
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in LAPCO HOLDINGS LIMITED, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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

Lapco Holdings Limited 立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8472)

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser



BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

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



紅日資本有限公司

RED SUN CAPITAL LIMITED

Placing Agent



紫荊金融
ZI JING

Capitalised terms used in this circular shall have the same meanings as defined in the section headed "Definitions" in this circular unless the context otherwise requires.

A letter from the Board is set out on pages 9 to 29 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 30 of this circular. A letter from the Independent Financial Adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 62 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Monday, 22 January 2024. Dealings in the Rights Shares in nil-paid form are expected to take place from Friday, 2 February 2024 to Friday 9 February 2024 (both days inclusive). If the conditions of the Rights Issue are not fulfilled, any person contemplating dealing in the nil-paid Rights Shares during the period from Friday, 2 February 2024 to Friday 9 February 2024 (both days inclusive) will accordingly bear the risk that the Rights Issue may not become unconditional and/or may not proceed. Any person contemplating dealing in the Shares and/or the Rights Shares in their nil-paid form are recommended to consult his/her/its/their own professional advisers.

A notice convening the EGM to be held by way of electronic means on Thursday, 18 January 2024 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company as soon as possible but in any event no less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares and is subject to fulfillment of conditions. Please refer to the section headed "Conditions of the Rights Issue" in this circular. In the event that the Rights Issue is not fully subscribed, any Rights Shares not taken up by the Qualifying Shareholders or holders of nil-paid rights together with the NQS Unsold Rights Shares will be placed to independent places on a best effort basis under the Compensatory Arrangements. Any Unsubscribed Rights Shares or NQS Unsold Rights Shares which are 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. Shareholders and potential investors are advised to exercise caution when dealing in the Shares and/or nil-paid Rights Shares up to the date when the conditions of the Rights Issue are fulfilled.

This circular will remain on the "Latest Company Announcements" page of the website of the Stock Exchange at <http://www.hkexnews.hk> for at least 7 days from the date of its publication and on the website of the Company at www.lapco.com.hk.

22 December 2023

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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EXPECTED TIMETABLE

Set out below is the expected timetable for the proposed Rights Issue which is indicative only and has been prepared on the assumption that the conditions of the Rights Issue will be fulfilled.

All times and dates stated above refer to Hong Kong local times and dates. All dates and deadlines specified in the expected timetable are indicative only and may be varied. Any changes to the expected timetable will be announced in separate announcement(s) by the Company as and when appropriate.

Event	2024
Latest time for lodging transfer documents of the Shares to qualify for attendance and voting at the EGM	4:30 p.m. on Thursday, 11 January
Closure of register of members of the Company for determining the identity of the Shareholders entitled to attend and vote at the EGM	Friday, 12 January – Thursday, 18 January (both dates inclusive)
Latest time for lodging proxy forms for the EGM	3:00 p.m. on Tuesday, 16 January
Record date for attendance and voting at the EGM	Thursday, 18 January
Expected date and time of the EGM to approve the Rights Issue	3:00 p.m. on Thursday, 18 January
Announcement of the poll results of the EGM	Thursday, 18 January
Register of members of the Company re-opens	Friday, 19 January
Last day of dealings in Shares on a cum-rights basis	Friday, 19 January
First day of dealings in Shares on an ex-rights basis	Monday, 22 January
Latest time for lodging transfers of Shares in order to qualify for the Rights Issue	4:30 p.m. on Tuesday, 23 January
Closure of the register of members (both dates inclusive)	Wednesday, 24 January to Tuesday, 30 January
Record Date	Tuesday, 30 January
Register of members of the Company re-opens	Wednesday, 31 January
Prospectus Documents expected to be despatched	Wednesday, 31 January
First day of dealings in nil-paid Rights Shares	Friday, 2 February

EXPECTED TIMETABLE

<i>Event</i>	<i>2024</i>
Latest time for splitting of nil-paid Rights Shares	4:00 p.m. on Tuesday, 6 February
Last day of dealings in nil-paid Rights Shares	Friday, 9 February
Latest time for Acceptance	4:00 p.m. on Friday, 16 February
Announcement of the number of the Unsubscribed Rights Shares and ES Unsold Rights Shares subject to the Compensatory Arrangements	Monday, 19 February
Commencement of Placing by the Placing Agent	Tuesday, 20 February
Latest time of Placing by the Placing Agent	6:00 p.m on Friday, 23 February
Latest time for the Rights Issue to become unconditional and Latest Time for Termination	6:00 p.m. on Tuesday, 27 February
Announcement of the results of Rights Issue (including results of the Placing and the amount of the Net Gain) to be posted on the Stock Exchange's website and the Company's website	Thursday, 29 February
Share certificates for Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful applications expected to be despatched	Friday, 1 March
Expected commencement of dealings in fully-paid Rights Shares	9:00 a.m. on Monday, 4 March
Payment of the Net Gain (if any) to relevant No Action Shareholders (if any) or Excluded Shareholders (if any)	Friday, 22 March

EFFECT OF BAD WEATHER ON LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The Latest Time for Acceptance will not take place at the time indicated above if there is a tropical cyclone warning signal no. 8 or above, or "extreme conditions" caused by super typhoons announced by the Government of Hong Kong or a "black" rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 16 February 2024. Instead the Latest Time for Acceptance and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or

EXPECTED TIMETABLE

- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 16 February 2024. Instead the Latest Time for Acceptance will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

