Options, being employees of the Company has signed an Optionholder's Undertaking not to exercise the Share Options granted to him/her on or before the Record Date.

Save for the Optionholder's Undertakings, the Company has not received any information or irrevocable undertaking from any other Shareholders of their intention in relation to the Rights Shares to be provisionally allotted to them under the Rights Issue as at the Latest Practicable Date.

LETTER FROM THE BOARD

Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares

Details of the Placing Agreement are summarised below:

- Date : 2 December 2024 (after trading hours)
- Issuer : The Company
- Placing Agent : Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) (i) are not Shareholder(s); and (ii) are Independent Third Parties.

- Placing Period : The period commencing from the first Business Day after the date of announcement of the number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares, which is expected to be Tuesday, 22 April 2025 and ending at 4:00 p.m. on Wednesday, 30 April 2025.
- Commission and expense : The Company shall pay the Placing Agent a placing commission equivalent to (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher.

For illustrative purpose, the maximum amount of commission payable by the Company to the Placing Agent is HK\$242,611.2, assuming no subscription by the Qualifying Shareholders and all the Placing Shares are placed to Independent Third Parties under the Placing.

LETTER FROM THE BOARD

- Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.
- Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and who are independent among each other. The Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.
- Ranking of the Placing Shares : The Placing Shares (when placed, allotted, issued and fully paid), shall rank *pari passu* in all respects among themselves and with the Adjusted Shares in issue at the date of completion of the Placing.
- Conditions Precedent : The Placing is conditional upon the following conditions being fulfilled (or being waived by the Placing Agent in writing, if applicable):
- (i) the Capital Reorganisation having become effective;
 - (ii) the Listing Committee of the Stock Exchange having granted the listing of, and the permission to deal in, the Rights Shares;
 - (iii) the approval of the Rights Issue and the transactions contemplated thereunder including the Placing Agreement, by more than 50% of the Independent Shareholders at the EGM by way of poll;

LETTER FROM THE BOARD

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

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

Termination : The Placing Period shall end at 4:00 p.m. on Wednesday, 30 April 2025 or any other date by mutual written agreement between the Placing Agent and the Company.

The engagement of the Placing Agent may also be terminated by the Placing Agent at any time prior to 4:00 p.m. on Friday, 2 May 2025 or any other date by mutual written agreement between the Placing Agent and the Company in case of force majeure resulting in the Company and the Placing Agent being unable to fulfill its duties and responsibilities under the engagement. Further, if during the course of the engagement it has come to the Placing Agent's knowledge that there is any material adverse change in the business and operational environment in the Company which, in the reasonable opinion of the Placing Agent, may make it inadvisable to continue the engagement, the Placing Agent shall have the right to terminate the engagement by written notice to the Company with immediate effect.

LETTER FROM THE BOARD

The Company shall use its best endeavours to procure the fulfillment of such conditions precedent to the Placing Agreement by the Placing Long Stop Date. If any of the conditions precedent to the Placing Agreement have not been fulfilled by the Placing Long Stop Date or become incapable of being fulfilled (subject to the Placing Agent not exercising its rights to waive or extend the time for fulfillment of such conditions), then the Placing will lapse and all rights, obligations and liabilities of the Company and the Placing Agent in relation to the Placing shall cease and determine, save in respect of any accrued rights or obligations under the Placing Agreement or antecedent breach thereof.

The engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm's length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to the 25 rights issue exercises conducted by other companies listed on the Stock Exchange during the three months immediately prior to the Last Trading Day, the commission charged by placing agent in a rights issue exercise conducted on a non-underwritten basis generally ranged between 1.0% to 3.5%, with an average of approximately 1.72% and a median of 1.5%. Given the commission rate of 1.5% charged by the Placing Agent falls within the market commission rate (i.e. 1.0% to 3.5%), the Directors consider that the commission rate charged by the Placing Agent under the Placing is fair and reasonable and on normal commercial terms.

Based on the above analysis, the Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

As explained above, the Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders and Non-Qualifying Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

LETTER FROM THE BOARD

The Board considered that the Compensatory Arrangements are fair and reasonable and provide adequate safeguard to protect the interests of the Company's minority Shareholders since the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; and (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders taking into consideration the No Action Shareholders, being Qualifying Shareholders who neither subscribe for the Rights Shares nor sell their nil-paid rights, and the Non-Qualifying Shareholders would be compensated under the Compensatory Arrangements. As illustrated above, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort under the Compensatory Arrangements and any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

Share certificates 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 posted on or before Monday, 12 May 2025 to those entitled thereto at their registered addresses by ordinary post at their own risk. If the Rights Issue does not become unconditional, refund cheques without interest are expected to be posted on or before Monday, 12 May 2025 by ordinary post to the respective applicants, at their own risk, to their registered addresses.

Fractional entitlement to the Rights Shares

On the basis of provisional allotment of one (1) Rights Share for every one (1) Adjusted Share held on the Record Date, no fractional entitlements to the Rights Shares shall be issued to the Shareholders.

Application for listing of the Rights Shares

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

The nil-paid and fully-paid Rights Shares will be traded in the new board lot size of 20,000 Shares.

LETTER FROM THE BOARD

Rights shares will be eligible for admission into CCASS

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

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

WARNING OF THE RISKS OF DEALING IN THE EXISTING SHARES, THE ADJUSTED SHARES AND/OR THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon satisfaction of the conditions set out in the paragraph headed “(1) Proposed Capital Reorganisation – Conditions of the Capital Reorganisation” in this circular. Therefore, the Capital Reorganisation may or may not proceed.

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. Please refer to the paragraph headed “(3) Proposed Rights Issue – Conditions of the Rights Issue” in this circular.

Shareholders and potential investors of the Company should note that each of the Rights Issue and the Placing is subject to the fulfilment of certain conditions. If any of the conditions of the Rights Issue and/or the Placing are not fulfilled, the Rights Issue and/or the Placing will not proceed.

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

LETTER FROM THE BOARD

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Existing Shares, the Adjusted Shares and/or the Rights Shares. Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s).

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

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches and assists customers to hold exhibition.

According to the Company's interim report for the six months ended 30 June 2024, the Group's revenue generated from branded watches business and exhibition business decreased from approximately RMB27.3 million for the six months ended 30 June 2023 to approximately RMB22.1 million for the six months ended 30 June 2024. Further, the Group recorded a net loss of approximately RMB10.7 million for the six months ended 30 June 2024.

As at 30 June 2024, the Group had bond payables of approximately RMB27.8 million (equivalent to approximately HK\$30.6 million) in aggregate. The bond payables comprised three bonds owed to three Independent Third Parties, in the principal amount of HK\$17.0 million ("**Bond A**"), HK\$5.0 million ("**Bond B**") and HK\$5.0 million ("**Bond C**"), respectively. The table below sets forth details of the Group's bond payables for the six months ended 30 June 2024:

	Bond A	Bond B	Bond C	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 1 January 2024	16,686	5,080	4,945	26,711
Imputed interest charge	738	136	219	1,093
Repayments during the six months ended 30 June 2024	–	(232)	(416)	(648)
Exchange realignment	<u>414</u>	<u>118</u>	<u>113</u>	<u>645</u>
As at 30 June 2024	<u><u>17,838</u></u>	<u><u>5,102</u></u>	<u><u>4,861</u></u>	<u><u>27,801</u></u>

The gearing ratio (defined as total interest-bearing borrowings divided by shareholders equity) of the Group increased from approximately 32.5% as at 31 December 2023 to approximately 38.8% as at 30 June 2024. In August 2024, Bond B with bond payables of approximately HK\$5 million which bears 5% annual interest was matured. After negotiation with the bondholder in relation to the extension, they decided to request the settlement. In October 2024, the Group received an early repayment request from one of the bondholders in relation to a bond with principal amount of HK\$17 million which bears 9% annual interest rate (the Bond). Subsequent to negotiation between the Company and the bondholder, the bondholder agreed to accept an early repayment of HK\$7 million, representing part of the principal amount of the Bond on or before 30 June 2025, thereby allowing the Company to obtain sufficient external funding for the repayment of the Bond.

LETTER FROM THE BOARD

The Company currently intends to apply in aggregate approximately HK\$12.6 million of the net proceeds from the Rights Issue for the repayment of the Group's outstanding bonds and to repay the remaining balance of the outstanding bonds using internal financial resources of the Group. The relevant bondholders have indicated that in the event the Company fails to raise sufficient funds for the repayment of the bond payables, the relevant bondholders would then engage in separate negotiations with the Company regarding further possible extension and/or other means of settlement for the repayment of the bonds. As at the Latest Practicable Date, the relevant bondholders have confirmed to the Company that they would not take any legal actions against the Company with respect to the repayment of bonds before completion of the Rights Issue.

As at 30 June 2024, the Company had cash and bank balances of approximately RMB1.4 million. Taking into consideration the Group's indebtedness and gearing ratio as compared to its cash position and loss-making performance, the Directors consider that it is financially prudent for the Group to raise funds through the Rights Issue to improve its financial condition of the Group and reduce its gearing and interest burden.

Use of proceeds

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.2 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 82.9% of the net proceeds or approximately HK\$12.6 million for repayment of the Group's bond payables (including interest expenses) on or before 31 May 2025; and
- (ii) approximately 17.1% of the net proceeds or approximately HK\$2.6 million for general working capital of the Group comprising rental expenses and other miscellaneous expenses, on or before 31 December 2025.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

Alternative fund-raising methods considered

The Company had considered other fund-raising alternatives available to the Group, including debt financing and other equity financing such as placing or subscription of new Shares.

LETTER FROM THE BOARD

The Board considers that to finance the funding needs of the Group in the form of equity is a better alternative than debt as it would not result in additional interest burden and will improve the gearing of the Group. In particular, the Company had faced difficulties in sourcing debt financing as its application for loans had previously been rejected by financial institutions due to the lack of security as the Company does not have material tangible assets in Hong Kong.

Amongst the equity financing methods, placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. In particular, placing is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, a rights issue is preferred. Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs.

Based on the above, the Board (excluding the members of the Independent Board Committee whose opinion will be rendered after considering the advice from the Independent Financial Adviser) considers that raising capital through the Rights Issue is in the interests of the Company and the Shareholders as a whole. In addition, based on enquiries with the Placing Agent, the Board understands that if the Unsubscribed Rights Shares and NQS Unsold Rights Shares were to be fully-underwritten, the underwriting commission proposed to be charged by the Placing Agent would be around 5% which is higher than the commission of 1.5% charged for the Placing on a best effort basis. To improve the cost effectiveness of the Rights Issue and having considered the capital needs of the Group, the terms of the Rights Issue and the Subscription Price, the Board considers that it is in the interests of the Company to proceed with the Rights Issue on a non-underwritten basis. However, those Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholder(s), if any, should note that their shareholdings will be diluted.

EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not conducted any fund-raising activities involving issue of its securities in the past 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

TAXATION

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

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Capital Reorganisation; (iii) immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; and (iv) immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Capital Reorganisation		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under Rights Issue		Immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) all the Placing Shares are placed to Independent Third Parties under the Placing		Immediately upon completion of the Rights Issue assuming (a) no subscription by the Qualifying Shareholders; and (b) no Placing Shares are placed to Independent Third Parties under the Placing	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Public Shareholders	539,136,000	100.0	107,827,200	100.0	215,654,400	100.0	107,827,200	50.0	107,827,200	100.0
Places	-	-	-	-	-	-	107,827,200	50.0	-	-
	<u>539,136,000</u>	<u>100.0</u>	<u>107,827,200</u>	<u>100.0</u>	<u>215,654,400</u>	<u>100.0</u>	<u>215,654,400</u>	<u>100.0</u>	<u>107,827,200</u>	<u>100.0</u>

Notes:

- The percentage figures have been subject to rounding adjustments. Any discrepancies between totals and sums of amounts listed herein are due to rounding adjustments.
- The Company will at all time and continue to comply with the public float requirements under Rule 8.08 of the Listing Rules before and after completion of the Rights Issue.

