



**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:*

Cricket Square, Hutchins Drive

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

26 March 2025

*To the Qualifying Shareholders and,*

*for information only, the Non-Qualifying Shareholders (if any)*

Dear Sir or Madam,

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

**INTRODUCTION**

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

The purpose of this Prospectus is to provide you with, among other things, further details on the Rights Issue, certain financial information and other general information of the Group.

## **RIGHTS ISSUE**

The Board proposed to raise gross proceeds of up to approximately HK\$16.2 million (assuming full subscription under the Rights Issue) by way of issuing up to 107,827,200 Rights Shares at the Subscription Price of HK\$0.15 per Rights Share on the basis of one (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders (if any).

### **Rights Issue statistics**

Basis of the Rights Issue	:	One (1) Rights Share for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.15 per Rights Share
Net price per Rights Share (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 Shares in issue as at the Latest Practicable Date	:	107,827,200 Shares
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	107,827,200 Rights Shares with an aggregate nominal value of HK\$1,078,272
Total number of Shares in issue upon completion of the Rights Issue	:	215,654,400 Shares
Gross proceeds to be raised from the Rights Issue	:	Approximately HK\$16.2 million before expenses

As at the Latest Practicable Date, the Company has outstanding Share Options entitling the holders thereof to subscribe for a total of 5,875,200 Shares under the Share Option Scheme.

Set forth below are the particulars of the outstanding share options under the Share Option Scheme:

Category of the holder of Share Options	Date of grant	Number of shares (after the Share Consolidation and before adjustment of the Rights Issue) outstanding as at the Latest Practicable Date	Exercise price per share (after the Share Consolidation and before adjustment of the Rights Issue)	Exercise period
Employee	11 April 2019	5,875,200	HK\$2.05	11 April 2019 to 10 April 2029
Total		5,875,200		

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.

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 Shares and approximately 50% of the total number of issued 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 the nil-paid Rights Share(s) applies for the Rights Share(s).

The Subscription Price represents:

- (i) a discount of approximately 1.96% to the closing price of HK\$0.153 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 44.44% to the closing price of HK\$0.270 per Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Last Trading Day;

- (iii) a discount of approximately 44.44% to the average closing price of approximately HK\$0.270 per Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.054 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 45.45% to the average closing price of approximately HK\$0.275 per Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK\$0.055 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;
- (v) a discount of approximately 44.44% to the adjusted average closing price of HK\$0.270 per Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK\$0.054 per 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 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 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 Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of HK\$0.054 per Share as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to the Last Trading Day);
- (vii) a discount of approximately 79.45% to the unaudited consolidated net asset value per 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 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 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 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 24 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 22.79% and 20.37%, respectively. Taking into consideration the discount of the Subscription Price of approximately 44.44% to the adjusted closing price of HK\$0.270 per Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK\$0.054 per 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 more significant than 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;

The table below set forth details of the 24 rights issue comparables considered by the Company:

