

Executive Directors:

Mr. Tan Shuay Tarn Vincent
(Chairman and Chief Executive Officer)
Ms. Ng Hui Bin Audrey
Ms. Beng Lee Ser Marisa
Mr. Jin Zhehui

Non-executive Director:

Mr. Raymond Wong

Independent non-executive Directors:

Mr. Chow Wing Tung
Mr. Hui Yan Kit
Mr. Tam Yat Kin Ken

Registered Office:

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

*Headquarters and principal place
of business in Singapore:*

24 Leng Kee Road
#01-02, Leng Kee Autopoint
Singapore 159096

*Principal place of business
in Hong Kong:*

Room 5705, 57/F, The Center
99 Queen's Road Central
Hong Kong

25 September 2024

To the Shareholders

Dear Sir or Madam,

**PROPOSED RIGHTS ISSUE ON
THE BASIS OF FOUR (4) RIGHTS SHARES
FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE
ON A NON-UNDERWRITTEN BASIS**

Gross proceeds from the Rights Issue:	Up to approximately HK\$172.8 million before expenses (assuming there is no change to the total issued share capital of the Company on or before the Record Date and all Rights Shares are taken up by the Qualifying Shareholders)
--	---

Assuming there is no change to the total issued capital of the Company on or before the Record Date, 432,000,000 Rights Shares to be issued pursuant to the terms of the Rights Issue represents (i) 400% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) 80% of the total issued share capital of the Company as enlarged by the allotment and issuance of the Rights Shares immediately upon Completion.

As at the Latest Practicable Date, there are outstanding 9,000,000 share options entitling the holders thereof to subscribe for up to an aggregate of 9,000,000 Shares under the Share Option Scheme. Save as disclosed, as at the Latest Practicable Date, the Company has no outstanding share options, warrants, options or convertible securities, or other similar rights that are convertible or exchangeable into Shares.

Undertakings

The Company has not received any information or irrevocable undertaking from any substantial shareholder of the Company of any intention in relation to the Rights Shares to be provisionally allotted to that Shareholder under the Rights Issue as at the Latest Practicable Date.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. The Company will send (i) the Prospectus Documents to the Qualifying Shareholders and (ii) the Overseas Letter together with the Prospectus, for information only, to the Non-Qualifying Shareholders.

To qualify for the Rights Issue, the Shareholders must at the close of business on the Record Date: (i) be registered on the registers of members of the Company; and (ii) not be the Non-Qualifying Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:30 p.m. on Wednesday, 23 October 2024.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date.

The last day of dealing in the on cum-rights basis is Monday, 21 October 2024. The Shares will be dealt with on an ex-rights basis from Tuesday, 22 October 2024.

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

Closure of register of members

The register of members of the Company will be closed from Thursday, 10 October 2024 to Thursday, 17 October 2024 (both days inclusive) to determine whether the Shareholders are eligible to attend and vote at the EGM.

The register of members will be closed from Thursday, 24 October 2024 to Wednesday, 30 October 2024 (both days inclusive) to determine the entitlements to the Rights Issue, during which period no transfer of Shares will be registered.

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

Subscription Price

The Subscription Price of HK\$0.40 per Rights Share is payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of the Rights Shares and, where applicable, when a transferee of the nil-paid Rights Shares subscribes for the Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 66.94% to the closing price of HK\$1.210 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 20.00% to the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 29.08% to the closing price of HK\$0.564 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 13.98% to the average closing price of approximately HK\$0.465 per Share as quoted on the Stock Exchange for the ten (10) consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 4.76% to the theoretical ex-rights price of approximately HK\$0.420 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.500 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) represented by a discount of approximately 20.07%, which is calculated based on the theoretical diluted price of approximately HK\$0.534 per Share (as defined under Rule 7.27B of the Listing Rules, taking account the higher of (i) the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) previous consecutive trading days prior to the Last Trading Day); and
- (vii) a discount of approximately 89.86% to the audited net asset value per Share of approximately S\$0.667 (equivalent to approximately HK\$3.943) based on the latest audited consolidated net asset value Group of approximately S\$71,995,000 (equivalent to approximately HK\$425,836,000) as at 31 December 2023 and the number of Shares in issue as at the Latest Practicable Date (i.e. 108,000,000 Shares).