LISTING RULES IMPLICATIONS

The Capital Reorganisation is conditional upon, among other things, the approval by the Shareholders by way of poll at the EGM. None of the Shareholders or their respective associates had any interest in the Capital Reorganisation. Accordingly, no Shareholder is required to abstain from voting in favour of the resolutions relating to the Capital Reorganisation at the EGM.

LETTER FROM THE BOARD

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date (after taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules and none of the Directors, the chief executive of the Company and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

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

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Yu Chon Man, Mr. Zhong Weili and Ms. Duan Baili, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable.

GENERAL

The EGM will be convened for the Shareholders to consider and, if fought fit, approve the Capital Reorganisation and the Rights Issue. For the purpose of determining the Shareholders entitlements to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 29 January 2025 to Friday, 7 February 2025 (both days inclusive).

In order to be registered as members of the Company prior to the closing of business on the Record Date, all transfers of Adjusted Shares (together with the relevant share certificates and instruments of transfer) must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by 4:30 p.m. on Tuesday, 18 March 2025. A notice convening the EGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong on Friday, 7 February 2025 at

LETTER FROM THE BOARD

11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Wednesday, 5 February 2025 at 11:00 a.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

DESPATCH OF PROSPECTUS DOCUMENTS AND CIRCULAR

Subject to the fulfilment of the conditions of the Rights Issue, the Prospectus Documents containing, among other matters, details of the Rights Issue, will be made available and/or despatched to the Qualifying Shareholders on or before Wednesday, 26 March 2025. The Company will despatch the Prospectus only (without the PAL(s)) will be made available and/or despatched to the Non-Qualifying Shareholders (if any) for their information purpose only to the extent permitted under the relevant laws and regulations and reasonably practicable.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 19 March 2025 to Tuesday, 25 March 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

THE EGM

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the necessary resolution(s), among other things, in respect of the proposed Capital Reorganisation. As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules and none of the Directors, the chief executive of the Company and their respective associates is interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

A notice convening the EGM to be held at Portion 2, 12/F., The Center, 99 Queen's Road Central, Central, Hong Kong on Friday, 7 February 2025 at 11:00 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed on it and return the completed proxy form to the Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event so that it is received at least 48 hours before the time appointed (i.e. Wednesday, 5 February 2025 at 11:00 a.m.) for the EGM or adjourned meeting (as the case may be). Submission of a proxy form shall not preclude you from attending the EGM (or any adjournment of such meeting) and voting in person should you so wish.

LETTER FROM THE BOARD

VOTING BY POLL

All the resolutions set out in the notice of the EGM would be decided by poll in accordance with Rule 13.39(4) of the Listing Rules and the Articles of Association. On a poll, every Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by a proxy shall have one vote for every fully paid Share held. A Shareholder present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy who is entitled to more than one vote need not use all his/her/its votes or cast all his/her/its votes in the same way. After the conclusion of the EGM, the poll results will be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.luxxu.hk.

STATEMENT OF RESPONSIBILITY

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

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM on the relevant resolutions. Vinco Financial has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on pages 47 to 48 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 49 to 77 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

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

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendices I to III to this circular.

MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

Yours faithfully,
By order of the Board
Luxxu Group Limited
Liang Yanhuang
Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



L U X X U

GROUP LIMITED

Luxxu Group Limited

勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

17 January 2025

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED CAPITAL REORGANISATION; AND
PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY ONE (1) ADJUSTED SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 17 January 2025 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

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

Vinco Financial has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Having taken into account the terms of the Rights Issue and the Placing Agreement, and the advice from the Independent Financial Adviser as set out on pages 49 to 77 of this circular, we are of the opinion that the terms of the Rights Issue and the Placing Agreement, and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
The Independent Board Committee

Mr. Yu Chon Man

Ms. Duan Baili

Mr. Zhong Weili

Independent non-executive Directors

Luxxu Group Limited

LETTER FROM VINCO FINANCIAL

The following is the text of a letter of advice from Vinco Financial setting out its advice to the Independent Board Committee and the Independent Shareholders prepared in respect of the terms of the Rights Issue and the transactions contemplated thereunder which has been prepared for the purpose of incorporation in this circular:

VINCO  榮高
Vinco Financial Limited

17 January 2025

*To the Independent Board Committee and the Independent Shareholders of
Luxxu Group Limited*

Dear Sirs,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR
EVERY ONE (1) ADJUSTED SHARE HELD
ON THE RECORD DATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Rights Issue and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 17 January 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Announcement in relation to, among other things, the Capital Reorganisation, the Change in Board Lot Size and the Rights Issue. The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of one (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders as at the Record Date at the Subscription Price of HK\$0.15 per Rights Share, to raise up to approximately HK\$16.2 million before expenses by way of issuing up to 107,827,200 Rights Shares (assuming full subscription under the Rights Issue and there is no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation).

LETTER FROM VINCO FINANCIAL

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.2 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 82.9% of the net proceeds or approximately HK\$12.6 million for repayment of the Group's bond payables (including interest expenses) on or before 31 May 2025; and (ii) approximately 17.1% of the net proceeds or approximately HK\$2.6 million for general working capital of the Group comprising rental expenses and other miscellaneous expenses, on or before 31 December 2025.

There will be no excess application arrangements in relation to the Rights Issue. Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. There are no statutory requirements regarding the minimum subscription levels in respect of the Rights Issue and there is no minimum amount to be raised under the Rights Issue. In the event of an undersubscription of the Rights Issue, the size of the Rights Issue will be reduced accordingly.

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the Latest Practicable Date (after taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the minority Shareholders' approval at the EGM, and any controlling shareholders of the Company and their associates, or where there are no controlling shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the EGM.

As at the Latest Practicable Date, the Company has no controlling shareholder as defined under the Listing Rules and none of the Directors, chief executives of the Company and their respective associates are interested in any Shares. Therefore, no Shareholder is required to abstain from voting in favour of the proposed resolutions to approve the Rights Issue, the Placing Agreement and the transactions contemplated thereunder at the EGM.

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

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yu Chon Man, Mr. Zhong Weili and Ms. Duan Baili, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the Independent Financial Adviser.

LETTER FROM VINCO FINANCIAL

We, Vinco Financial Limited, have been appointed and approved by the Independent Board Committee, comprising three independent non-executive Directors, to advise the Independent Board Committee and the Independent Shareholders on the Rights Issue. In our capacity as the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee as to whether the Rights Issue are on normal commercial terms, fair and reasonable, are in the interest of the Company and the Shareholders as a whole and whether to vote in the favour of the resolutions to be proposed at the EGM to approve the Rights Issue so far as the Independent Shareholders are concerned.

OUR INDEPENDENCE

As at the Latest Practicable Date, we are not connected with the Directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates and, as at the Latest Practicable Date, did not have any shareholding, directly or indirectly, in any of their respective subsidiaries or their respective associates and did not have any shareholding, directly or indirectly, in any member of the Group or any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group. We are not aware of any relationships or interests between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed Rights Issue of the Company. Apart from normal professional fees payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fee or benefit from the Group and its associates. During the past two years, there was no engagement between the Group and us. Also, we are not aware of the existence of or change in any circumstances that could affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed Rights Issue and the transactions contemplated thereunder of the Company.

BASIC OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company, the Directors and the management of the Company. We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up

LETTER FROM VINCO FINANCIAL

to and including the date of the EGM. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and the management of the Company.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter.

We have not considered the taxation and regulatory implications on the Group or the Independent Shareholders as a result of the Rights Issue since these depend on their individual circumstances, and if in any doubt, should consult their own professional advisers. We will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Rights Issue.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. In rendering our opinion in the Circular, we have researched, analyzed and relied on (i) the interim report of the Company for the six months ended 30 June 2024 (the “**Interim Report 2024**”); (ii) the annual report of the Company for the year ended 31 December 2023 (the “**Annual Report 2023**”); (iii) the management account of the Group; (iv) the Placing Agreement; (v) the relevant documents in relation to the bond agreements; (vi) the Circular; and (vii) market information obtained from the website of the Stock Exchange. Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Rights Issue, as referred to in Rule 13.80 of the Listing Rules (including the notes thereto).

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

LETTER FROM VINCO FINANCIAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Business and financial information of the Group

Information of the Group

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches and assists customers to hold exhibition.

Business and financial performance of the Group

Set out below is a summary of (i) the audited consolidated financial information of the Group for the two years ended 31 December 2023 (“FY2023”) and 31 December 2022 (“FY2022”); and (ii) the unaudited consolidated financial information of the Group for the six months ended 30 June 2024 (“HY2024”) and 30 June 2023 (“HY2023”) which were extracted from the Annual Report 2023 and Interim Report 2024 respectively:

	For the six months ended		For the year ended	
	30 June	30 June	31 December	
	2024	2023	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	22,090	27,289	31,667	64,409
Gross profit	5,946	4,342	5,553	4,805
Loss for the period/year	(10,729)	(18,074)	(39,536)	(48,247)

LETTER FROM VINCO FINANCIAL

	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)	2022 RMB'000 (audited)
Cash and cash equivalents	1,381	1,998	9,559
Bond payables	27,801	26,711	25,181
– Current	5,944	4,854	16,040
– Non-current	21,857	21,857	9,141
Total assets	102,036	113,629	155,179
Total liabilities	30,438	31,438	36,804
Net assets	71,598	82,191	118,375

FY2023 vs FY2022

According to the Annual Report 2023, the Group recorded revenue in the amount of approximately RMB31.7 million in FY2023, representing a decrease of approximately 50.8% as compared to in the amount of approximately RMB64.4 million in FY2022. Such decrease was mainly due to the net effect of (i) decrease of sales demand watches due to the keen competition in the industry; and (ii) the increase in average selling price in FY2023. We also note that the Group's gross profit of approximately RMB5.6 million in FY2023 increased by approximately 15.6% from approximately RMB4.8 million in FY2022, despite the decrease in revenue, which was in line with the increase in the average selling price in FY2023. The Group recorded a net loss in FY2023 in the amount of approximately RMB39.5 million, which improve from that in FY2022 in the amount of approximately RMB48.2 million. Such improvement was mainly due to the decrease in allowance for inventories.

The Group's cash and cash equivalents amounted to approximately RMB2.0 million as at 31 December 2023, which decreased by approximately RMB7.6 million, as compared to that of approximately RMB9.6 million as at 31 December 2022. The Group's total assets as at 31 December 2023 amounted to approximately RMB113.6 million and its total liabilities as at 31 December 2023 amounted to approximately RMB31.4 million. The Group's net assets amounted to approximately RMB82.2 million as at 31 December 2023, representing a decrease of approximately 30.6% as compared to that of approximately RMB118.4 million as at 31 December 2022. Such decrease was mainly due to the decrease in trade receivables by approximately RMB30.3 million, deposits, prepayments and other receivables by approximately RMB12.3 million and cash and cash equivalents by approximately RMB7.6 million, and offset by the increase in inventories by approximately RMB21.7 million. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from 21.3% as at 31 December 2022 to approximately 32.5% as at 31 December 2023. Such increase was mainly due to the decrease in shareholders' equity.

LETTER FROM VINCO FINANCIAL

HY2024 vs HY2023

According to the Interim Report 2024, the Group recorded revenue in the amount of approximately RMB22.1 million in HY2024, representing a decrease of approximately 19.1% as compared to in the amount of approximately RMB27.3 million in HY2023. Such decrease was mainly due to the decrease in sales order as results of the keen competition in the industry which net off with the effect of increase in exhibition income. We also note that the Group's gross profit of approximately RMB5.9 million in HY2024 increased by approximately 36.9% from approximately RMB4.3 million in HY2023, despite the decrease in revenue. The Group recorded a net loss in HY2024 in the amount of approximately RMB10.7 million as compared to that in HY2023 in the amount of approximately RMB18.1 million. Such change was mainly due to (i) the increase in gross profit as mentioned above; and (ii) the amount of other losses in HY2024 of approximately RMB5.7 million, which was lower than that in HY2023 of approximately RMB9.8 million.