Date of announcement	Company name	Stock code	Basic of entitlement	Maximum dilution on the shareholding (%)	Premium/(discount) of subscription price per rights issue over to 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 subscription price over to the net asset value per share (Note 1) (%)	Premium/(discount) of theoretical dilution effect (Note 2) (%)	Excess application/Placing (Note 3)	Placing commission (Note 1) (%)	Underwriting arrangement	Minimum placing commission HK\$
21/11/2024	Legend Strategy International Holdings Group Company Limited	1355	1 for 1	50.00	(49.71)	(49.60)	(24.86)	Excess application	N/A	Non-underwritten	No
21/11/2024	Elite Holdings Limited	223	1 for 5	16.67	(6.54)	(9.91)	(0.61)	Excess application	N/A	Non-underwritten	No
19/11/2024	China Wood International Holding Co., Limited	1822	1 for 1	50.00	(45.00)	(48.60)	(24.90)	Excess application	N/A	Non-underwritten	No
15/11/2024	Global Strategic Group Limited	8007	4 for 1	80.00	(12.50)	(14.10)	(11.30)	Excess application	N/A	Non-duly underwritten	No
12/11/2024	HG Semiconductor Limited	6908	1 for 4	20.00	(36.00)	(41.50)	(8.30)	Placing	1.00	Non-underwritten	100,000
11/11/2024	Far East Holdings International Limited	36	2 for 1	66.67	(35.77)	(35.27)	(23.85)	Placing	2.50	Non-underwritten	No
6/11/2024	China Water Industry Group Limited	1129	1 for 1	50.00	(49.85)	(49.54)	(24.92)	Placing	2.00	Non-underwritten	No
31/10/2024	Yuzhou Group Holdings Company Limited	1628	49 for 100	32.80	(73.68)	(72.99)	(24.23)	Excess application	N/A	Non-underwritten	No
22/10/2024	IRC Limited	1029	1 for 2	33.33	(15.00)	(17.20)	(4.90)	Excess application	N/A	Non-underwritten	No
21/10/2024	China 3S Media Group Limited	8087	3 for 2	60.00	(7.41)	(8.34)	(5.12)	Placing	1.50	Non-underwritten	100,000
18/10/2024	Kingkey Financial International (Holdings) Limited	1468	1 for 2	33.33	0.00	8.59	0.00	Excess application	N/A	Non-underwritten	No
18/10/2024	Gaodi Holdings Limited	1676	1 for 2	33.33	37.90	38.90	12.10	Placing	1.00	Non-underwritten	No
15/10/2024	Emmeence Enterprise Limited	616	2 for 1	66.67	(8.00)	(24.34)	(98.98)	Excess application	N/A	Non-underwritten	No
8/10/2024	V & V Technology Holdings Limited	8113	1 for 2	33.33	(31.51)	(26.04)	(10.50)	Excess application	N/A	Non-underwritten	No
4/10/2024	Platina Group Holdings Limited	8179	1 for 2	33.33	(18.70)	(9.42)	(6.23)	Excess application	N/A	Non-underwritten	No
2/10/2024	China National Culture Group Limited	745	2 for 1	66.67	(31.97)	(31.31)	(21.31)	Placing	2.00	Non-underwritten	No
26/9/2024	Innovax Holdings Limited	2680	1 for 2	33.33	(67.39)	(68.35)	(22.78)	Placing	1.00	Non-underwritten	No
23/9/2024	Hatcher Group Limited	8365	3 for 1	75.00	(31.50)	(24.00)	(23.60)	Placing	0.00	Fully-underwritten	No
23/9/2024	Shougang Fushan Resources Group Limited	639	1 for 30	3.23	1.96	2.32	0.06	Excess application	N/A	Non-underwritten	No
13/9/2024	Dragon Rise Group Holdings Limited	6829	1 for 1	50.00	(48.70)	(48.20)	(24.90)	Placing	1.00	Fully-underwritten	100,000
13/9/2024	Shougang Century Holdings Limited	103	1 for 5	16.67	10.00	8.20	6.80	Excess application	N/A	Non-underwritten	No
9/9/2024 (Note 4)	Grown International Corporation Limited	727	1 for 2	33.33	0.00	12.25	0.00	Excess application	N/A	Non-underwritten	No
4/9/2024	China New Consumption Group Limited	8275	1 for 2	33.33	(5.66)	(7.41)	(2.47)	Placing	3.50	Non-underwritten	250,000
2/9/2024	Guangdong – Hong Kong Greater Bay Area Holdings Limited	1396	1 for 2	33.33	(22.03)	(21.77)	(8.28)	Excess application	N/A	Non-underwritten	No
			<b>Maximum</b>	80.00	37.90	38.90	156.32		3.50		250,000
			<b>Minimum</b>	3.23	(73.68)	(72.99)	(98.98)		0.00		100,000
			<b>Average</b>	41.85	(22.79)	(22.41)	(41.84)		1.55		137,500
			<b>Median</b>	33.33	(20.37)	(22.89)	(65.50)		1.25		100,000
2/12/2024	The Company	1327	1 for 1	50.00	(44.44)	(44.44)	(22.22)	Placing	1.50	Non-underwritten	100,000