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

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 24 November 2023 in relation to the Rights Issue
“Board”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday or public holiday) on which banks are open in Hong Kong for general banking business
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Lapco Holdings Limited (Stock Code: 8472), a company incorporated in Cayman Islands with limited liability, the shares of which are listed on GEM
“Compensatory Arrangements”	the compensatory arrangements made pursuant to Rule 10.31(1)(b) of the GEM Listing Rules as described in the paragraph headed “Procedures in respect of the Unsubscribed Rights Shares and the ES Unsold Rights Shares and the Compensatory Arrangements” in the letter from the Board of this circular
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve the Rights Issue
“ES Unsold Rights Shares”	the Rights Share(s) which would otherwise have been provisionally allotted to the Excluded Shareholders in nil-paid form
“Excluded Shareholder(s)”	the Overseas Shareholder(s) in respect of whom the Board, after making relevant enquiries with the legal advisers in the relevant jurisdictions, considers it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

DEFINITIONS

“GEM”	GEM operated the Stock Exchange
“GEM Listing Committee”	has the meaning ascribed to it in the GEM Listing Rules
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, which has been established to advise the Independent Shareholders in respect of the Rights Issue
“Independent Financial Adviser”	Red Sun Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	any Shareholder(s) who is(are) not required to abstain from voting on the resolution relating to the Rights Issue at the EGM under the GEM Listing Rules
“Independent Third Parties”	any individual or company not being the connected persons of the Company, independent of the Company and its connected persons and not connected with any of them or their respective associates
“Irrevocable Undertaking”	the irrevocable undertaking dated 24 November 2023 given by Mr. Tam in favour of the Company
“Last Trading Day”	24 November 2023, the last trading day for the Shares on the Stock Exchange immediately before the publication of the Announcement
“Latest Practicable Date”	19 December 2024, being the latest practicable date before the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Friday, 16 February 2024, being the latest time for acceptance of the offer of and payment for the Rights Shares
“Latest Time for Termination”	6:00 p.m. on Tuesday, 27 February 2024 or such later date as the Company and the Placing Agent may agree in writing, being the latest time to terminate the Placing Agreement
“May Share Placing”	the shares placing under general mandate completed on 31 May 2023
“Mr. Tam”	Mr. Tam Wai Tong, a substantial Shareholder and a director of a subsidiary of the Company
“Net Gain”	the premium paid by the Placees over the Subscription Price for the Placing Shares placed by the Placing Agent
“No Action Shareholders”	those Qualifying Shareholders who do not subscribe for the Rights Shares (whether partially or fully) under the PALs or their renounces, or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed
“Overseas Shareholders”	the Shareholder(s) whose registered address(es) as shown in the register of members of the Company as at the close of business on the Record Date is/are outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue
“Placee(s)”	institutional, corporate or individual investor(s) procured by the Placing Agent and/or its sub-placing agents to subscribe for the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares on a best effort basis by the Placing Agent and/or its sub-placing agents(s) to the Placees on the terms and conditions of the Placing Agreement

DEFINITIONS

“Placing Agent”	Zijing Capital Limited, a licensed corporation to carry on business in Type 1 regulated activity (dealing in securities) and Type 6 (advising on corporate finance) under the SFO
“Placing Agreement”	the placing agreement dated 24 November 2023 entered into between the Company and the Placing Agent in relation to the Placing
“Placing Completion Date”	Tuesday, 27 February 2024 or such other date as the Company and the Placing Agent may agree
“Placing Period”	a period commencing from the first Business Day after the date of announcement of the number of the Placing Share, which is expected to be Tuesday, 20 February 2024, and ending at the 6:00 p.m. on Friday, 23 February 2024
“Placing Shares”	the Unsubscribed Rights Shares and the ES Unsold Rights Shares
“Prospectus”	the prospectus to be issued to the Shareholders containing details of the Rights Issues
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	31 January 2024 or such other date as the Company may determine, being the date on which the Prospectus Documents are posted to the Qualifying Shareholders and the Prospectus for information only to the Excluded Shareholders
“Qualifying Shareholders”	Shareholders, other than Excluded Shareholders, whose names appear on the register of members of the Company at the close of business on the Record Date
“Record Date”	Tuesday, 30 January 2024 or such other date as may be determined by the Company, being the date by reference to which the Shareholders’ entitlements to participate in the Rights Issue will be determined
“Rights Issue”	the issue of the Rights Shares by way of rights on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date at the Subscription Price

DEFINITIONS

“Rights Shares”	up to 72,000,000 new Shares (assuming no change in the number of issued Shares on or before the Record Date)
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
“Shareholders”	holders of the Shares
“Shares”	ordinary shares of HK\$0.20 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.60 per Rights Share under the Rights Issue
“substantial shareholder(s)”	has the meaning as ascribed thereto under the GEM Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Unsubscribed Rights Shares”	the Rights Shares that are not subscribed by the Qualifying Shareholders
“%”	per cent

LETTER FROM THE BOARD

Lapco Holdings Limited
立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8472)

Executive Director:

Mr. Tam Yiu Shing, Billy
Mr. Au Pak Lun Patrick
Mr. Wang Rong

Independent Non-executive Directors:

Mr. Mak Kwok Kei
Ms. Lam Kit Yan
Ms. Wan Hoi Shan

Registered Office:

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

*Headquarters and Principal Place of
Business in Hong Kong:*

Unit No. 301A, 3/F., Tower III
Enterprise Square
9 Sheung Yuet Road
Kowloon Bay
Kowloon
Hong Kong

22 December 2023

To the Shareholders

Dear Sirs or Madams,

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY
ONE (1) SHARE HELD ON THE RECORD DATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Rights Issue; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Rights Issue; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Rights Issue; (iv) certain financial information and other general information of the Group; and (v) the notice of EGM, in order to enable you to make an informed decision on how to vote at the EGM.