The Subscription Price was arrived at after an arm's length negotiation, based on, among other things, the prevailing market price of the Shares and the Group's financial conditions.

As the Rights Shares are offered to all Qualifying Shareholders, the Directors would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Rights Issue. Each Qualifying Shareholder is entitled to subscribe for the Rights Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (excluding the independent non-executive Directors) consider the Subscription Price to be fair and reasonable and in the interests of the Company and the Shareholders as a whole.

When determining the Subscription Price, the Directors have considered, among other things, the closing prices of the Shares traded on the Stock Exchange from 13 June 2024 to 12 July 2024, being the past month prior to and including the Last Trading day (the "**Review Period**"), as a benchmark to reflect the prevailing market conditions and recent market sentiment.

During the Review Period, the closing prices of the Shares on the Stock Exchange ranged from HK\$0.335 per Share to HK\$0.690 per Share, with the average closing price during the Review Period being around HK\$0.543 per Share. The Directors noted that there was a general downward trend of the closing prices of the Shares on the Stock Exchange during the Review Period. The Directors are of the view that the share price movement during the Review Period accurately reflected the market sentiment following the Company's recent announcements, which include, but are not limited to, (i) the Company's annual results for the year ended 31 December 2023; (ii) the share consolidation which took effect on 23 May 2023; and (iii) the completion of the subscription of the Company's shares on 7 June 2023. Additionally, the Board is not currently aware of any specific reasons that may have contributed to the significant price fluctuations during the Review Period. Therefore, the Board considers the Review Period to be sufficient in illustrating the share price performance for the purpose of conducting a reasonable comparison between the closing price of the Shares and the relevant Issue Price.

Furthermore, the latest audited consolidated net asset value of the Group amount to S\$71,995,000 (equivalent to approximately HK\$425,836,000) as of 31 December 2023. The Directors observed that the market capitalisation of the Group consistently fell considerably short of its net asset value during the Review Period, where the market capitalisation of the Group during the Review Period ranged from approximately HK\$36.2 million to approximately HK\$74.5 million, which represented a discount of approximately 91.5% and 82.5% respectively to the audited consolidated net asset value attributable to the Shareholders. This substantial disparity reflects a lack of market confidence in the Group's financial performance, position, and future prospects. As a result, the market value of the Shares no longer accurately reflects the underlying net asset value.

Additionally, the Directors considered other factors such as (i) the average daily trading volume amounting to 1.24 million, approximately 1.14% of the total issued Shares as at the Last Trading Day, indicating a lack of liquidity and demand for the Shares and (ii) the theoretical dilution effect (as defined in Rule 7.27B of the Listing Rules) of approximately 20.07%. This dilution effect is represented by the theoretical diluted price (as defined in Rule 7.27B of the Listing Rules) of approximately HK\$0.427 per Share to the benchmarked price (as defined in Rule 7.27B of the Listing Rules) of HK\$0.534 per Share.

The Directors have taken into account various factors while deciding on the Subscription Price despite it being lower than the average closing price per Share and the high end of the closing price per Share during the Review Period. The Directors considered the challenge of raising funds through equity due to (i) the Shares' recent market performance, which has been in a downward trend; (ii) the current market sentiment of the shares of listed companies in Hong Kong.

The Directors observed that the Hang Seng Index has seen a significant decrease of approximately 19.38% from 22,689 points, the highest record in 2023, on 27 January 2023, to 18,293 points on the Last Trading Day.

Given these factors, only a discounted price of the Shares would be attractive to the Qualifying Shareholders to participate in the Rights Issue, enabling the Company to raise sufficient capital. Therefore, the Directors consider the Subscription Price to be fair and reasonable based on the above factors and in the best interest of the Company and the Shareholders.

Status of the Rights Shares

The Rights Shares (when allotted, issued, and fully-paid) will rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Rights Shares. Holders of the 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. As of the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to waive.

Basis of provisional allotments

The basis of the provisional allotment shall be four (4) Rights Shares (in nil-paid form) for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date.