The Group's cash and cash equivalents amounted to approximately RMB1.4 million as at 30 June 2024, which decreased by approximately RMB0.6 million, as compared to that of approximately RMB2.0 million as at 31 December 2023. The Group's total assets as at 30 June 2024 amounted to approximately RMB102.0 million and its total liabilities as at 30 June 2024 amounted to approximately RMB30.4 million. The Group's net assets amounted to approximately RMB71.6 million as at 30 June 2024, representing a decrease of approximately 12.9% as compared to that of approximately RMB82.2 million as at 31 December 2023. Such decrease was mainly due to the decrease in property, plant and equipment by approximately RMB3.9 million and financial assets at fair value through profit or loss by approximately RMB5.7 million. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group increased from approximately 32.5% as at 31 December 2023 to approximately 38.8% as at 30 June 2024. Such increase was mainly due to the decrease in shareholders' equity.

Bond payables

The Group's bond payables amounted to approximately RMB25.2 million as at 31 December 2022, approximately RMB26.7 million as at 31 December 2023 and approximately RMB27.8 million as at 30 June 2024. We have obtained and reviewed the bond agreements and the letter of demand for repayment. One of the bond payables amounting to approximately HK\$5.0 million which bears 5% annual interest has been past due in August 2024. Another bond payables amounting to approximately HK\$7.0 million is expected to be repaid before 31 May 2025.

Having considered the bond payables, we are of the view that the Rights Issue allows additional cash flow for the repaying Group's bond and is a reasonable decision for the interests of the Company and the Shareholders as a whole.

LETTER FROM VINCO FINANCIAL

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

As set out in the Board Letter, the Group's financial performance in HY2024, bond payables in HY2024 and the gearing ratio as mentioned above have been considered, in August 2024, bond payables of approximately HK\$5 million which bears 5% annual interest was matured. After negotiation with the bondholder in relation to the extension, they decided to request the settlement. As confirmed with the management of the Company, there is no penalty for the late settlement. In October 2024, the Group received an early repayment request from one of the bondholders in relation to a bond with principal amount of HK\$17 million which bears 9% annual interest rate (the "**Bond**"). Subsequent to negotiation between the Company and the bondholder, the bondholder agreed to accept an early repayment of HK\$7 million, representing part of the principal amount of the Bond on or before 30 June 2025, thereby allowing the Company to obtain sufficient external funding for the repayment of the Bond.

The Company currently intends to apply in aggregate approximately HK\$12.6 million of the net proceeds from the Rights Issue for the repayment of the Group's outstanding bonds and to repay the remaining balance of the outstanding bonds using internal financial resources of the Group. The relevant bondholders have indicated that in the event the Company fails to raise sufficient funds for the repayment of the bond payables, the relevant bondholders would then engage in separate negotiations with the Company regarding further possible extension and/or other means of settlement for the repayment of the bonds. As at the Latest Practicable Date, the relevant bondholders have confirmed to the Company that they would not take any legal actions against the Company with respect to the repayment of bonds before completion of the Rights Issue.

As at 30 June 2024, the Company had cash and bank balances of approximately RMB1.4 million. Taking into consideration the Group's indebtedness and gearing ratio as compared to its cash position and loss-making performance, the Directors consider that it is financially prudent for the Group to raise funds through the Rights Issue to improve its financial condition of the Group and reduce its gearing and interest burden.

Assuming there will be no change in the total number of issued Shares from the Latest Practicable Date up to and including the Record Date other than as a result of the Capital Reorganisation and full subscription of the Rights Issue, the maximum net proceeds from the Rights Issue (after deducting the related expenses) is expected to be approximately HK\$15.2 million. The Company intends to apply the net proceeds from the Rights Issue as follows:

- (i) approximately 82.9% of the net proceeds or approximately HK\$12.6 million for repayment of the Group's bond payables (including interest expenses) on or before 31 May 2025; and

LETTER FROM VINCO FINANCIAL

- (ii) approximately 17.1% of the net proceeds or approximately HK\$2.6 million for general working capital of the Group comprising rental expenses and other miscellaneous expenses, on or before 31 December 2025.

In the event that there is an undersubscription of the Rights Issue, the net proceeds of the Rights Issue will be utilised in proportion to the above uses.

Fund raising alternatives

With reference to the discussion with the management of the Group, the Board considers that to finance the funding needs of the Group in the form of equity is a better alternative than debt as it would not result in additional interest burden and will improve the gearing of the Group. In particular, the Company had faced difficulties in sourcing debt financing as its application for loans had previously been rejected by financial institutions due to the lack of security as the Company does not have material tangible assets in Hong Kong. Accordingly, we have obtained the rejection letter of the loan application issued by the financial institution in November 2024 as to understand the feasibility of such financing method other than the Rights Issue.

Furthermore, amongst the equity financing methods, we consider placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. In particular, placing is relatively smaller in scale as compared to fund raising through rights issue and it would lead to immediate dilution in the shareholding interest of the existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. On the contrary, the Rights Issue is pre-emptive in nature, as it allows Qualifying Shareholders to maintain their proportional shareholdings in the Company through participation in the Rights Issue. The Rights Issue also allows the Qualifying Shareholders to (a) increase their respective shareholding interests in the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (b) reduce their respective shareholding interests in the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, a rights issue is preferred. Further, the Rights Issue will enable the Group to strengthen its capital base and to enhance its financial position without increasing its debt or finance costs.

LETTER FROM VINCO FINANCIAL

Having considered (i) the Group's financial position as at 30 June 2024; (ii) its net loss making performance in FY2022, FY2023 and HY2024; (iii) its funding needs for relieve the Group's financial burden and lowering its finance costs; and (iv) the feasibility of the fund raising methods mentioned above, we are of the view that the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and it offers relatively more flexibility and the opportunity to participate in the growth of the Company. As such, we concur with the Director's view that the Rights Issue is a suitable financing method, and is in the interests of the Company and the Shareholders as a whole to raise capital through the Rights Issue.

3. Principal terms of the Rights Issue

The Board proposes, subject to the Capital Reorganisation becoming effective, to conduct the Rights Issue on the basis of one (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date. Set out below are the details of the Rights Issue statistics:

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.15 per Rights Share
Net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK\$0.141 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Existing Shares in issue as at the Latest Practicable Date	:	539,136,000 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	107,827,200 Adjusted Shares (assuming there is no change in the number of Shares in issue up to the effective date of the Capital Reorganisation)

LETTER FROM VINCO FINANCIAL

Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	107,827,200 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK\$1,078,272
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	215,654,400 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
Gross proceeds from the Rights Issue	:	Approximately HK\$16.2 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof, being employees of the Company, to subscribe for a total of 29,376,000 Existing Shares under the Share Option Scheme.

Save for the Share Options, the Company has no outstanding warrants, options or convertible securities in issue or other similar rights entitling holders thereof to convert into or exchange into or subscribe for new Shares as at the Latest Practicable Date.

Assuming no change in the number of Shares in issue on or before the Record Date, other than the Capital Reorganisation becoming effective, the aggregate 107,827,200 Rights Shares to be issued pursuant to the terms of the Rights Issue represent 100% of the total number of issued Adjusted Shares upon the Capital Reorganisation becoming effective and 50% of the total number of issued Adjusted Shares as enlarged by the issue of the Rights Shares (assuming full acceptance by the Qualifying Shareholders).

The Subscription Price

The Subscription Price is HK\$0.15 per Rights Share, which shall be payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

LETTER FROM VINCO FINANCIAL

The Subscription Price represents:

- (i) a discount of approximately 55.88% to the adjusted closing price of approximately HK\$0.340 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.068 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 44.44% to the adjusted closing price of approximately HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Organisation) based on the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 44.44% to the adjusted average closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.45% to the adjusted average closing price of HK\$0.275 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.055 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 44.44% to the adjusted average closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of \$0.054 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;
- (vi) theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 22.22%, based on the theoretical diluted price of HK\$0.210 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) to the benchmarked price of approximately HK\$0.270 (taking into account the effect of the Capital Reorganisation) per Adjusted Share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day;

LETTER FROM VINCO FINANCIAL

- (vii) a discount of approximately 79.45% to the unaudited consolidated net asset value per Adjusted Share of approximately RMB0.664 (equivalent to approximately HK\$0.730) based on the unaudited consolidated net asset value of the Company of approximately RMB71.6 million as at 30 June 2024 and the total number of 107,827,200 Adjusted Shares in issue immediately upon completion of the Capital Reorganisation; and
- (viii) a discount of approximately 82.10% to the audited consolidated net asset value per Adjusted Share of approximately RMB0.762 (equivalent to approximately HK\$0.838) based on the audited consolidated net asset value of the Company as at 31 December 2023 of approximately RMB82.2 million and the total number of 107,827,200 Adjusted Shares in issue immediately upon completion of the Capital Reorganisation.

The Subscription Price was determined with reference to:

- (i) *Market comparables*: With reference to 25 rights issue exercises conducted by other companies listed on the Stock Exchange during the three months immediately prior to the Last Trading Day up to and including the Latest Practicable Date, the discount of subscription price per rights share to the closing price per share on the last trading day prior to the announcement of the respective rights issue generally ranged from a premium of approximately 37.90% to a discount of approximately 73.68% (the “**Range of Market Discount Rate**”) with average and median discounts of approximately 23.64% and 22.03%, respectively. Taking into consideration the discount of the Subscription Price of approximately 44.44% to the adjusted closing price of HK\$0.270 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.054 per Existing Share as quoted on the Stock Exchange on the Last Trading Day falls within the Range of Market Discount Rate, the Directors consider that the discount of the Subscription Price is in line with market practice. Besides, the Directors also consider that it is commercially prudent to set the Subscription Price at a discount which is above the average of the Range of Market Discount Rate taking into consideration factors pertinent to the Group including (i) the relatively challenging outlook of the Hong Kong retail industry in which the Group is engaged in; (ii) the indebtedness position and declining financial performance of the Group; and (iii) the lack of liquidity and demand for the Shares in light of the relatively low trading volume of the Company during the six months prior to and including the Last Trading Day, details of which are set forth herein below;