LETTER FROM THE BOARD

PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of up to approximately HK\$43.20 million by way of the issue of up to 72,000,000 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date), at the Subscription Price of HK\$0.60 per Rights Share on the basis of three (3) Rights Share for every one (1) Share held on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders.

The Rights Issue is not underwritten. Further details of the Rights Issue are set out below:

Issue statistics

Assuming no further change in the number of issued Shares on or before the Record Date:

Basis of Rights Issue	:	Three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Net price per Rights Shares (i.e. Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	HK\$0.579 per Rights Share
Number of Shares in issue as at date of the Announcement	:	24,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 72,000,000 Rights Shares
Aggregate nominal value of the Rights Shares	:	up to HK\$14,400,000
Number of Shares in issue immediately upon completion of the Rights Issue	:	up to 96,000,000 Shares
Maximum amount of gross proceeds raised from the Rights Issue (before expenses)	:	up to approximately HK\$43.20 million

LETTER FROM THE BOARD

Maximum amount of net : up to approximately HK\$41.70 million
proceeds raised from the
Rights Issue

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 72,000,000 Rights Shares to be issued under the Rights Issue represent (i) 300% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares.

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

Non-underwritten basis

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 that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Subject to the Rights Shares undertaken to be subscribed by Mr. Tam as set out in section headed "Irrevocable Undertaking" in the letter from the Board, there is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs 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 10.26(2) of the GEM Listing Rules.

LETTER FROM THE BOARD

Irrevocable Undertaking

As at the Latest Practicable Date, Mr. Tam, a substantial Shareholder and a director of a subsidiary of the Company, is interested in 5,980,000 Shares, representing approximately 24.92% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, Mr. Tam has, among other things, irrevocably and unconditionally undertaken to the Company:

- (i) subject to the Note to Rule 10.26(2) in relation to scaling down mechanism in case of an obligation to make a general offer being triggered under the Takeovers Code, to subscribe for the 17,940,000 Rights Shares to be offered to Mr. Tam; and
- (ii) not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by Mr. Tam from the date of the Irrevocable Undertaking to the close of business on the Record Date.

Save for the above Irrevocable Undertaking, the Company has not received, as at the Latest Practicable Date, any other information or irrevocable undertaking from other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price is of HK\$0.60 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of 30.23% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 19.35% to the average closing price of HK\$0.744 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of 9.77% to the theoretical ex-rights price of HK\$0.665 per Share based on the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of 22.67% represented by the theoretical diluted price of HK\$0.665 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules) of HK\$0.86 per Share;

LETTER FROM THE BOARD

- (v) a discount of 84.85% to the unaudited net asset value per Share of HK\$3.96 (based on the unaudited consolidated net asset value of the Group of HK\$94.94 million as at 30 June 2023 and 24,000,000 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of 43.40% to the closing price of HK\$1.060 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.579 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date).

The Subscription Price was determined with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in this Circular.

The Board has noted the relatively large discount mentioned in (v) above. Nevertheless, given the pre-emptive nature of the Rights Issue and taking into account of the fact that the Shares were traded at a discount to the net asset value attributable to the Shareholders per Share (based on unaudited net asset value of the Group of HK\$94.94 million as at 30 June 2023 and 24,000,000 shares in issue as at the Latest Practicable Date) for the six months preceding the Last Trading Day ranging from approximately 32.32% to 84.60%, with an average of approximately 63.32%, after balancing the funding needs of the Company and the recent prevailing market price of the Shares, the Board is of the view that the prevailing market price of the Shares would be a more appropriate reference, instead of net asset value per Share to determine the Subscription Price.

The Directors consider that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group. After taking into consideration the reasons for the Rights Issue as stated in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” below, the Board (including the members of the Independent Board Committee) considers that 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.

Basis of provisional allotment

The basis of the provisional allotment shall be three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders as at the close of business on the Record Date. The PAL(s) relating to the Rights Shares will be enclosed with the Prospectus entitling the Qualifying Shareholders to whom it is addressed to subscribe for the Rights Shares.

LETTER FROM THE BOARD

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing a PAL and lodging the same with a remittance for the Rights Shares being applied for with the Share Registrar on or before the Latest Time for Acceptance.

Qualifying Shareholders

The Rights Issue is only available to the Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be a Excluded Shareholder on the Record Date. In order to be registered as a member of the Company on the Record Date, Shareholders must lodge the relevant documents for transfer of Shares (with the relevant share certificates) with the Share Registrar at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong by 4:30 p.m. on Tuesday, 23 January 2024.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company. For Shareholders whose Shares are held by a nominee (or held in CCASS) and would like to have their names registered on the register of members of the Company, they must lodge all necessary documents with the Share Registrar for registration no later than 4:30 p.m. on Tuesday, 23 January 2024.

It is expected that the last day of dealings in the Shares on a cum-rights basis is Friday, 19 January 2024 and the Shares will be dealt with on an ex-rights basis from Monday, 22 January 2024.

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date.

Qualifying Shareholders who take up their pro-rata entitlement in full will not suffer any dilution to their interests in the Company (except in relation to any dilution resulting from the taking up by third parties of any Rights Shares arising from the aggregation of fractional entitlements).

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

Rights of Overseas Shareholders

If, at the close of business on the Record Date, a Shareholder's address on the Company's register of members is in a place outside Hong Kong, such Shareholder may not be eligible to take part in the Rights Issue. The Prospectus Documents to be despatched in connection with the Rights Issue will not be registered or filed under the applicable securities legislation of any jurisdiction other than Hong Kong.