Qualifying Shareholders may apply for all or any part of their respective provisional allotment by lodging a duly completed PAL(s) and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents are not intended to be, have not been, and will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

According to the register of members of the Company as of the Latest Practicable Date, there is no Overseas Shareholder. As such, based upon the register of members of the Company as of the Latest Practicable Date, there is no Non-Qualifying Shareholder.

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Directors will make inquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any) with registered addresses in the jurisdictions set out above.

It is the responsibility of the Shareholders, including the Overseas Shareholders, wishing to make an application for the Rights Shares, to satisfy himself/herself/itself before taking up his/her/its provisional allotments under the Rights Issue, as to the observance of the laws and regulations of all relevant jurisdictions, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such jurisdiction in connection with the taking up and onward sale of the Rights Shares.

The Company reserves the right to treat as invalid any acceptance of or application for Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction.

The Rights Issue does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, nil-paid Rights Shares or fully-paid Rights Shares or to take up any entitlements to nil-paid Rights Shares or fully-paid Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful.

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

Any unsold entitlement of Non-Qualifying Shareholders to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will, if possible, be placed by the Placing Agent under the Unsubscribed Arrangements to investors who (or as the case may be, their ultimate beneficial owner(s)) are not Shareholders and are otherwise Independent Third Parties.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

No fractional entitlement

On the basis of the entitlement to subscribe four (4) Right Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date, no fractional entitlements to the Rights Shares will arise from the Rights Issue.

Application for listing

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 securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms will be in the board lots of 5,000 Rights Shares.

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.

Stamp duty and other applicable fees

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

Share certificates and refund cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue as set out below, share certificates for all fully-paid Rights Shares are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Wednesday, 18 December 2024.

If the Rights Issue does not become unconditional, refund cheques are expected to be despatched by ordinary post on or before Wednesday, 18 December 2024 at the respective Shareholders' own risk.

Non-underwritten basis

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares.

In the event the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders will be placed to independent placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares that remain not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There is no minimum amount to be raised under the Rights Issue. There is also no applicable statutory requirement regarding minimum subscription levels in respect of the Rights Issue.

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

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

Pursuant to Rule 7.21(1)(b) of the Listing Rules, the Company must make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to independent placees for the benefit of the Shareholders to whom they were offered by way of the rights. There will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

On 12 July 2024, the Company entered into the Placing Agreement with the Placing Agent in relation to the placing of the Unsubscribed Rights Shares to independent placees on a best effort basis. Pursuant to the Placing Agreement, the Company has appointed the Placing Agent to place the Unsubscribed Rights Shares during the Placing Period to independent placees on a best effort basis, and 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 Thursday, 5 December 2024, acquirers for all (or as many as possible) of those Unsubscribed Rights Shares. Any Unsubscribed Rights Shares which are not placed 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. 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. the relevant Non-Qualifying Shareholders with reference to their shareholdings in the Company on the Record Date.

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

The Placing Agreement

The principal terms of the Placing Agreement are summarised below.

Date : 12 July 2024

Issuer : The Company

Placing Agent : Orient Securities Limited

As at the date of the Latest Practicable Date, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

Placing Period : The period from Monday, 25 November 2024 up to 4:00 p.m. on Thursday, 5 December 2024, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Unsubscribed Arrangements.

Placing Price : The placing price of the Unsubscribed Rights Shares shall be at least equal to the Subscription Price and the final price determination will depend on the demand for and the market conditions of the Unsubscribed Rights Shares during the placement process.

Placing Commission : Subject to the completion of the Placing, the Company shall pay the Placing Agent a placing commission, being 0.75% (the “**Commission Rate**”) of the amount which is equal to the Placing Price multiplied by the total number of the Unsubscribed Rights Shares which are successfully placed by the Placing Agent.