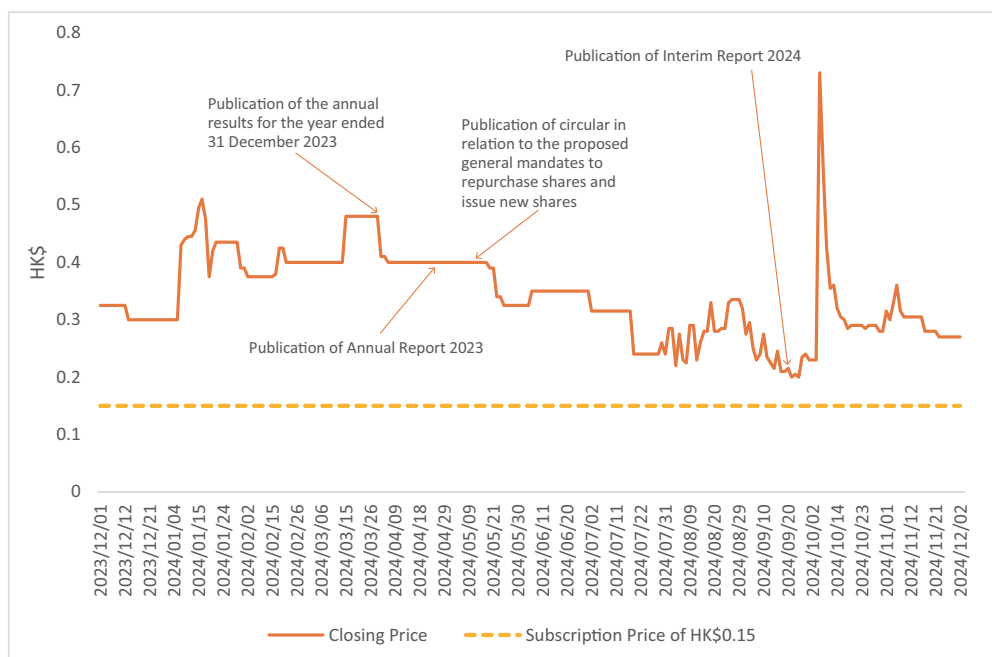
LETTER FROM VINCO FINANCIAL

- (ii) *Market conditions:* Looking forward, the Group will continue face challenges in the Hong Kong retail industry in the near future. Based on information publicly available from The Census and Statistics Department, the retail sales value of jewellery, valuable gifts and watches and clocks in Hong Kong decreased from approximately HK\$50,003 million for the ten months ended 30 October 2023 to approximately HK\$42,246 million for the corresponding period in 2024. Global economic uncertainties, geopolitical tensions, and underperformance in Hong Kong's equity and real estate markets will continue to bring adverse impacts on the local economy and consumer market. According to a report from DBS (https://www.dbs.com/content/article/pdf/AIO/112024/241120_insights_annual_outlook_hongkong.pdf), retail sales in Hong Kong are forecast to remain stagnant in 2025, after a 4% drop in 2024. Taking into consideration the industry outlook of the Hong Kong retail industry, the Directors consider that it is reasonable to set the Subscription Price at a discount in order to stir up investment sentiment among investors;
- (iii) *Financial position of the Group:* According to the Company's interim report for the six months ended 30 June 2024, the Group's revenue generated from branded watches business and exhibition business decreased from approximately RMB27.3 million for the six months ended 30 June 2023 to approximately RMB22.1 million for the six months ended 30 June 2024. Further, the Group recorded a net loss of approximately RMB10.7 million for the six months ended 30 June 2024. As at 30 June 2024, the Group had bond payables of approximately RMB27.8 million (equivalent to approximately HK\$30.6 million) in aggregate and the gearing ratio (defined as total interest bearing borrowings divided by shareholders equity) of the Group increased from approximately 32.5% as at 31 December 2023 to approximately 38.8% as at 30 June 2024. In light of the indebtedness position and declining financial performance of the Group during 2023 and 2024, the Directors consider that it is reasonable to set the Subscription Price at a discount in order to garner continuous support from existing Shareholders and interest from potential investors to invest in the Company; and
- (iv) *Reasons for and benefits of the proposed Rights Issue:* details of which are set forth in the paragraph headed "Reasons for the Rights Issue, the Placing and the use of proceeds" in the Board Letter.

LETTER FROM VINCO FINANCIAL

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the theoretical closing price per Share during the one year ended the date of the Announcement (being a period of approximately one year prior to and including the Last Trading Day) (the “**Review Period**”), with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue, assuming the Capital Reorganisation having become effective (the “**Closing Price**”); and (ii) the average daily trading volumes of the Existing Shares for each of the months/periods during the Review Period.

We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison among the historical adjusted closing prices prior to the Announcement as (i) the 1-year period represents a reasonable period to reflect the performance of the closing price of the Shares in response to the prevailing market condition and operating condition; (ii) a shorter review period can only demonstrate the Share price performance in a limited and specific time which may be distorted by specific events; and (iii) it is commonly used for analysis purposes. Besides, such comparison is relevant for the assessment of the fairness and reasonableness of the Subscription Price, as the share price before the Announcement represent a fair market value of the Company, the Shareholders expected, while that after the Announcement, the value may have taken into account the potential upside of the Rights Issue which may distort the analysis. The chart below illustrates the Closing Price versus the Subscription Price of HK\$0.15 per Share:



Source: The website of the Stock Exchange (<http://www.hkex.com.hk>)

LETTER FROM VINCO FINANCIAL

As shown above, the Closing Price have been fluctuated during the entire Review Period. We note that the Closing Price surged from HK\$0.230 per Share on 3 October 2024 to HK\$0.730 per Share on 4 October 2024 and subsequently dropped to HK\$0.285 per Share on 17 October 2024. After reviewing the Company's announcements, we do not notice any specific reasons for the aforementioned movements of the Closing Price during the Review Period. As advised by the management of the Company, the Company is also not aware of any reasons for the aforementioned Share price fluctuations.

The Closing Price of the Share during the Review Period ranged from HK\$0.200 per Share (the "**Lowest Closing Price**") to HK\$0.730 per Share (the "**Highest Closing Price**") and with the average Closing Price of approximately HK\$0.341 per Share (the "**Average Closing Price**") and the median of the Closing Price of approximately HK\$0.325 per Share.

We noted from the above that during the Review Period, the Shares have been traded above the Subscription Price and that the Subscription Price of HK\$0.15 represents (i) a discount of approximately 25.0% to the Lowest Closing Price; (ii) a discount of approximately 79.5% to the Highest Closing Price; (iii) a discount of approximately 56.0% to the Average Closing Price; and (iv) a discount of approximately 53.8% to the median of the Closing Price. We note that the Closing Price was higher than Subscription Price throughout the Review Period. As such, the attractiveness of the Rights Issue, for the Qualifying Shareholders to participate and maintain their respective shareholding interests in the Company, would have been enhanced accordingly with the Subscription Price offered at discounts to Lowest Closing Price, Highest Closing Price, the Average Closing Price and the median of the Closing Price respectively.

Although the Subscription Price is at all time lower than the adjusted closing price of the Consolidated Shares during the Review Period as mentioned above, after considering that (i) the low liquidity of the Shares as discussed in sub-section headed "Liquidity of the Shares" below in this letter; (ii) the funding needs to repay the debts of the Group as discussed in the section headed "2. Reasons for the Rights Issue and use of proceeds" above in this letter; (iii) the discount of the Subscription Price to the Closing Price is more significant to the median of discount of the selected market comparables but is within the range in the comparable analysis as discussed in the sub-section headed "Comparison with other rights issue transactions" below in this letter; and (iv) the industry outlook of Hong Kong retail industry being stagnant as discussed in the sub-section headed "The Subscription Price" above in this letter, we consider that the discount of the Subscription Price is fair and reasonable and the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM VINCO FINANCIAL

Liquidity of the Shares

The table below sets out the average daily trading volume of the Shares per month/period and the respective percentages of the average daily trading volume as compared to the total number of issued Shares during the Review Period:

	Total trading volume of the Shares in the month/period	Number of trading days in the month/period	Average daily trading volume of the Shares in the month/period (Note 1)	Percentage of average daily trading volume to total number of Shares (approximately %) (Note 2)
2023				
December (from 1 December 2023 to 29 December 2023 (both days inclusive))	157,000	19	8,263	0.0015
2024				
January	17,391,800	22	790,536	0.1466
February	594,800	19	31,305	0.0058
March	49,200	20	2,460	0.0005
April	58,000	20	2,900	0.0005
May	97,800	21	4,657	0.0009
June	15,200	19	800	0.0001
July	986,000	22	44,818	0.0083
August	2,830,000	22	128,636	0.0239
September	5,719,400	19	301,021	0.0558
October	27,560,200	21	1,312,390	0.2434
November	1,781,000	21	84,810	0.0157
December (up to and including the Last Trading Day)	Nil	1	Nil	Nil

Source: The website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days in the respective month/period.
2. Calculation is based on the average daily trading volume of Consolidated Shares divided by the total issued Shares of the Company at the end of each respective month.

LETTER FROM VINCO FINANCIAL

As illustrated in the table above, the percentage of average daily trading volume of Consolidated Shares during the Review Period ranged from nil to approximately 0.2434% of the total number of issued Shares for each of their respective month/period. As advised by the management of the Company, the Company is also not aware of any reason for the increase in trading volume in October 2024. Considering that the trading liquidity of the Shares were in general relatively thin during the Review Period, we are of the opinion that it is reasonable for the Subscription Price to be set at a discount to the prevailing theoretical adjusted closing prices of the Adjusted Shares in order to attract the Qualifying Shareholders to participate in the Rights Issue.

Comparison with other rights issue transactions

To further assess the fairness and reasonableness of the Subscription Price, we have identified an exhaustive list of 33 rights issues transactions (the “**Comparables**”) announced by other companies listed on the Stock Exchange for the 3-month period immediately prior to the Last Trading Day up to and including the Latest Practicable Date (the “**Comparable Review Period**”). Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company.

Although the Comparables having rights issue on different bases, engaged in different business or with different financial performance and funding needs, having considered that (i) all of the Comparables and the Company are listed on the Stock Exchange; (ii) the analysis is mainly concerned with the principal terms of the rights issues; (iii) an approximately four months period for selection of the Comparables having generated a reasonable sampling size to reflect the market practice regarding rights issue in the recent period; and (iv) the Comparables were sorted out without filtering so the Comparables represent a complete picture of the recent market trends for similar rights issue transactions conducted by other issuers listed on the Stock Exchange (including those with excess application or purposed by GEM issuers), we consider the list of Comparables to be representative. In addition, we considers that the Comparable Review Period is adequate and fair and representative given that (i) such period would provide the Shareholders with the recent and relevant information in relation to the rights issues to demonstrate the prevailing market practices up to and including the Latest Practicable Date under the prevailing market conditions; and (ii) we are able to identify sufficient number of samples of 33 representative Comparables that meet the aforesaid criteria for comparison analysis in such period.

LETTER FROM VINCO FINANCIAL

Shareholders should note that the Comparables may have different principal business activities, market capitalisations, profitability, financial positions and future prospects as compared to those of the Company. No direct correlation between market capitalisation or fundraising scale of the Comparables with the discount of subscription price offered is noted from the Comparables as shown in the table below. The discount of subscription price to the closing price on the last trading day of one Comparable can be deeper than other Comparables with market capitalisation/fundraising scale higher or lower than its market capitalisation/fundraising scale. Hence, market capitalisation or fundraising scale is not considered a relevant factor in selecting Comparables.

It should be noted that, in forming our opinion, we have taken into account of the results of the below analysis together with all other factors stated in this letter as a whole. The table below provides a summary of our findings.