LETTER FROM THE BOARD

The Board notes the requirements specified in Rule 17.41(1) of the GEM Listing Rules and will make enquiries in the relevant jurisdictions as to the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, after making such enquiries, the Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place, not to offer the Rights Shares to the relevant Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully-paid Rights Shares will be made to such Overseas Shareholders. In such circumstances, such Overseas Shareholders will become Excluded Shareholders and the Rights Issue will not be extended to them. The Company will, to the extent permitted under the relevant laws and regulations and reasonably practicable, send the Prospectus to the Excluded Shareholders for information purposes only but will not send any PAL to them.

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

Any such ES Unsold Rights Shares to which such Excluded Shareholders would otherwise have been entitled will be placed by the Placing Agent to the Placees at the price at least equal to the Subscription Price under the Placing.

Overseas Shareholders should note that they may or may not be eligible to take part in the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 17.41(1) of the Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank pari passu in all respects among themselves and with the Shares in issue at the time. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid by the Company after the date of allotment and issue of the fully-paid Rights Shares.

Fractional entitlement to the Rights Shares

The Company will not provisionally allot fractions of Rights Shares in nil-paid form to the Qualifying Shareholders. All fractions of Rights Shares will be aggregated (and rounded down to the nearest whole number of a Share) and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company if a premium (net of expenses) can be achieved.

LETTER FROM THE BOARD

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

According to Rule 10.31(1)(b) of the GEM Listing Rule, the Company will make Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (i.e. Placing Shares) by offering the Placing Shares to independent placees for the benefit of the relevant No Action Shareholders and Excluded Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

Accordingly, on 24 November 2023 (after trading hours of the Stock Exchange), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Placing Shares during the Placing Period to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best efforts basis. Any premium over the Subscription Price that is realised will be paid to the No Action Shareholders and the Excluded Shareholders on a pro-rata basis. Any Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for; and
- (ii) for Excluded Shareholders, the relevant Excluded Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date.

If and to the extent in respect of any Net Gain, any No Action Shareholders or Excluded Shareholders become entitled on the basis described above to an amount of (i) more than HK\$100, the entire amount will be paid to the relevant No Action Shareholders or Excluded Shareholders in Hong Kong Dollars only; or (ii) HK\$100 or less, such amount will be retained by the Company for its own benefit.

Shareholders are reminded that Net Gain may or may not be realised and, accordingly, the No Action Shareholders and the Excluded Shareholders may or may not receive any Net Gain.

LETTER FROM THE BOARD

PLACING AGREEMENT

On 24 November 2023 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has conditionally agreed as agent of the Company (either by itself or through its sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Placing Shares. Details of the Placing are as follows:

- Date : 24 November 2023
- Parties : (i) the Company, as issuer; and
(ii) the Placing Agent
- Placing Agent : Zijing Capital Limited was appointed as the Placing Agent to procure, on a best effort basis, Placees to subscribe for the Placing Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) are Independent Third Parties.

- Placing Period : A period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Tuesday, 20 February 2024, and ending at the 6:00 p.m. on Friday, 23 February 2024.
- Fees and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission of 2.5% of the actual gross proceeds from the subscription of the Placing Shares (i.e. amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent) and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorized to deduct from the payment to be made by the Placing Agent to the Company at completion of the Placing.
- Placing price of the Placing Shares : The placing price of the Placing Shares shall be not less than the Subscription Price. The final price shall be determined by the Placing Agent based on the demand for and the market conditions of the Placing Shares during the placing.

LETTER FROM THE BOARD

- Placees: : The Placing Shares shall only be offered to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties, such that:
- (i) no Placee shall become a substantial shareholder of the Company immediate following the placing;
 - (ii) the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and
 - (iii) the Placing will not result in the Company incapable of complying with the public float requirements under the GEM Listing Rules immediately following the Placing.
- Ranking of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Placing Shares (when allotted, issued and fully-paid, if any) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.
- Termination : The Placing Period shall end at 6:00 p.m. on Friday, 23 February 2024 or any other date by mutual agreement between the Placing Agent and the Company.

The Placing Agent may terminate the Placing Agreement by notice in writing given to the Company at any time prior to 6:00 p.m. on Tuesday, 27 February 2024 (or any other date any mutually agreed between the Company and the Placing Agent) upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, to be material in the context of the Placing or has or may have a material adverse effect on the business or financial conditions or prospects of the Group or the success of the Placing or the full placement of all of the Placing Shares or has or may otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:

- (i) the Company fails to comply with its material obligations under the Placing Agreement;

LETTER FROM THE BOARD

- (ii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
- (iii) any of the warranties of the Company under the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in material respect by reference to the facts subsisting at the time.

If notice of termination is given by the Placing Agent, the Placing Agreement shall be terminated and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

Conditions
precedent

- : The Placing is subject to and conditional upon:
- (i) passing by the Independent Shareholders at the general meeting of the Company of the necessary resolution(s) to approved the Rights Issue;
 - (ii) the GEM Listing Committee having granted the listing of, and permission to deal in, the Rights Shares; and
 - (iii) the Company having obtained all necessary consents and approvals for allotting and issuing the Rights Shares.

None of the above conditions are capable of being waived.

LETTER FROM THE BOARD

Placing Completion : Tuesday, 27 February 2024 or such other date as the
Date Company and the Placing Agent may agree in writing.

The terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue, and the market conditions. The Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal commercial terms and are fair and reasonable.

As explained above, the Placing Shares will be placed by the Placing Agent to independent Placees on a best effort basis for the benefits of the No Action Shareholders and Excluded Shareholders. If all or any of the Placing Shares are successfully placed, any premium over the Subscription Price will be distributed to the relevant No Action Shareholders and Excluded Shareholders.

Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Board considers that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Application for listing of the Rights Shares

The Company will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms to be issued and allotted pursuant to the Rights Issue. The nil-paid and fully-paid Rights Shares shall have the same board lot size as the Shares, i.e. 2,000 Shares in one board lot. No part of the share capital of the Company is listed or dealt in or on which listing or permission to deal in is being or is proposed to be sought on any other stock exchange.

Eligibility 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 dealers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

LETTER FROM THE BOARD

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 or any other applicable fees and charges in Hong Kong.

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 Overseas Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Share certificates and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, (i) share certificates for all fully paid Rights Shares and (ii) refund cheques in respect of wholly or partially unsuccessful applications for Rights Shares (if any) are expected to be posted to those entitled thereto by ordinary post to their registered address, at their own risks, on or before Friday, 1 March 2024.

Conditions of the Rights Issue

The Rights Issue is conditional upon:

- (i) passing by the Independent Shareholders at the EGM of the resolution to approve the Rights Issue by no later than the Prospectus Posting Date;
- (ii) the GEM Listing Committee granting or agreeing to grant and not having withdrawn or revoked the listing of, and permission to deal in, all the Rights Shares (in their nil-paid and fully-paid forms);
- (iii) the delivery to the Stock Exchange and filing and registration with the Registrar of Companies in Hong Kong no later than the Prospectus Posting Date of Prospectus Documents in compliance with the Companies (WUMP) Ordinance and otherwise complying with the requirements of the Companies (WUMP) Ordinance, the Companies Ordinance and the GEM Listing Rules;
- (iv) the posting of the Prospectus Documents to Qualifying Shareholders; and
- (v) the Placing Agreement not being terminated.

None of the above conditions can be waived. The Company shall use its reasonable endeavours to procure the fulfilment of the conditions above (to the extent it is within its power to do so) and shall do all the things required to be done by it pursuant to the Prospectus Documents or otherwise reasonably necessary to give effect to the Rights Issue. If any of the conditions referred to above are not fulfilled at or before the Latest Time for Termination, the Rights Issue will not proceed.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING ENTITLEMENTS TO THE RIGHTS ISSUE

The register of members of the Company will be closed from Wednesday, 24 January 2024 to Tuesday, 30 January 2024 (both dates inclusive) for the purpose of determining entitlements to the Rights Issue. No transfer of Shares will be registered during the above book closure period.

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

The Group is principally engaged in the provision of (a) cleaning services; (b) pest management services; (c) waste management and recycling services; and (d) landscaping services in Hong Kong. The Group has a well-established presence in the environmental hygiene service industry in Hong Kong with a proven track record since 1988 and long history of business relationships with customers in both public and private sectors. Driven by the increasing public awareness of environmental hygiene due to outbreaks of past diseases, including COVID-19 in the past three years, the Directors believes that the environmental hygiene service industry in Hong Kong has strong growth potentials.

The maximum net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$41.70 million (assuming no change in the number of Shares in issue on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 62% (or approximately HK\$26.00 million) will be used for financing the provision of performance guarantee to satisfy the expansion and development of existing business of the Group; (ii) approximately 17% (or approximately HK\$7.00 million) will be used to acquire additional 5 cleaning vehicles; (iii) approximately 12% (or approximately HK\$4.80 million) will be used for the repayment of the Group's bank loans and payables due within the next twelve months; and (iv) approximately 9% (or approximately HK\$3.90 million) will be used as the general working capital of the Group.

The cleaning segment forms the core service of the Group. As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group's revenue mainly derived from the provision of cleaning services, which contributed to approximately 81.43% and approximately 78.35% of the Group's revenue for the years ended 31 December 2022 and 31 December 2021 respectively and a large portion of the Group's revenue from cleaning segment was generated from street cleaning service contracts with the Government of Hong Kong that the Group obtained from open tenders. As of the Latest Practicable Date, the Group has 10 contracts on hand with a duration of three years for the provision of street cleaning services to the Government of Hong Kong and the aggregate contract sum is amounted to approximately HK\$1.76 billion. In addition, based on the Group's latest data on the Hong Kong Government's outsourced street cleaning contracts, there are total of 14 contracts (only 2 contracts in 2023) with an aggregate contract sum of approximately HK\$3.61 billion (of which 2 contracts with total contract sum of approximately HK\$654.88 million are existing contracts of the Group) that will be expired in year 2024 ("**2024 Expiring Contracts**") and will open for tendering. The Group intends to submit tenders for these 2024 Expiring Contracts taking into account the available financial resources of the Group.

LETTER FROM THE BOARD

The delivery of the environmental hygiene services, in particular the street cleaning services requires substantial financial and operational resources. Over the years, the Group relies on bank financings and internally generated funds to obtain new contracts from customers in both public and private sectors and manage its working capital associated with undertaking contract works (i.e. time lags between making payments to our employees/suppliers and receiving payments from our customers). Further, the Group is generally required to provide performance guarantee at a rate of 6% of the total contract sum to public sector customers, as security for due performance of the Group's contractual obligations during the contract period (i.e. three years for public sector customers). Considering the expected increase in numbers of contracts to be undertaken by the Group in the coming years as disclosed above, the net proceeds raised from the Rights Issue will be substantially utilised to satisfy the expansion and relevant business opportunities anticipated by the Group. In addition, given the relatively long contract period for these contracts and the provision of performance guarantee would result in the lock-up of a portion of the Group's capital and available banking facilities for a prolonged period of time, which affects the Group's liquidity position, the maintenance and expansion of the Group's existing businesses entail a healthy and sufficient level of cash flow of the Company.