- Placees : The Placing Agent shall procure that not less than six placees will take up the Unsubscribed Rights Shares. The placees shall be professional, institutional and other investors. The Placing Agent shall ensure that the placees, and whose ultimate beneficial owner(s), shall be third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.
- Ranking of the Unsubscribed Rights Shares : The placed Unsubscribed Rights Shares (when allotted, issued and fully-paid, if any) shall rank *pari passu* in all respects among themselves and with the Shares in issue as at the date of completion of the Placing.
- Conditions of the Placing Agreement : The obligations of the Placing Agent under the Placing Agreement are conditional upon the following conditions being fulfilled:
- i) the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Rights Shares;
 - ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained; and
 - iii) the Placing Agreement not having been terminated in accordance with the provisions thereof, including provisions regarding the force majeure events.

For the avoidance of doubt, if all the Rights Shares are fully subscribed under the Rights Issue, the Placing will not proceed. None of the above conditions precedent is capable of being waived in whole or in part by the Company or the Placing Agent.

The Company shall use its best endeavour to procure the fulfilment of the conditions to the Placing and undertakes to inform the Placing Agent promptly of any matter or circumstance which comes to the attention of it and indicating that any of such conditions being unable or fail to fulfil. If any of such conditions have not been fulfilled by the Placing Long Stop Date (as defined below) or become incapable of being fulfilled (unless extended by mutual consent of the Company and the Placing Agent), then all respective 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 and none of the parties thereto shall have any claim against any other in respect of the Placing.

- Termination :
- If any of the following events occur at any time prior to 6:00 p.m. on the third Business Day after the last day of the Placing Period (the “**Placing Long Stop Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the date of completion of the Placing provided that such notice is received by the Company prior to 6:00 p.m. on the Placing Long Stop Date, terminate the Placing Agreement without liability to the other parties and, subject to clauses in the Placing Agreement which survives termination, the Placing Agreement shall thereupon cease to have effect and none of the parties to the Placing Agreement shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:
- (a) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or

- (b) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (c) any material breach of any of the representations and warranties by the Company comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the date of completion of the Placing which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of such representations and warranties untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (d) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (e) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

The Unsubscribed Arrangements are in compliance with the requirements under Rule 7.21(1)(b) under which the No Action Shareholders may be compensated even if they do nothing (i.e. neither subscribe for Rights Shares nor sell their nil-paid rights) given that the Unsubscribed Rights Shares will be first offered to Independent Third Parties and any premium over the Subscription Price will be paid to the No Action Shareholders. The commission payable to the Placing Agent and the related fees and expenses in relation to such placing will be borne by the Company.

The Placing Agent confirms that it is an Independent Third Party. The terms of the Placing Agreement, including the placing commission, were determined after an arm's length negotiation between the Placing Agent and the Company with reference to the prevailing market rate and the Company considers the terms to be normal commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interests of the Independent Shareholders, and be fair and reasonable, in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

The Directors have reviewed and assessed the Commission Rate. To determine its reasonableness, the Directors have identified an exhaustive list of 15 transactions announced by companies listed on the Stock Exchange during the Review Period (the “**Comparables**”) to reflect the prevailing market rate of the placing commission. The selection of these transactions was based on the placing of new shares as compensatory arrangement for rights issue. The Directors have made their analysis based on the information available from the Stock Exchange’s website and have made every effort to ensure its accuracy. A table showing the placing commission rate of the Comparables is provided below.

	Date of announcement	Stock code	Company name	Placing Commission Rate (Approximate %)
1.	27 June 2024	8219	Hanvey Group Holdings Limited	3.50
2.	26 June 2024	476	Ev Dynamics (Holdings) Limited	1.50
3.	25 June 2024	8537	Chong Fai Jewellery Group Holdings Company Limited	1.00
4.	29 May 2024	8500	Icon Culture Global Company Limited	0.50
5.	10 May 2024	1010	Sky Blue 11 Company Limited	5.00
6.	30 April 2024	8160	Goldway Education Group Limited	1.00
7.	26 April 2024	8030	Flying Financial Service Holdings Limited	3.00
8.	09 April 2024	905	Walnut Capital Limited	1.00
9.	08 April 2024	2330	China Uptown Group Company Limited	2.50
10.	25 March 2024	8340	Zijing International Financial Holdings Limited	0.70
11.	22 March 2024	1421	Kingbo Strike Limited	1.50
12.	01 March 2024	2448	Space Group Holdings Limited	0.50
13.	23 February 2024	8460	Basetrophy Group Holdings Limited	3.50
14.	01 February 2024	1160	Goldstone Capital Group Limited	3.50