LETTER FROM VINCO FINANCIAL

Date of announcement	Company name	Stock code	Basic of entitlement	Maximum dilution on shareholding	Premium/discount of the subscription price per rights issue share on the last trading day prior to announcement of rights issue	Premium/discount of the subscription price per rights issue share over the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day and prior to announcement of rights issue	Premium/discount of the net asset value per share	Premium/discount of theoretical dilution effect	Excess application/Placing	Pricing commission	Underwriting arrangement	Underwriting fee	Minimum placing commission	Market capitalisation	Fundraising gross proceeds
			(%)	(%)	(%)	(%)	(%)	(%)	(Note 3)	(Note 1)		(%)	HKS	HKS million (approximately)	HKS million (approximately)
31/12/2024	China Dentar Financial Investments Limited	8120	1 for 2	33.33	(25.32)	(25.32)	(59.08)	(8.35)	Placing	2.30	Non-underwritten	N/A	No	50.59	15.59
27/12/2024	China Kingstone Mining Holdings Limited	1380	2 for 5	28.57	19.62	(65.60)	(65.60)	4.65	Placing	2.25	Non-underwritten	N/A	300.00	33.39	21.20
20/12/2024	Manson International Holdings Limited	8456	4 for 1	80.00	(23.59)	(23.59)	98.60	(8.80)	Placing	1.50	Non-underwritten	N/A	No	11.21	30.70
19/12/2024	HSC Resources Group Limited	1850	4 for 1	80.00	(23.19)	(23.19)	(93.31)	(9.43)	Placing	1.50	Non-underwritten	N/A	No	21.67	73.27
13/12/2024	China Energy Storage Technology Development Limited	1145	2 for 1	66.67	(35.38)	(35.38)	(90.54)	(2.24)	Placing	1.50	Non-underwritten	N/A	No	72.39	94.20
13/12/2024	Boyi Century Resources Holdings Limited	8125	2 for 1	75.00	(22.00)	(22.00)	(17.96)	(1.96)	Placing	2.00	Non-underwritten	N/A	No	16.93	39.15
10/12/2024	KNT Holdings Limited	1025	3 for 1	75.00	(10.22)	(10.22)	(89.94)	(6.98)	Placing	3.00	Non-underwritten	N/A	No	17.69	44.00
6/12/2024	Yanming China Holdings Limited	2699	4 for 1	80.00	(13.80)	(13.80)	Net liabilities	(8.80)	Placing	3.00	Non-underwritten	N/A	No	21.18	63.80
31/12/2024	Geplex Group Limited	6128	2 for 1	75.00	(23.27)	(23.27)	(31.53)	(2.00)	Placing	1.50	Non-underwritten	N/A	No	38.69	119.70
21/12/2024	Legend Strategy International Holdings Group Company Limited	1355	1 for 1	50.00	(49.00)	(49.00)	(24.86)	(2.00)	Excess application	N/A	Non-underwritten	N/A	No	94.16	47.30
21/12/2024	EHF Holdings Limited	223	1 for 5	16.67	(9.91)	(9.91)	96.10	(0.61)	Excess application	N/A	Non-underwritten	N/A	No	14.72	27.12
19/12/2024	China Wood International Holding Co., Limited	1822	1 for 1	50.00	(48.60)	(48.60)	(24.90)	N/A	Excess application	N/A	Non-underwritten	N/A	No	80.60	45.60
15/12/2024	Gibshi Strategic Group Limited	8007	4 for 1	80.00	(12.50)	(12.50)	(91.60)	(1.30)	Excess application	1.00	Non-underwritten	N/A	No	16.41	51.10
12/12/2024	HG Semiconductor Limited	6908	1 for 4	20.00	(36.00)	(36.00)	(41.50)	(8.30)	Placing	1.00%	Non-underwritten	N/A	100.00	425.10	91.30
11/12/2024	Far East Holdings International Limited	36	2 for 1	66.67	(35.77)	(35.77)	(80.59)	(2.85)	Placing	2.9%	Non-underwritten	N/A	No	41.26	72.75
11/12/2024	China Water Industry Group Limited	1129	1 for 1	50.00	(49.54)	(49.54)	(49.54)	(2.92)	Placing	2.00	Non-underwritten	N/A	No	123.57	93.68
31/10/2024	Yuhou Group Holdings Company Limited	1029	49 for 100	32.89	(72.99)	(72.99)	(63.68)	(2.42)	Excess application	N/A	Non-underwritten	N/A	No	575.86	112.20
21/10/2024	IRC Limited	8087	3 for 2	60.00	(15.00)	(15.00)	(67.30)	(4.90)	Excess application	N/A	Non-underwritten	N/A	No	741.21	362.10
18/10/2024	China 33 Media Group Limited	1468	1 for 2	33.33	(7.41)	(7.41)	(55.62)	(5.12)	Placing	1.9%	Non-underwritten	N/A	100.00	91.79	19.40
18/10/2024	Kingsley Financial International (Holdings) Limited	1468	1 for 2	33.33	8.59	(12.20)	(12.20)	(1.40)	Excess application	N/A	Non-underwritten	N/A	No	76.10	542.59
15/10/2024	Emerence Enterprise Limited	1576	1 for 2	33.33	38.90	(65.30)	(65.30)	12.10	Placing	1.00	Non-underwritten	N/A	No	61.60	30.80
8/10/2024	Y & V Technology Holdings Limited	8113	2 for 1	66.67	(24.54)	(24.54)	(89.98)	(2.30)	Excess application	N/A	Non-underwritten	N/A	No	29.42	62.20
4/10/2024	Pelida Group Holdings Limited	8179	1 for 2	33.33	(26.04)	(26.04)	(22.23)	(0.20)	Excess application	N/A	Non-underwritten	N/A	No	7.413	24.20
2/10/2024	China National Culture Group Limited	745	2 for 1	66.67	(31.51)	(31.51)	(66.10)	(6.23)	Excess application	N/A	Non-underwritten	N/A	No	209.86	71.70
26/9/2024	Innovax Holdings Limited	2880	1 for 2	33.33	(67.39)	(67.39)	(83.35)	(2.31)	Placing	2.00	Non-underwritten	N/A	No	11.25	15.60
23/9/2024	Hacker Group Limited	8365	3 for 1	75.00	(31.59)	(31.59)	(84.10)	(2.78)	Placing	1.00	Non-underwritten	N/A	No	50.80	12.00
21/9/2024	Shengze Foshan Resources Group Limited	6829	3 for 1	33.33	2.52	(24.00)	(23.60)	0.00	Placing	0.00	Flip-underwritten	0.00	No	12.85	33.00
13/9/2024	Deyun Rise Group Holdings Limited	6829	1 for 1	50.00	(48.20)	(48.20)	(92.24)	0.06	Excess application	N/A	Flip-underwritten	2.00	100.00	71.00	28.80
13/9/2024	Shengze Century Holdings Limited	103	1 for 5	16.67	10.00	(65.50)	(65.50)	6.80	Excess application	1.00	Non-underwritten	N/A	No	87.77	129.75
9/9/2024 (Note 4)	China International Corporation Limited	723	1 for 2	33.33	12.35	18.52	18.52	0.00	Excess application	N/A	Non-underwritten	N/A	No	58.32	150.00
4/9/2024	China New Consumption Group Limited	8255	1 for 2	33.33	(5.66)	(5.66)	(61.09)	(2.45)	Placing	3.50	Non-underwritten	N/A	250.00	71.88	24.00
2/9/2024	Gaangfong - Hong Kong Greater Bay Area Holdings Limited	1396	1 for 2	33.33	(21.71)	(21.71)	(95.59)	(8.28)	Excess application	N/A	Non-underwritten	N/A	No	170.96	62.41
			Maximum	80.00	38.90	38.90	156.52	12.10		3.30		3.00	300.00		
			Minimum	3.23	(72.99)	(72.99)	(89.98)	(4.92)		0.00		0.00	100.00		
			Average	48.42	(21.38)	(21.38)	(44.23)	(12.39)		1.80		1.67	170.00		
			Median	50.00	(23.19)	(23.19)	(65.50)	(11.30)		1.50		2.00	100.00		
21/12/2024	The Company	1327	1 for 1	50.00	(44.44)	(44.44)	(74.45)	(22.22)	Placing	1.50	Non-underwritten	N/A	100.00		

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Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Information has been extracted from the relevant announcements or circulars of the rights issue of the respective Comparables.
2. The theoretical dilution effect is calculated in accordance with Rule 7.27B of the Rules Governing the Listing of Securities on the Stock Exchange or Rule 10.44A of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rule**”), or extracted from announcement, circular or prospectus in respect of the relevant rights issue.
3. Pursuant to Rule 7.21(1) of the Listing Rule or Rule 10.31(1) of the GEM Listing Rule.
4. Information has been extracted from the prospectus published by Crown International Corporation Limited (stock code: 727) dated 7 November 2024 instead of the announcement dated 9 September 2024 as the corresponding discount rates had been updated in its prospectus.

According to our research, we observed that (i) 27 of the 33 Comparables had set the subscription price of their rights issue at a discount to the prevailing closing price of their shares on the last trading day in relation to their respective rights issue (the “**LTD Price**”); (ii) 27 of the 33 Comparables had set the subscription price of their rights issue at a discount to the average closing price per share for the last five consecutive trading days immediately up to and including the last trading day (the “**5-Day Discount Price**”); and (iii) 25 of the 33 Comparables had set the subscription price of their rights issue at a discount to the NAV per share. It indicates that it is common for listed companies to set the subscription price of rights issue at a discount to the LTD Price, 5-Day Discount Price and the NAV per share, with the view to encourage participation.

The subscription price to the LTD Price of the Comparables ranged from a premium of approximately 37.90% to a discount of approximately 73.68% with average and median discounts of approximately 21.77% and 22.90% respectively. The discount of approximately 44.44% of the Subscription Price to the LTD Price of the Company falls within the range of those of the Comparables and is more significant to the median of the Comparables.

LETTER FROM VINCO FINANCIAL

The subscription price to the 5-Day Discount Price ranged from a premium of approximately 38.90% to a discount of approximately 72.99% with average and median discounts of approximately 21.38% and 23.19% respectively. The discount of approximately 44.44% of the Subscription Price to the 5-Day Discount Price of the Company falls within the range of those of the Comparables and is more significant to the median of the Comparables.

The subscription prices to the NAV per share of the Comparables ranged from a premium of approximately 156.52% to a discount of approximately 98.98% with average and median discounts of approximately 44.23% and 65.50% respectively. The discount of approximately 79.45% of the Subscription Price to the NAV per share of the Company falls within the range of those of the Comparables and is more significant to the median of the Comparables.

The theoretical dilution effect of the rights issue conducted by the Comparables ranged from a premium of approximately 12.10% to a discount of 24.92% with average and median discounts of approximately 12.39% and 11.30% respectively. The theoretical dilution effect of the Rights Issue of approximately 22.22% falls within the range of the Comparables and is more significant to the median of the Comparables.

Taking into account that (i) the Subscription Price falls below the Closing Price during the Comparable Review Period; (ii) the discounts of the Subscription Price to the LTD Price, the 5-Day Discount Price and the NAV per share of the Company fall within discount ranges of the Comparables; and (iii) the theoretical dilution effect of the Rights Issue falls within the range of the Comparables, we consider the Subscription Price is fair and reasonable.

Although (i) the discount of the Subscription Price is more significant to the median of the LTD Price of the Comparables; (ii) the discount of the Subscription Price is close to the higher end of the Comparables; (iii) the discount of the Subscription Price is more significant to the median of the relevant closing price for the average five days immediately before the announcement of the rights issue of the Comparables; and (iv) the theoretical dilution effect of the Rights Issue is more significant to the median of the Comparables, we have taken into account the following factors in determining whether the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned: (i) it is common for listed issuers in Hong Kong to issue rights shares at a discount to prevailing market prices in order to enhance the attractiveness of the Rights Issue; (ii) the higher discount of the Subscription Price could enhance the attractiveness of the Rights Issue and encourage the Qualifying Shareholders to participate in the Rights Issue; (iii) having assessed Group's need to repay the outstanding bonds as discussed in the above section headed "2. Reasons for the Rights Issue, the Placing and the use of proceeds" in this letter, which we consider

LETTER FROM VINCO FINANCIAL

reasonable given the Group's financial performance; (iv) the Rights Issue is considered to be a better financing alternative over bank borrowings, placing or subscription of new Shares; and (v) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares under the Rights Issue and are offered the same discounts of the Subscription Price to the closing price of the Share and the same potential maximum dilution. In light of the above, we are of the view that the Subscription Price (together with its dilution effect) is fair and reasonable so far as the Independent Shareholders are concerned, and also in alignment with the market practice.

Among the Comparables, we noted that 19 out of 33 Comparables exercise placing in their rights issues. As such, we consider that it is reasonable for rights issue to have placing arrangements.

Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares

Extracted details of the Placing Agreement are shown below:

Date : 2 December 2024 (after trading hours)

Issuer : the Company

Placing Agent : Astrum Capital Management Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, was appointed as the Placing Agent to procure, on a best effort basis, places to subscribe for the Unsubscribed Rights Shares and NQS Unsold Rights Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) are not Shareholders and are Independent Third Parties.

Commission and expenses : The Company shall pay the Placing Agent a placing commission equivalent to (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher.