Source: the website of the Stock Exchange ([www.hkex.com.hk](http://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. Information is for illustrative purpose, it does not impact the determination of the subscription price and hence not a factor considered by the Company.
  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.
- (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\$60,120 million for year ended 31 December 2023 to approximately HK\$51,530 million for the year ended 31 December 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/112024/241120insightsannualoutlookhongkong.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 Prospectus.

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 Share as illustrated above, taking into consideration:

- (i) based on the closing price of HK\$0.054 per Share as quoted on the Stock Exchange on the Last Trading Day, the Shares have been traded at a discount of approximately 63.01% to the unaudited consolidated net asset value per 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 Shares in issue as at the Last Trading 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 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 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 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-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 Prospectus; 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.

## 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;
- (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 can be waived. As at the Latest Practicable Date, condition (ii) has been fulfilled and conditions (i), (iii) to (vii) remained unfulfilled. 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 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.

#### **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.

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

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

#### **Basis of provisional allotment**

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every one (1) 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).

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 the Overseas Shareholders (if any)**

The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

As at the Latest Practicable Date, based on the register of members of the Company, there were a total of 12 Overseas Shareholders with registered addresses located outside Hong Kong, details of which are set out below:

<b>Jurisdiction</b>	<b>Number of Overseas Shareholder(s)</b>	<b>Aggregate number of Shares held by Overseas Shareholder(s) in the jurisdiction</b>	<b>Approximate percentage of issued share capital of the Company</b>
The PRC	11	12,948,400	12.01%
Taiwan	1	852,000	0.79%

Save for the 12 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.

As the register of members of the Company had already been closed as at the Latest Practicable Date and would remain closed up to the Record Date, there would be no additional Overseas Shareholder.

In view of the aforesaid, there is no Non-Qualifying Shareholder on the Record Date.

**It is the responsibility of each Overseas Shareholder who wishes to take part in the Rights Issue to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant territories and jurisdictions in that connection, including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities or legal requirements.**

#### **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 placees for the benefit of Shareholders to whom they were offered by way of the Rights Issue. There will be no excess application arrangements in relation to the Rights Issue. 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 placees on a best effort basis.

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.

## 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, placees 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 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.

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.
- 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 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;
  - (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. As at the Latest Practicable Date, paragraphs (i) and (iii) have been fulfilled and paragraphs (ii), (iv) and (v) remained unfulfilled.



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.

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.

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) 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 board lot size of 20,000 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.

### **Application for the Rights Shares**

The Rights Issue will only be available to the Qualifying Shareholders. The Company will make available the Prospectus to the Qualifying Shareholders in electronic form, while the PAL will be sent in printed copies. For the Non-Qualifying Shareholders, the Company will make available the Prospectus in electronic form to them for their information only, but no PAL will be sent to the Non-Qualifying Shareholders.

The PALs in printed copies will be sent to the Qualifying Shareholders entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares as shown therein by completing such form(s) and lodging the same with separate remittance for the Rights Shares being applied for with the Registrar by the Latest Time for Acceptance.

## **Procedures for acceptance and payment or transfer**

The PALs in printed copies will be sent to the Qualifying Shareholders entitling the Qualifying Shareholder(s) to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all the Rights Shares provisionally allotted to him/her/it as specified in the PAL, he/she/it must lodge the PAL in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance with the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by not later than 4:00 p.m. on Thursday, 10 April 2025. All remittances must be made in Hong Kong dollars by cheques which must be drawn on an account with, or by cashier's orders which must be issued by, a licensed bank in Hong Kong and made payable to **"TRICOR TRUST (HONG KONG) LIMITED – A/C NO. 44"** and crossed **"ACCOUNT PAYEE ONLY"**.