	Date of announcement	Stock code	Company name	Placing Commission Rate (Approximate %)
15.	30 January 2024	8293	Singasia Holdings Limited	1.50
16.	18 January 2024	145	CCIAM Future Energy Limited	5.00
17.	16 January 2024	1871	China Oriented International Holdings Limited	3.00
18.	12 January 2024	2363	Tongda Hong Tai Holdings Limited	2.00
			Minimum	0.50
			Maximum	5.00
			Average	2.23
	12 July 2024		The Company	0.75

The table above shows the commission rates of the Comparables, which range from 0.50% to 5.00%, with an average rate of approximately 2.23%. The Board notes that the Commission Rate of 0.75% falls within this range of the Comparables. Therefore, the Board has concluded that the Commission Rate is reasonable and fair in commercial terms.

The Company considers that the Unsubscribed Arrangements will provide a compensatory mechanism for the No Action Shareholders, protect the interest of the Independent Shareholders, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Given that the Company has put in place the Unsubscribed Arrangements as required by Rule 7.21(1)(b) of the Listing Rules, there will be no excess application arrangements in relation to the Rights Issue as stipulated under Rule 7.21(1)(a) of the Listing Rules.

Conditions of the Rights Issue

The Rights Issue is conditional upon the following conditions:

- (1) the passing of the necessary resolutions by the Shareholders (or as the case may be, the Independent Shareholders) at the EGM approving, among other things, the Rights Issue and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Rights Shares) by no later than the Posting Date of a certificate authorizing registration of the Prospectus with Hong Kong Companies Registry;

- (2) the delivery to the Stock Exchange and the filing and registration with the Registrar in Hong Kong, respectively one duly certified copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having being approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding-Up and Miscellaneous Provisions) Ordinance not later than the Posting Date;
- (3) following registration, the posting of the Prospectus Documents to the Qualifying Shareholders (and where applicable, the posting of the Prospectus to the Non-Qualifying Shareholders, if any, for information purposes only) and the publication of the Prospectus Documents on the website of the Stock Exchange on or before the Posting Date;
- (4) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of, and permission to deal in, the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (5) the Placing Agreement not being terminated pursuant to the terms thereof and remain in full force and effect; and
- (6) all other necessary waivers, consents, 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.

None of the above conditions precedent can be waived. If any of the conditions referred to above are not fulfilled at or before 5:00 p.m. on Wednesday, 11 December 2024 (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.

REASONS FOR THE RIGHTS ISSUE AND THE USE OF PROCEEDS

The Directors believe that the Rights Issue will raise the Group's corporate profile and enhance its capital base, enabling it to expand the scale and scope of its operations further.

The net proceeds of the Rights Issue to be received by the Company after deducting all estimated expenses payable by the Group and assuming full acceptance of the Rights Issue and no new Shares will be allotted or issued on or before the Record Date are estimated to be up to approximately HK\$170.68 million. The Directors plan to use such proceeds as follows:

- i) approximately 70.0% or HK\$119.48 million will be used for the expansion of the Group's motor vehicle business (the "**Motor Vehicle Business**") network into Thailand;
- ii) approximately 10.0% or approximately HK\$17.07 million will be used for the development of the Group's newly commenced anion exchange membrane (AEM) water electrolysis business (the "**AEM Business**");
- iii) approximately 10.0% or approximately HK\$17.07 million will be used to expand the Group's sales and service network and marketing and enhance its brand awareness. The Group's specific plans include (a) increasing investment in online marketing activities, including promotions and advertisements on automobile vertical media and social platforms, community nurturing, and potential upgrades to the online platform if applicable; (b) increasing investment in offline marketing activities, including increase advertisement placements, participation in auto shows, and the organization of offline events; (c) expanding the sales network coverage through the establishment of more directly operated stores and expanded collaboration with channel partners; and (d) recruiting additional sales and marketing staff, along with systematic training to enhance their sales and service skills for improved customer service. The Group aims to enhance market exposure in order to attract new customers and enhance its brand image; and
- iv) approximately 10.0% or approximately HK\$17.06 million will be used for the Group's general and corporate administrative purposes, including but not limited to directors' remuneration, wages and salaries, external sales commissions legal and professional fees and rental expenses.