LETTER FROM VINCO FINANCIAL

For illustrative purpose, the maximum amount of commission payable by the Company to the Placing Agent is HK\$242,611.2, assuming no subscription by the Qualifying Shareholders and all the Placing Shares are placed to Independent Third Parties under the Placing.

Placing price : The placing price of each of the Placing Shares shall be not less than the Subscription Price. The final price determination will be dependent on the demand and market conditions of the Placing Shares during the process of placement.

Placees : The Placing Shares are expected to be placed to placee(s), who and whose ultimate beneficial owner(s) shall be Independent Third Party(ies) and who are independent among each other. The Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

For further details, please refer to section headed “Placing Agreement for Unsubscribed Rights Shares and NQS Unsold Rights Shares” in the Board Letter. As stated in the Board Letter, the engagement between the Company and the Placing Agent in respect of the Placing Shares (including the commission and expenses payable) was determined after arm’s length negotiation between the Placing Agent and the Company and is on normal commercial terms with reference to 25 rights issue exercises conducted by other companies listed on the Stock Exchange during the three months immediately prior to the Last Trading Day, the commission charged by placing agent in a rights issue exercise conducted on a non-underwritten basis generally ranged between 1.0% to 3.5%, with an average of approximately 1.72% and a median of 1.5%. Given the commission rate of 1.5% charged by the Placing Agent falls within the market commission rate (i.e. 1.0% to 3.5%), the Directors consider that the commission rate charged by the Placing Agent under the Placing is fair and reasonable and on normal commercial terms.

Based on the above analysis, the Board considers that the terms of Placing Agreement in respect of the Placing Shares (including the commission and expenses payable) are on normal commercial terms.

LETTER FROM VINCO FINANCIAL

According to Rule 7.21(1)(b) of the Listing Rules, the Company will make the Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the NQS Unsold Rights Shares by offering these Rights Shares to independent placees, who and whose ultimate beneficial owners(s) shall be Independent Third Party(ies), for the benefit of the Shareholders to whom they were offered by way of the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(2)(a) of the Listing Rules. The Unsubscribed Rights Shares and NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort basis for the benefits of the No Action Shareholders and Non-Qualifying Shareholders. If all or any of the Unsubscribed Rights Shares and NQS Unsold Rights Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis.

Based on our discussion with the management of the Group, excess application is considered as a passive arrangement to facilitate additional participation of the Qualifying Shareholders. Taking into account the low liquidity of the Shares before the Last Trading Day, the Directors consider it would be more desirable for the Company to adopt a more active measure by way of the Compensatory Arrangements to mitigate the uncertainty of the fund raising exercise.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Placing Shares to the Company; and (ii) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders taking into consideration the No Action Shareholders, being Qualifying Shareholders who neither subscribe for the Rights Shares nor sell their nil-paid rights, and the Non-Qualifying Shareholders would be compensated under the Compensatory Arrangements. As illustrated above, the Unsubscribed Rights Shares and the NQS Unsold Rights Shares will be placed by the Placing Agent to Independent Third Parties on a best effort under the Compensatory Arrangements and any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Non-Qualifying Shareholders on a pro-rata basis. As illustrated in the analysis set out in under paragraph headed “Comparison with other rights issue transactions” of this letter, we note that 19 out of 33 Comparables have facilitated compensatory arrangements. Therefore, we consider that the Compensatory Arrangements are in line with the market practice, and we concur with the view of the Directors that adopting the Compensatory Arrangements are not out of the ordinary and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM VINCO FINANCIAL

Pursuant to the Placing Agreement, the Company shall pay the Placing Agent a placing commission equivalent to (i) a fixed fee of HK\$100,000; or (ii) 1.5% of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares and NQS Unsold Rights Shares which are successfully placed by the Placing Agent, whichever is higher. To assess the fairness and reasonableness of the terms of the Placing Agreement, we have reviewed the placing commissions of the Comparables, if any. In order to calculate the average, median, minimum and maximum percentage of the placing commission of the Comparables, we have noted that their placing commissions rates ranged from nil to 3.50%, with an average and median of approximately 1.80% and 1.50% respectively. In addition, among the 19 Comparables who exercise placing in their rights issues, we noted there were five Comparables who shall pay a fixed fee or minimum fee and we are of view that it is not uncommon to have fixed fee as placing commission. We noted that their fixed placing commissions ranged from HK\$100,000 to HK\$300,000, with an average and median of approximately HK\$170,000 and HK\$100,000 respectively.

As illustrated from the Comparables, (i) the placing commissions of the Placing Agreement of 1.5% falls within the range of the placing commissions among the Comparables, lower than the average and the median of the placing commissions among Comparables; and (ii) the fixed placing commissions of the Placing Agreement of HK\$100,000 falls within the range of the placing commissions among the Comparables, lower than the average and the median of the placing commissions among Comparables. Having considered that the both placing commission and fixed placing commissions of the Placing Agreement falls within the range of the Comparables, we are of the view that the placing commission of the Placing Agreement is fair and reasonable.

Potential dilution effect

All the Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue. Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market.

The changes in shareholding structure of the Company arising from completion of the Rights Issue are set out in the section headed “EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY” in the Board Letter.

LETTER FROM VINCO FINANCIAL

Immediately upon completion of the Capital Reorganisation and the Rights Issue, (i) assuming all Qualifying Shareholders have taken up all the entitled Rights Shares, their shareholding interests in the Company will remain unchanged after the Rights Issue; and (ii) assuming none of the Qualifying Shareholders has taken up any entitled Rights Shares and to Independent Third Parties under the Placing, the shareholding interests of the Qualifying Shareholders will be diluted by up to a maximum of 50.0%, which fall within the range of the Comparables.

Notwithstanding the potential dilution impact to the public Shareholders who do not participate in the Rights Issue, taking into consideration that (i) all Qualifying Shareholders are offered an equal opportunity to subscribe for the Rights Shares so as to maintain their respective proportionate shareholding interest in the Company; (ii) the shareholding interest of the Qualifying Shareholders would not be diluted if they elect to subscribe for in full their assured entitlements; (iii) the dilution effect of the Rights Issue is within the range of that of the Comparables; (iv) the Compensatory Arrangements would provide (a) a distribution channel of the Placing Shares to the Company; and (b) an additional channel of participation in the Rights Issue for the Qualifying Shareholders and the Non-Qualifying Shareholders; and (c) a compensatory mechanism for the No Action Shareholders and the Non-Qualifying Shareholders; (v) the Rights Issue is an appropriate financing alternative under present circumstances of the Company; and (vi) the uses of the net proceeds from the Rights Issue as discussed in this letter is expected to be applied for the repayment of the Group's bond payables on or before 31 May 2025 and the general working capital of the Group comprising rental expenses, interest expenses with respect to the Group's outstanding bonds and other miscellaneous expenses, on or before 31 December 2025 thereby lowering the interest burden and resulting in an improvement in the financial condition of the Group, including decreasing the gearing ratio from approximately 38.8% as at 30 June 2024 to approximately 22.1% upon the application of the net proceeds from the Rights Issue, we are of the opinion that the potential dilution impact to the public Shareholders who do not participate in the Rights Issue as a result of the Rights Issue is acceptable.

LETTER FROM VINCO FINANCIAL

Financial effects of the Rights Issue

Net tangible assets

According to the “UNAUDITED PRO FORMA FINANCIAL INFORMATION” set out in the Appendix II to the Circular, the unaudited consolidated net tangible assets of the Group attributable to owners of the Company was approximately RMB71.6 million as at 30 June 2024, while the unaudited consolidated net tangible assets per Share before completion of the Rights Issue was approximately RMB0.13; upon completion of the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company would increase to approximately RMB85.7 million, while (i) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Share Consolidation, but before the completion of the Rights issue was approximately RMB0.66; and (ii) the unaudited pro forma adjusted consolidated net tangible assets per Share immediately after completion of the Share Consolidation and the Rights issue was approximately RMB0.40.

Gearing ratio and liquidity

According to the Interim Report 2024, as at 30 June 2024, the cash and equivalents of the Group was approximately RMB1.4 million (equivalent to approximately HK\$1.5 million). Immediately upon completion of the Rights Issue, the cash and cash equivalents of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$15.2 million.

Upon the completion of the Rights Issue, the equity attributable to owners of Company would be enlarged by the expected net proceeds from the Rights Issue of approximately HK\$15.2 million. The Group’s gearing ratio (defined as total interest-bearing borrowings divided by shareholders’ equity) was approximately 38.8% as at 30 June 2024. Since the net proceeds are intended to be utilised for (i) repayment of the Group’s bond payable (including interest expenses); and (ii) the general working capital of the Group, the Group’s liquidity would be improved upon completion of the Rights Issue. The gearing ratio of the Group would be improved from approximately 38.8% as at 30 June 2024 to approximately 22.1% upon the application of the net proceeds from the Rights Issue as approximately HK\$12.6 million for the repayment of the Group’s outstanding bonds, resulting in an improvement in the financial condition of the Group.

In light of the above, we are of the view that the overall financial impact to the Group upon completion of the Rights Issue is in the interest of the Company and the Shareholders.

LETTER FROM VINCO FINANCIAL

Recommendation

Taking into consideration of the principal factors and reasons as set out in this letter, in particular, (i) the Group's financial position as at 30 June 2024; (ii) its net loss making performance in FY2022, FY2023 and HY2024; (iii) the funding needs of the Group to relieve its financial burden and lowering its financial cost; (iv) the Rights Issue being considered as a more preferential options as compared to other alternatives under the current circumstance of the Group; (v) the positive impact on the Group's liquidity position and gearing ratio as a result of the Rights Issue; and (vi) the Qualifying Shareholders can maintain and even increase their shareholding interest in the Company by participating into the Rights Issue, we are of the opinion that the terms of the Rights Issue are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the Rights Issue including the transactions contemplated thereunder are in the interests of the Company and the Shareholder as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Rights Issue and the transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
Vinco Financial Limited
Alister Chung
Managing Director

Note: Mr. Alister Chung is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Vinco Financial Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong for over 10 years.

A. FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2021, 2022 and 2023 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.luxxu.hk), respectively:

- (i) the audited consolidated financial statements of the Group for the year ended 31 December 2021 is disclosed in the annual report of the Company for the year ended 31 December 2021 published on 21 April 2022, from pages 35 to 104:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0421/2022042101878.pdf>
- (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2022 is disclosed in the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023, from pages 34 to 98:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701974.pdf>
- (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2023 is disclosed in the annual report of the Company for the year ended 31 December 2023 published on 30 April 2024, from pages 33 to 92:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0430/2024043001554.pdf>
- (iv) the unaudited consolidated financial information of the Group for the six months ended 30 June 2024 is disclosed in the interim report of the Company for the six months ended 30 June 2024 published on 19 September 2024, from pages 10 to 20:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0919/2024091900295.pdf>

B. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

Bond payables

As at 30 November 2024, the Group had outstanding bond payables of approximately RMB29.2 million (equivalent to approximately HK\$31.4 million). The bond payables comprised three bonds owed to three Independent Third Parties, in the principal amount of HK\$17.0 million (“**Bond A**”), HK\$5.0 million (“**Bond B**”) and HK\$5.0 million (“**Bond C**”), respectively, details of which are set forth in the table below:

	Principal amount <i>(HK\$' million)</i>	Interest accrued <i>(HK\$' million)</i>	Interest rate per annum	Repayment date
Bond A	17.0	3.2	9%	30 January 2028
Bond B	5.0	0.6	5%	10 August 2024 (which was past due)
Bond C	<u>5.0</u>	<u>0.6</u>	9%	27 December 2025
	<u>27.0</u>	<u>4.4</u>		

Subsequent to 30 November 2024, the abovementioned three outstanding bonds incurred additional interest expenses of approximately RMB0.4 million, RMB0.2 million and RMB0.1 million, respectively.