Furthermore, the Group is required to use different types of specialised vehicles and equipment in performing the Group's cleaning services and waste management and recycling services and taking into account the existing and potential contracts as discussed above, the Group plans to purchase five cleaning vehicles as new additions to replace some of the Group's existing vehicles, which would allow an increase in the Group's service capacity and accommodate business growth of the Group.

Considering, as at 30 June 2023, (i) the short-term bank loans of the Group, bearing interest rates from 4.13% to 4.45% per annum amounted to HK\$18.77 million; (ii) the Group's cash and cash equivalent and net current assets amounted to approximately HK\$44.70 million and approximately HK\$54.36 million; and (iii) the utilised amounts of bank guarantees (as performance guarantees) in favour of the Group's customers under the Group's existing banking facilities were HK\$159.00 million as at 30 June 2023, representing approximately 96% of the available banking facilities of the Group, the Directors have been exploring ways to enhance the Group's liquidity position to cope with the Group's business operations and development requirements as discussed above.

In addition, the Directors are of the view that (i) the interest rates for debt financing may remain high in the medium term; and (ii) it is difficult and time consuming for the Group to liaise with banks to obtain new/additional loan facilities for the Group as banks in Hong Kong have become more prudent in lending amid the slowdown of the Hong Kong and global economy, the Rights Issue could enhance the Group's cash flow position to accommodate the liquidity needs for the Group's business operations and development without increasing its gearing ratio and finance costs.

LETTER FROM THE BOARD

As the Rights Issue will be on a non-underwritten basis, the actual amount of the net proceeds cannot be ascertained at this moment. In the event that the Rights Issue is undersubscribed, the above use of proceeds will be adjusted by the Company accordingly and the net proceeds from the Rights Issue are expected to be utilised with proportional reductions in the same usage scenarios as above.

The Board considers it is prudent to finance the Group's long term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs. The Directors has also considered other fund-raising alternatives available before resolving to the Rights Issue, including but not limited to debt financing, placing and open offer. Debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. As for placing of new Shares, it 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. As for open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

It is considered that the Rights Issue would give the Qualifying Shareholders an equal opportunity to participate in the growth of the Group. Given it is pre-emptive in nature, 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). 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. Accordingly, the Board (including the members of the Independent Board Committee) considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company, assuming no further change in the number of issued Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the Latest Practicable Date; (ii) immediately upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders; (iii) immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent; and (iv) immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and all the Placing Shares having been placed by Placing Agent:

Name of Shareholders	As at the Latest Practicable Date		Immediately upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders		Immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent		Immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and all the Placing Shares having been placed by Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Tam (Note 1)	5,980,000	24.92	23,920,000	24.92	7,686,000	29.90	23,920,000	24.92
Public Shareholders								
Independent Placees (Note 2)	-	-	-	-	-	-	54,060,000	56.31
Other public Shareholders	<u>18,020,000</u>	<u>75.08</u>	<u>72,080,000</u>	<u>75.08</u>	<u>18,020,000</u>	<u>70.10</u>	<u>18,020,000</u>	<u>18.77</u>
	<u>24,000,000</u>	<u>100.00</u>	<u>96,000,000</u>	<u>100.00</u>	<u>25,706,000</u>	<u>100.00</u>	<u>96,000,000</u>	<u>100.00</u>

Notes:

- The total number of Rights Shares to be subscribed by Mr. Tam will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code as a result of the Rights Issue.
- As it is not expected that any of the individual Placees will become a substantial Shareholder immediately after completion of the Placing, the Placing Shares will form part of the public float of the Company.

LETTER FROM THE BOARD

EQUITY FUNDRAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following equity fund raising activity during the twelve months immediately preceding the date of the Announcement:

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of the Announcement
4 May 2023	May Share Placing	HK\$7.91 million	(i) approximately HK\$5.54 million for acquisition of additional vehicles including waste compaction vehicles and street washing vehicles	Used as intended
			(ii) approximately HK\$2.37 million, for the business operation and general working capital of the Group	Used as intended

Save as disclosed above, the Company has not conducted any equity fund raising activities during the past twelve months immediately preceding the date of the Announcement.

GEM LISTING RULES IMPLICATION

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, (i) the Company does not have any controlling Shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates are interested in any Share, therefore no Shareholders will be required to abstain from voting of the Rights Issue at the EGM in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Rights Issue does 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 10.44A of the GEM Listing Rules.

Subject to the fulfilment of the conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date.

LETTER FROM THE BOARD

BOOK CLOSURE FOR DETERMINING ENTITLEMENT TO VOTE AT THE EGM

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 12 January 2024 to Thursday, 18 January 2024, both days inclusive, in order to determine the identity of the members of the Company who are entitled to attend and vote at the EGM. All transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Thursday, 11 January 2024.

EGM

The EGM will be convened and held by way of electronic means on Thursday, 18 January 2024 at 3:00 p.m. for the purpose of considering and, if thought fit, approving the Rights Issue.

The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the EGM) for the proxy to receive the login access code to participate online in Tricor e-Meeting System.

Registered Shareholders will be able to attend the EGM, vote and submit questions online via the designated URL (<https://spot-emeeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company.

Non-registered shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the EGM, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

If any Shareholder has any question on the arrangements of the EGM, please contact Tricor Investor Services Limited, the Company's branch share registrar, at the following:

Address: 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Telephone: (852) 2980 1333
(Monday to Friday, excluding Hong Kong public holidays)

A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM, you are requested to complete, sign and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-emeeting.tricor.hk>) by using the username and password provided

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on the notification letter sent by the Company as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked. The resolution(s) proposed to be approved at the EGM will be taken by poll and an announcement on the results of the EGM will be made by the Company thereafter.