Based on the existing business plan, the above-planned proceeds are expected to be fully utilised by Group within 12 months falling after the Completion.

The Motor Vehicle Business

The Group is primarily focused on the sale of motor vehicles and the provision of related services and products, including (i) motor vehicle financing services, (ii) motor vehicle insurance agency services, and (iii) sales of motor vehicle spare parts and accessories. Presently, the Group's operations are concentrated in Singapore through its subsidiaries, Vincar Pte Ltd and Vincar Leasing & Rental Pte Ltd.

Over the past few years, the Group has expanded its business to include electric vehicles (“EVs”). The Group accomplished this by forming Singapore Electric Vehicles Pte Ltd (“SEV”), an associated company of Vincar Pte Ltd. As the leading commercial EV fleet company in Singapore, SEV provides a wide range of digital platform services to its clients, including vehicle performance data, battery efficiency, and on-road usage metrics.

As of the date hereof, the Group is focused on expanding its EV business network in Thailand. In June 2024, Planet EV Co., Limited (“**Planet EV**”) signed a collaboration agreement (the “**Collaboration Agreement**”) with a reputable ride-hailing platform in Thailand (“the **Reputable Platform**”), a technology company that connects individuals in need of transportation, delivery, and other services through its software application in Thailand. Planet EV is currently owned 10% by SEV, with Vincar Pte Ltd serving as the strategic partner for the supply of electric vehicles (EVs).

The Reputable Platform has been collaborating with key partners to introduce a financing model offering financial assistance to traditional taxi and ride-hailing drivers (the “**Drivers**”), enabling them to rent electric taxis and provide on-demand transportation service via the mobile app of the Reputable Platform, with a daily rental fee. The goal of this initiative is to facilitate the provision of transportation services with EVs and to ease the financial burden of Drivers wanting to use EVs.

Under the Collaboration Agreement, Planet EV will offer, promote, advertise, and implement a hire-purchase program. This program will supply EVs and related services to Drivers for their personal use and for providing transportation and delivery services to passengers via the application of the Reputable Platform in Thailand. To support this initiative, the Group will facilitate the supply of EVs to Planet EV, fulfilling critical funding requirements to expand its EV portfolio and meet increasing supply demands.

In consideration of the foregoing, the Directors intend to allocate 70% or HK\$119.48 million of the net proceeds from the Rights Issue to acquire electric vehicles (EVs), including the brands “Seres 3”, “Sokon” and “Aion” to meet the demand in Thailand. Such a portion of the net proceeds is anticipated to be completely utilised within three months following the Completion.

As of the date of this circular, the Group has placed orders for 750 units of electric vehicles (EVs) under the Sokon brand, totalling US\$10.65 million (equivalent to approximately HK\$83.07 million), and 200 units of EVs under the Seres 3 brand, totalling US\$3.74 million (equivalent to approximately HK\$29.17 million). Additionally, Planet EV has agreed to accept and place orders with the Group to acquire all of the aforementioned ordered EVs. Consequently, the Group has an imminent need for financial resources to satisfy the working capital for a possible return.

The AEM Business

In June 2024, the Group formed a joint venture (the “**Joint Venture**”) with a reputable Chinese enterprise (the “**JV Partner**”) to focus on the research, development, production, and supply of AEM water electrolysis hydrogen fuel cell systems. AEM water electrolysis technology is an advanced technology aiming to mitigate the limitations of the traditional alkaline water electrolysis and proton exchange membrane water electrolysis.