It should be noted that unless the PAL, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Thursday, 10 April 2025, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled. The Company may, at its sole discretion, treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if the PAL is not completed in accordance with the relevant instructions. The Company may require such incomplete PAL to be completed by the relevant applicants at a later stage.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the PAL or to transfer part or all of his/her/its rights to more than one person, the entire PAL must be surrendered and lodged for cancellation by not later than 4:30 p.m. on Tuesday, 1 April 2025 to the Registrar, who will cancel the original PAL and issue new PALs in the denominations required which will be available for collection from the Registrar at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, after 9:00 a.m. on the second Business Day after the surrender of the original PAL.

The PAL contains further information regarding the procedures to be followed for acceptance and/or transfer of the whole or part of the provisional allotment of the Rights Shares by the Qualifying Shareholders. All cheques or cashier's orders will be presented for payment following receipt and all interest earned on such monies will be retained for the benefit of the Company. Completion and return of the PAL with a cheque or a cashier's order, whether by a Qualifying Shareholder or by any nominated transferee(s), will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the cheque or cashier's order is dishonoured on first presentation, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Rights Issue as set out in the section headed “Conditions of the Rights Issue” above are not fulfilled, the monies received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to their registered addresses by the Registrar on or before Monday, 12 May 2025.

No receipt will be issued in respect of any application monies received.

## 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 31 January 2025, the Group had bond payables of approximately RMB29.8 million (equivalent to approximately HK\$31.9 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 thirteen months ended 31 January 2025:

	<b>Bond A</b>	<b>Bond B</b>	<b>Bond C</b>	<b>Total</b>
	<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	2,168	203	582	2,953
Repayments during the thirteen months ended 31 January 2025	—	(235)	(423)	(658)
Loss on modification of bond payables	(309)	—	(93)	(402)
Exchange realignment	815	158	246	1,219
As at 31 January 2025	<u>19,360</u>	<u>5,206</u>	<u>5,257</u>	<u>29,823</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 56.7% as at 31 December 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 A). 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 31 January 2025, the Company had cash and bank balances of approximately RMB0.5 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.

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 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.

## 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 Rights Issue assuming full acceptance by all Qualifying Shareholders under the Rights Issue; (iii) 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 and (iv) 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:

Shareholder	As at the Latest Practicable Date		Immediately upon completion of the Rights Issue assuming full acceptance by all Qualifying Shareholders under the 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	%
Public Shareholders	107,827,200	100.0	215,654,400	100.0	107,827,200	50.0	107,827,200	100.0
Placees	-	-	-	-	107,827,200	50.0	-	-
	<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>

### Note:

- 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.



## **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 5,875,200 Shares (after the Share Consolidation and before adjustment of the Rights Issue) 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.

## **LISTING RULES IMPLICATIONS**

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 date of the EGM, 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. As at Latest Practicable Date, save for the Rights Issue, the Placing, the Company did not have any plan and had not entered into any negotiation, agreement, arrangement or undertaking to conduct any other corporate action or arrangement that may affect the trading of the Company's shares in the next 12 months.

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

The Shares have been dealt in on an ex-rights basis from Monday, 17 March 2025. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 28 March 2025 to Monday, 7 April 2025 (both dates inclusive). If the conditions of the Rights Issue are not fulfilled, the Rights Issue will not proceed. Please refer to the section headed "Conditions of the Rights Issue" in this Prospectus above.

Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. Any Shareholder or other person dealings in the Shares and/or the nil-paid Rights Shares up to the time at which the Rights Issue becomes unconditional will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed. 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).

#### **ADDITIONAL INFORMATION**

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

By order of the Board  
**Luxxu Group Limited**



**Liang Yunhuang**  
*Executive Director*