The details of the bond for the year are set out below:

	30 November 2024 <i>RMB'000</i>	31 December 2023 <i>RMB'000</i>
At 1 January	26,711	25,181
Imputed interest charge	2,383	2,221
Repayments during the year	(645)	(1,381)
Loss on modification of bond payables	(394)	–
Exchange realignment	<u>1,138</u>	<u>690</u>
At 30 November/31 December	<u>29,193</u>	<u>26,711</u>

Lease liabilities

As at 30 November 2024, the Group had lease liabilities of approximately RMB9,545,000.

Save as disclosed above, and apart from intra-group liabilities and normal accounts payables in the ordinary course of business of the Group, as at 30 November 2024, being the latest practicable date for the purpose of preparing this statement of indebtedness, the Group did not have any debt securities issued and outstanding, or authorised or otherwise created but unissued, any other term loans, any other borrowings or indebtedness in the nature of borrowing (including but not limited to bank overdrafts and liabilities under acceptance (other than normal trade bills)), acceptance credits, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, any other mortgages and charges or any other material contingent liabilities or guarantees.

C. WORKING CAPITAL STATEMENT

As at the Latest Practicable Date, the Company has obtained a working capital sufficiency confirmation letter from its auditor as required under Rule 9.20(1) of the Listing Rules. The Directors, after due and careful consideration, are of the opinion that in the absence of unforeseeable circumstances, taking into account the financial resources available to the Group and the estimated net proceeds from the Rights Issue, the Group will have sufficient working capital for its present requirements for at least the next twelve (12) months following the date of this circular.

D. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Company since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Company were made up.

E. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is principally engaged in investment holding. The subsidiaries of the Company are principally engaged in the manufacture and sales of own-branded watches and jewellery, including but not limited to diamond watches, tourbillon watches and luxury jewellery watches, OEM watches and third-party watches and assists customers to hold exhibition.

According to the 2024 interim report of the Company, the Group's revenue generated from the manufacture, trading and retail of watches decreased by approximately 30.1%, from approximately RMB27.3 million for the six months ended 30 June 2023 to approximately RMB19.1 million for the six months ended 30 June 2024, which was mainly attributable to the keen competition in the Hong Kong retail industry. According to publicly available information from The Census and Statistics Department, the retail sales value of jewellery, valuable gifts and watches and clocks in Hong Kong decreased by approximately 23.1% for the six months ended 30 June 2024 as compared to the corresponding period in 2023. Meanwhile, the Group's revenue generated from assisting customers to hold exhibition increased from nil for the six months ended 30 June 2023 to approximately RMB3.0 million for the six months ended 30 June 2024, which was mainly attributable to the increase in sales and marketing activities conducted by the Group's customers.

The Group aimed to offer premium quality products to customers and will continue to strengthen its core competitiveness by improving its watch and jewellery design and development capabilities by upholding the design and artistic knowledge of the design team and recruitment of additional talents. The Group will closely monitor the market response and remix the business and product portfolio to suit the market needs, including but not limited to design, manufacture and sales of prestige and high-end watches and jewellery and stay competitive.

In view of (i) the growing middle-class; (ii) increase of disposal income, in particular among Chinese women; and (iii) the rising women's job participation rate, the Group still believe that there is a strong force behind the consumption of prestige and high-end watches and luxury jewellery and accessories in long run. The Group should allocate more resources and effort to strengthen our design team and consider crossover design with some famous designer so that the Group can offer fashionable and affordable watches and jewellery suitable for wearing in workplace.

Looking forward, the Group will continue face challenges in the Hong Kong retail industry in the near future. Global economic uncertainties, geopolitical tensions, and underperformance in Hong Kong's equity and real estate markets will continue to bring adverse impacts on the local economy and consumer market. According to a report from DBS, retail sales in Hong Kong are forecast to remain stagnant in 2025, after a 4% drop in 2024. Looking beyond the near-term uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to shine in the future.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group. The principal risks and uncertainties faced by the Group are set out below:

Operational risks

The Group's business operations are affected by changes in market conditions, the changing industry standards, industry competition and the ever-changing customer demands. It is essential that the Group responds in a timely manner to such changes which may adversely affect the Group's business and financial results.

Equity price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities listed in Hong Kong industry sector quoted in The Stock Exchange of Hong Kong Limited.

Liquidity risks

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

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

Introduction

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 (the “**Unaudited Pro Forma Financial Information**”) which has been prepared by the directors in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants is for illustration only, and is set out in this appendix to illustrate the effects of the Rights Issue, on the unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024, as if the Rights Issue had taken place on such date.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2024 or any future date following the Rights Issue.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net tangible assets of the Group attributable to owners of the Company derived from the unaudited consolidated statement of financial position of the Group as at 30 June 2024 as extracted from the published interim report of the Company for the six months ended 30 June 2024, after incorporating the adjustments described in the accompanying notes.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2024 <i>RMB'000</i> <i>(Note 1)</i>	Unaudited estimated net proceeds from the Rights Issue <i>RMB'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share immediately after completion of the Rights Issue <i>RMB'000</i>	Unaudited consolidated net tangible assets attributable to owners of the Company per Share immediately before completion of the Share Consolidation and the Rights Issue <i>RMB</i> <i>(Note 3)</i>	Unaudited pro forma consolidated net tangible assets of the Group attributable to owners of the Company per Share after taking into account the completion of Share Consolidation but immediately before completion of the Rights Issue <i>RMB</i> <i>(Note 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2024 immediately after completion of the Share Consolidation and Rights Issue <i>RMB</i> <i>(Note 5)</i>
			0.13	0.66	0.40

Based on 107,827,200 Rights
Shares to be issued at
Subscription Price of
HK\$0.15 per Rights Share

71,598	14,150	85,748	0.13	0.66	0.40
71,598	14,150	85,748	0.13	0.66	0.40

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2024 were approximately RMB71,598,000, which has been extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2024, as shown on the published interim report of the Company for the six months ended 30 June 2024 by the Directors.
2. The estimated net proceeds from the Rights Issue of approximately RMB14,150,000 (equivalent to approximately HK\$15,196,000) are based on 107,827,200 Rights Shares to be issued at HK\$0.15 per Rights Share after deducting estimated related expenses of approximately RMB911,000 (equivalent to approximately HK\$978,000) and assumed that no outstanding share options being exercised, and that there is no change in the number of issued shares from the date of the announcement on 30 June 2024 up to the record date.

The conversion of HK\$ into RMB is calculated at the rate of HK\$1 to RMB0.9312. No representation is made that the HK\$ amounts have been, could have been or could be converted to RMB, or versa, at that rate or at any other rates or at all.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

3. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per share immediately before completion of Share Consolidation and Rights Issue are calculated based on 539,136,000 shares in issue as at 30 June 2024.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share after taken into account the completion of Share Consolidation (on the basis that every five (5) shares of the Company consolidated into one (1) Consolidated Share) but immediately before completion of the Rights Issue are calculated based on the unaudited consolidated net tangible assets of the Group of approximately RMB71,598,000 as at 30 June 2024, divided by 107,827,200 Consolidated Shares in issue.
5. The calculation of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2024 per share immediately after completion of the Share Consolidation and Rights Issue is based on unaudited pro forma adjusted consolidated net tangible assets of the Group of approximately RMB85,748,000 attributable to the owners of the Company as at 30 June 2024 immediately after completion of the Rights Issue, being the aggregate of unaudited consolidated net tangible assets of the Group of approximately RMB71,598,000 attributable to the owners of the Company as at 30 June 2024 and the estimated net proceeds from the Rights Issue of approximately RMB14,150,000, divided by 215,654,400 Shares which represents the sum of 107,827,200 Consolidated Shares in issue and 107,827,200 Rights Shares (assuming no new Shares are allotted and issued pursuant to any exercise of the Share Options and no other change in the share capital of the Company on or before the Record Date) were issued immediately after completion of the Share Consolidation and Rights Issue, as if the Share Consolidation and Rights Issue had been completed on 30 June 2024.
6. Save as disclosed above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

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

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



Jon Gepsom CPA Limited

1003-1005, 10/F
Siu On Centre,
188 Lockhart Road
Wan Chai, Hong Kong

The Board of Directors of
Luxxu Group Limited

17 January 2025

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Luxxu Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2024 and related notes as set out on pages II-1 to II-3 of the circular issued by the Company dated 17 January 2025 (the “**Circular**”). The applicable criteria on the basis of which the directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed rights issue on the basis of one rights share for every one adjusted shares (the “**Rights Issue**”) held on the record date on the Group’s financial position as at 30 June 2024 as if the Rights Issue had taken place as at 30 June 2024. As part of this process, information about the Group’s net tangible assets as at 30 June 2024 has been extracted by the directors from the unaudited consolidated financial statements of the Group for the six months ended 30 June 2024, on which an interim report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2024 would have been as presented.

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

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

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

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

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

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE GROUP**

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Jon Gepsom CPA Limited
Certified Public Accountants
Hong Kong

Lo Ka Ki
Practicing Certificate Number – P06633

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL**(a) Share capital as at the Latest Practicable Date**

<i>Authorised:</i>		<i>HK\$</i>
<u>1,300,000,000</u>	Existing Shares of HK\$0.10 each	<u>130,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>539,136,000</u>	Existing Shares of HK\$0.10 each	<u>53,913,600</u>

(b) Immediately following the Capital Reorganisation having become effective

<i>Authorised:</i>		<i>HK\$</i>
<u>13,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>130,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
<u>107,827,200</u>	Adjusted Shares of HK\$0.01 each	<u>1,078,272</u>

(c) Immediately following the Capital Reorganisation becoming effective and upon completion of the Rights Issue

<i>Authorised:</i>		<i>HK\$</i>
<u>13,000,000,000</u>	Adjusted Shares of HK\$0.01 each	<u>130,000,000</u>
<i>Issued and fully paid:</i>		<i>HK\$</i>
107,827,200	Adjusted Shares of HK\$0.01 each	1,078,272
<u>107,827,200</u>	Rights Shares to be allotted and issued under the Rights Issue	<u>1,078,272</u>
<u>215,654,400</u>	Shares in issue immediately upon completion of the Rights Issue	<u>2,156,544</u>

All the Rights Shares to be issued will rank *pari passu* in all respect with each other, including, in particular, as to dividends, voting rights and capital, and once issued and fully paid, with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

The Company will apply to the Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the equity and debt securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange. As at the Latest Practicable Date, there were no arrangements under which future dividends are waived or agreed to be waived. As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 29,376,000 Existing Shares under the Share Option Scheme.

Save as disclosed above, as at the Latest Practicable Date, the Company has no treasury shares or other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares.

3. DISCLOSURE OF INTERESTS**(a) Directors' and chief executive's interests and short positions in the Shares and underlying Shares**

As at the Latest Practicable Date, none of the Directors or chief executives had any interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO; or interest and short positions required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO; or interests and short positions which fall to be disclosed to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as stipulated in the Listing Rules.

(b) Substantial shareholders and other persons' interests in Shares and underlying Shares

Save as disclosed above, as at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACT AND ASSET

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

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

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. COMPETING INTERESTS

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

7. LITIGATION

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

8. MATERIAL CONTRACTS

Save for the Placing Agreement, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular.

9. EXPERTS AND CONSENTS

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

Name	Qualification
Vinco Financial Limited	a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jon Gepsom CPA Limited	Certified Public Accountant

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

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

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

10. EXPENSES

The expenses in connection with the Rights Issue, including financial advisory fees, placing commission (assuming the Rights Issue is not fully-subscribed and any Unsubscribed Rights Shares and NQS Unsold Rights Shares are placed by the Placing Agent), printing, registration, translation, legal and accountancy charges are estimated to be up to approximately HK\$1.0 million, which are payable by the Company.

11. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors	<i>Executive Directors</i> Mr. Liang Yanhuang Mr. Yang Xi
	<i>Independent non-Executive Directors</i> Mr. Yu Chon Man Ms. Duan Baili Mr. Zhong Weili
Audit committee	Mr. Yu Chon Man (<i>Chairman</i>) Ms. Duan Baili Mr. Zhong Weili
Nomination committee	Mr. Yu Chon Man (<i>Chairman</i>) Ms. Duan Baili Mr. Zhong Weili
Remuneration committee	Mr. Yu Chon Man (<i>Chairman</i>) Mr. Yang Xi Ms. Duan Baili Mr. Zhong Weili
Registered office	Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Unit 506, 5/F New World Tower 1 18 Queen's Road Central, Central Hong Kong
Authorised representatives	Mr. Yang Xi Mr. Lai Nga Ming Edmund
Business address of all Directors and authorised representatives	Unit 506, 5/F New World Tower 1 18 Queen's Road Central, Central Hong Kong
Company secretary	Mr. Lai Nga Ming Edmund (<i>HKICPA</i>)

Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal banker	China Construction Bank (Asia) Corporation Limited 16/F, York House The Landmark 15 Queen's Road Central Central Hong Kong
Auditor	Jon Gepsom CPA Limited 24/F., Siu On Centre 188 Lockhart Road, Wanchai Hong Kong
Legal adviser to the Company as to Hong Kong laws	David Fong & Co. Unit A, 12th Floor China Overseas Building 139 Hennessy Road Wanchai Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Vinco Financial Limited Unit 2602, 26/F The Center 99 Queen's Road Central Hong Kong
Placing Agent	Astrum Capital Management Limited Room 2704, 27/F Tower 1, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

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

Mr. Liang Yanhuang (梁艷煌先生), aged 47, was appointed as an executive Director on 13 October 2023. He has over 20 years of work experience in marketing industry. He has extensive experience in formulation and execution of sales and marketing strategy and corporate management and has extensive business networks in different industries. Mr. Liang is responsible for business developments and general administrative matters. Mr. Liang did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Yang Xi (楊漸先生), aged 34, was appointed as an executive Director on 20 October 2016. He has years of experience in sales and marketing and obtained a Master degree in Computer Engineering from Guizhou University (貴州大學) in 2014. Mr. Yang did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Independent non-executive Directors

Mr. Yu Chon Man (余俊敏先生), aged 46, was appointed as an independent non-executive Director on 19 December 2014, and responsible for overseeing the management of our Group independently. Mr. Yu has over 20 years of experience in the accounting and finance industry. He has been working as the Finance Director and Company Secretary of Solomon Systech (International) Limited, a company listed on the Stock Exchange (stock code: 2878), which is specialised in design, development and sales of integrated circuits (“IC”) products since July 2022, before that, he was the Chief Financial Officer and Company Secretary of China Shuifa Singyes Energy Holdings Limited, a company listed on the Stock Exchange (stock code: 750), which is specialised in manufacture and sale of renewable energy products, for approximately 14 years. He was an independent non-executive Director of China Ocean Group Development Limited (stock code: 8047), a company listed on the Stock Exchange specialised in supply chain management, from June 2014 to July 2014. He has been an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238), a magazine publishing group from January 2015 to May 2016. Mr. Yu received a bachelor’s degree in accountancy from the Hong Kong Polytechnic University in November 2001. He has been a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants since December 2004 and July 2005, respectively. Save as disclosed above, Mr. Yu did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Ms. Duan Baili (段白麗女士), aged 34, was appointed as an independent non-executive director on 16 August 2017. She has over 8 years experience in marketing and manufacturing in precision component industry. She currently serves as an assistant of general manager of a manufacturing company in the People's Republic of China. She is familiar with the operations of the manufacture and marketing of precision components and has thorough knowledge of precision components and the precision component industry. Ms. Duan did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Zhong Weili (鍾維立先生), aged 51, was appointed as an independent non-executive director on 5 September 2017. He has over 20 years experiences of administration and management in asset appraisal industry, of which 4 years working in state owned assets management bureau of Meizhou city of Guangdong Province. He is currently an office director of an asset appraisal company in The People's Republic of China, which engaged in corporate valuation and assets valuation (including but not limited to property, machinery and intangible assets). Mr. Zhong did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

Senior management

Mr. Lai Nga Ming Edmund (“**Mr. Lai**”), aged 40, was appointed as the company secretary of the Company on 18 November 2016. Mr. Lai is a member of the Hong Kong Institute of Certified Public Accountants. He is responsible to the Board for ensuring the board procedures are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is briefed on relevant legislative, regulatory and corporate governance developments. Mr. Lai has been an independent non-executive director of Founder Holdings Limited, a company listed on the Stock Exchange (stock code: 418), since April 2020, and he was an independent non-executive director of Peking University Resources (Holdings) Company Limited, a company listed on the Stock Exchange (stock code: 618), between April 2020 and September 2021. Save as disclosed above, Mr. Lai did not hold any other directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee consists of three members, all being independent non-executive Directors, namely, Mr. Yu Chon Man (Chairman), Ms. Duan Baili and Mr. Zhong Weili. The duties of the Audit Committee include, without limitation, (a) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of the Group's financial statements, annual report and accounts and half-year report, and reviewing significant financial reporting judgments contained therein; (c) reviewing the Group's financial control, internal control and risk management systems; and (d) reviewing reports made by the corporate guarantee committee, a committee closely monitoring the Group's activities for the provision of corporate guarantee and to enforce the prohibition on provision of corporate guarantee to any party other than member of the Group. The Group's annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee.

14. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk/>) and the Company (<http://www.luxxu.hk>) for a period of not less than 14 days from the date of this circular up to and including the date of the EGM:

- (a) the annual reports of the Company for each of the three financial years ended 31 December 2021, 2022 and 2023;
- (b) the interim report of the Company for the six months ended 30 June 2024;
- (c) the Placing Agreement;
- (d) the letter from the Board, the text of which is set out on pages 12 to 46 of this circular;
- (e) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 47 to 48 of this circular;
- (f) the letter of advice from the Independent Financial Adviser, the text of which is set out on pages 49 to 77 of this circular;

- (g) the accountant's report on the unaudited pro forma financial information of the Group issued by Jon Gepsom CPA Limited, the text of which is set out in Appendix II to this circular;
- (h) the written consents referred to in paragraph headed "9. Experts and consents" of this appendix; and
- (i) this circular.

15. MISCELLANEOUS

- (a) As at the Latest Practicable Date, to the best knowledge of the Directors, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (b) The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currency of the Group entities. As at the Latest Practicable Date, the Group does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.
- (c) In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

NOTICE OF EXTRAORDINARY GENERAL MEETING



L U X X U

GROUP LIMITED

Luxxu Group Limited

勵時集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1327)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Luxxu Group Limited (the “Company”) will be held at Portion 2, 12/F., The Center, 99 Queen’s Road Central, Central, Hong Kong on Friday, 7 February 2025 at 11:00 a.m., or at any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendment) the following resolutions. Unless otherwise stated, the capitalised terms used herein shall have the same meanings as defined in the circular of the Company dated 17 January 2025 (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the meeting for the purpose of identification) (the “Circular”), of which the notice convening the EGM shall form part.

SPECIAL RESOLUTION

1. “**RESOLVED THAT**, subject to and conditional upon (i) the Grand Court granting an order confirming the Capital Reduction; (ii) compliance with any condition which the Grand Court may impose in relation to the Capital Reduction; (iii) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Grand Court confirming the Capital Reduction and the minute approved by the Grand Court containing the particulars required under the Companies Act in respect of the Capital Reduction; and (iv) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Adjusted Shares arising from the Capital Reorganisation:
 - (a) Every five (5) issued and unissued Existing Shares of par value of HK\$0.10 each be consolidated into one (1) Consolidated Share of par value of HK\$0.50 each;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the issued share capital of the Company be reduced by cancelling the paid-up share capital of the Company to the extent of HK\$0.49 on each of the issued Consolidated Shares such that the par value of each issued Consolidated Share will be reduced from HK\$0.50 to HK\$0.01;
- (c) the credit arising from the Capital Reduction will be applied towards offsetting against the accumulated loss of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated loss of the Company; and
- (d) immediately following the Capital Reduction becoming effective, each of the authorised but unissued Consolidated Shares of par value of HK\$0.50 each in the authorised share capital of the Company will be subdivided into fifty (50) authorised but unissued Adjusted Shares of par value of HK\$0.01 each.”

ORDINARY RESOLUTION

- 2. **“RESOLVED THAT** subject to the passing of resolution number 1 above and the fulfilment of all conditions as set out in the paragraph headed “Letter from the Board – Proposed Rights Issue – Conditions of the Rights Issue” in the Circular:
 - (a) the issue of up to 107,827,000 Rights Shares (assuming full subscription under the Rights Issue and there is no change in the total number of issued Shares up to and including the Record Date other than as a result of the Capital Reorganisation) pursuant to an offer by way of rights to the Shareholders of the Company on the basis of one (1) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders as at the Record Date at the Subscription Price of HK\$0.15 per Rights Share, save for the Non-Qualifying Shareholders, and on and subject to such terms and conditions as may be determined by the Directors, and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
 - (b) the placing agreement dated 2 December 2024 entered into between the Company and Astrum Capital Management Limited (a copy of which has been produced to the EGM marked “B” and signed by the chairman of the meeting for the purpose of identification), in relation to the placing of the Unsubscribed Rights Shares and NQS Unsold Rights Shares at the placing price of not less than the Subscription Price on a best effort basis, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (c) the Board of Directors or a committee thereof be and is hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Directors be and is hereby authorised to make such exclusions or other

NOTICE OF EXTRAORDINARY GENERAL MEETING

arrangements in relation to any Non-Qualifying Shareholders, and to do all such acts and things or make such arrangements as he/she considers necessary, desirable or expedient having regard any restrictions under the Memorandum and Articles of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong to give effect to any or all other transactions contemplated in this resolution; and

- (d) any one or more Directors be and is/are hereby authorised to do all such acts and things and execute and deliver all such documents, which are ancillary to the Rights Issue and the Placing Agreement, on behalf of the Company, including under common seal where applicable, as they may consider necessary, desirable or expedient to implement or give effect to any matters in connection with the Rights Issue, the Placing Agreement, and the transactions contemplated thereunder.”

By order of the Board
Luxxu Group Limited
Liang Yanhuang
Executive Director

Hong Kong, 17 January 2025

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

Principal place of business in Hong Kong:
Unit 506, 5/F,
New World Tower 1,
18 Queen’s Road Central, Central,
Hong Kong

Notes:

- (1) Any member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) A form of proxy for use at the EGM is enclosed. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, at the office of the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong at least 48 hours before the time appointed for the holding of the extraordinary general meeting (or any adjournment thereof).

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (3) The register of members will be closed from Wednesday, 29 January 2025 to Friday, 7 February 2025, both days inclusive, during which no transfer of shares will be registered. In order to be entitled to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, 28 January 2025.
- (4) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- (5) The EGM is expected to last for less than half a day. Members (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Members or their proxies attending the EGM shall present their identity certifications.
- (6) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (7) Where there are joint holders of any shares, any one of such joint holders may vote either in person or by proxy in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
- (8) If a typhoon signal No. 8 or above is hoisted or a “black” rainstorm warning signal is in force at or at any time after 7:00 a.m. on the date of the EGM, the EGM will be adjourned. The Company will post an announcement on the website of the Company (<http://www.luxxu.hk>) and the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) to notify shareholders of the date, time and place of the adjourned meeting. The EGM will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the EGM under bad weather conditions bearing in mind their own situations.

As at the date of this notice, the Board comprises Mr. Liang Yanhuang and Mr. Yang Xi as executive Directors; and Mr. Yu Chon Man, Ms. Duan Baili and Mr. Zhong Weili as independent non-executive Directors.