Prior to entering the industry, the Directors conducted a comprehensive feasibility study on the industry landscape. Through this study, the Directors ascertained that China has implemented industrial policies with the specific goal of advancing hydrogen fuel cell development. These policies focus on fostering industrial synergy and providing increased research and development support. Notably, the Chinese government actively promotes the use of hydrogen fuel cells in stationary power generation by implementing incentive policies. A key example is the Medium and Long-term Development Plan for the Hydrogen Industry (2021–2035) (氫能產業發展中長期規劃(2021–2035年)), which urges local governments to deploy custom-made hydrogen fuel cell stationary power generation devices based on local conditions. Additionally, the plan encourages the facilitation of demonstration projects showcasing the comprehensive integration of hydrogen energy across various settings.

Further, according to the White Paper on Hydrogen Energy and Hydrogen Fuel Cells (中國氫能源及燃料電池產業白皮書), China is projected to produce up to 20,000 units of hydrogen fuel cell stationary power generation devices annually by the year 2050. Given this outlook, the Group believes that expansion into this sector, specifically through the development and sale of hydrogen production equipment, aligns with the industry’s anticipated growth trajectory and offers substantial opportunities for advancement.

According to the business plan, the Joint Venture is scheduled to begin pre-research on 50m³ AEM electrolyzers in September 2024, with an initial start-up capital of RMB10 million. This will cover the procurement of research and development equipment for 50m³ AEM electrolyzers, pre-research on membrane electrodes and key technologies, and the expansion of the research and development team. The official launch of the 50m³ electrolyser development is scheduled for 30 September 2024, with an estimated cost of RMB20 million (equivalent to approximately HK\$21.49 million) and completion of the initial 50m³ electrolyser is expected by 30 June 2025. Such a portion of the net proceeds is anticipated to be completely utilised before the first half of 2025.

vehicles for sale and related expenses, as well as the Company's operational costs, no surplus funds are available for further expansion, including the expansion in Thailand and the AEM business. In consideration of (i) the existing cash reserves designated for fulfilling operational cash flow needs and timely repayment obligations, if applicable, in Singapore; (ii) the forthcoming financial commitments as mentioned in the above paragraphs; and (iii) the aim to strengthen the Group's financial position to enhance its commercial creditability, the Board considers it necessary and prudent, in the best interest of the Company and its Shareholders, to procure additional funds.

FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fundraising activities in the past twelve months immediately prior to the Latest Practicable Date:

Date of relevant announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
28 May 2024 and 7 June 2024	Subscription of new shares under general mandate	HK\$11.24 million	Expand its motor vehicle portfolio	Fully utilised as intended

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

EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the possible changes in the Company's shareholding structure arising from the Rights Issue, which are for illustrative purposes only.

Below is the shareholding structure of the Company (i) as of the Latest Practicable Date; (ii) immediately after Completion assuming all Qualifying Shareholders will take up their respective entitlements of the Rights Issue in full, and there is no change to the total issued share capital of the Company on or before the Record Date ("**Scenario 1**"); and (iii) immediately after Completion assuming none of the Qualifying Shareholders will take up their respective entitlements of the Rights Shares and all the Unsubscribed Rights Shares will be successfully placed by the Placing Agent under the Placing, and there is no change to the total issued share capital of the Company on or before the Record Date ("**Scenario 2**").

completed transfer forms accompanied by the relevant share certificates must be lodged with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 9 October 2024.

In compliance with the Listing Rules, all the resolutions to be proposed at the EGM will be voted on by way of poll at the EGM.

Subject to the approval of the Rights Issue by the Independent Shareholders at the EGM, the Prospectus containing further information regarding, among other things, the Rights Issue (including information on acceptances of the Rights Shares), PAL(s) are expected to be despatched to the Qualifying Shareholders on Friday, 1 November 2024.

WARNING OF THE RISK OF DEALINGS IN THE SHARES AND RIGHTS SHARES IN NIL-PAID FORM

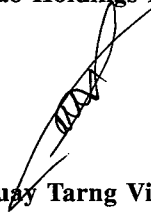
The Rights Issue is conditional upon the fulfilment of conditions including, among other things, the Stock Exchange granting the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. Please refer to the section headed “Conditions of the Rights Issue” in this circular.

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

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

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

By Order of the Board
Guan Chao Holdings Limited



Tan Shuay Tarng Vincent
Chairman and Executive Director