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

Shareholders and potential investors of the Company should note that the Rights Issue is subject to 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 “Proposed Rights Issue – Conditions of the Rights Issue” in the Letter from the Board of this circular.

Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or the nil-paid rights is advised to exercise caution when dealing in the Shares and/or the nil-paid rights.

The Rights Issue will proceed on a non-underwritten basis irrespective of the acceptance of the provisionally allotted Rights Shares. Any person 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 advisor(s). Any Shareholder or other person dealing in the Shares or in the nil-paid rights 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.

RECOMMENDATION

The Independent Board Committee, which comprises all the independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Ms. Wan Hoi Shan, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote at the EGM. Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Your attention is drawn to the letter from the Independent Board Committee set out on page 29 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from the Independent Financial Adviser set out on pages 31 to 62 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

LETTER FROM THE BOARD

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

ADDITIONAL INFORMATION

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

Yours faithfully,
By Order of the Board
Lapco Holdings Limited
Tam Yiu Shing, Billy
Executive Director and Joint Company Secretary

Lapco Holdings Limited
立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8472)

22 December 2023

To the Independent Shareholders

Dear Sir or Madam

**PROPOSED RIGHTS ISSUE ON THE BASIS OF
THREE (3) RIGHTS SHARES FOR EVERY
ONE (1) SHARE HELD ON THE RECORD DATE**

We refer to the circular of the Company dated 22 December 2023 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and, in the interests of the Company and the Shareholders as a whole.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this respect. Details of its advice together with the principal factors taken into consideration in arriving thereat, are set out in its letter on pages 31 to 62 of this circular.

Having taken into account the terms of the Rights Issue and the advice from the Independent Financial Adviser, we are of the opinion that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Rights Issue.

Yours faithfully
For and on behalf of the
Independent Board Committee

Mak Kwok Kei
*Independent non-executive
Director*

Lam Kit Yan
*Independent non-executive
Director*

Wan Hoi Shan
*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue and the transactions as contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.



紅日資本有限公司
RED SUN CAPITAL LIMITED

Room 310, 3/F,
China Insurance Group Building,
141 Des Voeux Road Central,
Hong Kong

Tel: (852) 2857 9208

Fax: (852) 2857 9100

22 December 2023

To: *The independent board of committee and the independent shareholders of Lapco Holdings Limited*

PROPOSED RIGHTS ISSUE ON THE BASIS OF THREE (3) RIGHTS SHARES FOR EVERY ONE (1) SHARE HELD ON THE RECORD DATE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, the Placing Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 22 December 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Reference is made to the Letter from the Board, the Board proposed to conduct the Rights Issue on the basis of three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders on the Record Date. The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Excluded Shareholders. The Company will make Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (i.e. Placing Shares) by offering the Placing Shares to independent places for the benefit of the relevant No Action Shareholders and Excluded Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue. The Company will allot and issue up to 72,000,000 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share and raise up to an estimated net proceeds of approximately HK\$41.70 million.

Accordingly, on 24 November 2023 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Placing Shares during the Placing Period to

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best efforts basis. Any premium over the Subscription Price that is realised will be paid to the No Action Shareholders and the Excluded Shareholders on a pro-rata basis. Any Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. The placing price of the Placing Shares shall be not less than the Subscription Price. The final price shall be determined by the Placing Agent based on the demand for and the market conditions of the Placing Shares during the placing.

GEM LISTING RULES IMPLICATIONS

As the Rights Issue will increase the number of the issued Shares by more than 50%, in accordance with Rule 10.29(1) of the GEM Listing Rules, the Rights Issue must be made conditional on approval by the Independent Shareholders in a general meeting by a resolution on which all controlling Shareholders and their associates or, where there is no controlling Shareholder, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the Rights Issue.

As at the Latest Practicable Date, (i) the Company does not have any controlling Shareholder; and (ii) to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of the Directors or the chief executive of the Company or their respective associates are interested in any Share, therefore no Shareholders will be required to abstain from voting of the Rights Issue at the EGM in accordance with Rule 10.29(1) of the GEM Listing Rules.

The Rights Issue does 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 10.44A of the GEM Listing Rules.

Subject to the fulfilment of the conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders on the Prospectus Posting Date.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Ms. Wan Hoi Shan, has been established to advise the Independent Shareholders as to whether the terms of the Rights Issue are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote at the EGM. We have been appointed as the Independent Financial Adviser and approved by the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with or interest in the Company or the Placing Agent that could reasonably be regarded as relevant in assessing our independence. Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the GEM Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 17.96 of the GEM Listing Rules.

BASIS OF OUR ADVICE

In formulating our advice, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Group, the Directors and/or senior management of the Company (the “**Management**”). We have reviewed, among other things, (i) the Placing Agreement; (ii) the annual report of the Company for the year ended 31 December 2022; and (iii) the interim report of the Company for the six months ended 30 June 2023. We have assumed that all information, representations and opinions contained or referred to in the Circular or made, given or provided to us by the Company, the Directors and the Management, for which they are solely and wholly responsible, were true and accurate and complete in all material respects at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the Latest Practicable Date, Shareholders would be notified as soon as possible. We have assumed that all the opinions and representations made by the Directors in the Circular have been reasonably made after due and careful enquiry. The Directors and the Management confirmed that no material facts have been omitted from the information provided and referred to in the Circular, nor statements, information, opinions or representation provided to us to be untrue, inaccurate or misleading.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group or its respective history, experience and track records, or the prospects of the markets in which it operates.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background and Financial Information of the Group

As set out in the Letter from the Board, the Group is principally engaged in the provision of (i) cleaning services; (ii) pest management services; (iii) waste management and recycling services; and (iv) landscaping services in Hong Kong.

Set out below is a summary of (i) the audited consolidated financial performance of the Group for each of the years ended 31 December 2021 and 2022 as extracted from the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"); and (ii) the unaudited financial performance of the Group for the six months ended 30 June 2023 as extracted from the Company's interim report for the six months ended 30 June 2023 (the "2023 Interim Report").

Summary of consolidated statement of profit or loss and other comprehensive income

	For the year ended 31 December		For the six months ended 30 June	
	2022	2021	2023	2022
	(audited)	(audited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	966,288	765,921	485,442	450,691
Cost of services	(918,454)	(721,336)	(458,659)	(427,213)
Gross profit	47,834	44,585	26,783	23,478
Profit before Taxation	22,786	6,401	9,016	10,621
Profit and total comprehensive income for the year attributable to owners of the Company	20,326	5,361	7,715	9,482

Financial performance for the year ended 31 December 2022

As set out in the 2022 Annual Report, the Group recorded revenue of approximately HK\$966.3 million for the year ended 31 December 2022, representing an increase of approximately 26.2% compared to approximately HK\$765.9 million for the year ended 31 December 2021. The increase was mainly driven by the new contracts commenced during the year ended 31 December 2022 in the service segments of cleaning services. The Group recorded an increase of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

27.3% in cost of services, amounting at approximately HK\$721.3 million for the year ended 31 December 2021 and rising to approximately HK\$918.5 million for the year ended 31 December 2022; and marked a gross profit of approximately HK\$47.8 million for the year ended 31 December 2022, representing an increase of approximately 7.2% from approximately HK\$44.6 million for the year ended 31 December 2021.

The Group recorded a profit and total comprehensive income for the year attributable to owners of the Company of approximately HK\$20.3 million for the year ended 31 December 2022, which represents an increase of approximately 275.9% as compared to approximately HK\$5.4 million for the year ended 31 December 2021. Such increase mainly attributable to the increase in revenue and gross profit as mentioned above and the increase in other income of approximately HK\$10.0 million which was mainly due to the Group recognised government grants of approximately HK\$5.6 million in respect of COVID-19-related subsidies for the year ended 31 December 2022, out of which approximately HK\$4.2 million relates to the Employment Support Scheme provided by the Hong Kong government and approximately HK\$1.4 million relates to an administration fee on anti-epidemic fund for cleaning workers in 2022 and no such income was recognised in 2021.

Financial performance for the six months ended 30 June 2023

As set out in the 2023 Interim Report, the Group recorded revenue of approximately HK\$485.4 million for the six months ended 30 June 2023, representing an increase of approximately 7.7% compared to approximately HK\$450.7 million for the six months ended 30 June 2022, which was primarily attributable to the commencement of certain new cleaning service contracts. The Group recorded an increase of approximately 7.4% in cost of services, amounting at approximately HK\$427.2 million for the six months ended 30 June 2022 and rising to approximately HK\$458.7 million for the six months ended 30 June 2023; and marked a gross profit of approximately HK\$26.8 million for the six months ended 30 June 2023, representing an increase of approximately 14.0% from approximately HK\$23.5 million for the six months ended 30 June 2022.

The Group recorded a profit and total comprehensive income for the year attributable to owners of the Company of approximately HK\$7.7 million for the six months ended 30 June 2023, which represents a decrease of approximately 18.9% as compared to approximately HK\$9.5 million for the six months ended 30 June 2022. Such decrease mainly attributable to (i) the decrease in other income of approximately HK\$2.8 million which was mainly due to the contribution from the government subsidy decreased from approximately HK\$4.9 million for the six months ended 30 June 2022 to approximately HK\$1.1 million for the six months ended 30 June 2023; (ii) the increase in finance costs of approximately HK\$1.8 million that mainly comprises interest expenses on lease liabilities for vehicles purchased and interest expenses on factoring of trade receivables; and (iii) the offset by increase in gross profit of approximately HK\$3.3 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Summary of the consolidated statement of financial position

	As at	As at 31 December	
	30 June	2022	2021
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	86,963	93,380	55,279
Plant and equipment	32,317	36,649	18,720
Right-of-use assets	39,738	41,498	32,686
Deposits and prepayments	12,694	12,556	–
Current assets	231,221	228,601	195,534
Trade Receivables	141,339	163,806	119,815
Other receivables, deposits and prepayments	15,456	14,011	12,181
Pledged bank balances	29,700	29,700	21,700
Bank balances and cash	44,726	21,084	40,483
Current liabilities	176,859	200,723	171,781
Trade payables	9,840	14,187	5,683
Other payables	67,667	73,178	43,817
Provisions	19,190	20,973	15,503
Bank and other borrowings	45,661	58,508	91,904
Lease liabilities	12,380	12,118	14,874
Loan from a director of the Company's subsidiaries	–	20,000	–
Exchangeable bond	20,000	–	–
Non-current liabilities	46,390	41,949	20,049
Provisions	26,556	18,966	6,611
Lease liabilities	19,116	22,265	12,720
Equity attributable to owners of the Company	94,935	79,309	58,983

Note: For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above

Financial position as at 30 June 2023

As at 30 June 2023, the Group's total assets were approximately HK\$318.2 million, representing a decrease of approximately 1.2% as compared to approximately HK\$322.0 million as at 31 December 2022, which mainly comprised (i) non-current assets of approximately HK\$87.0 million as compared to approximately HK\$93.4 million as at 31 December 2022; and (ii) current assets of approximately HK\$231.2 million as compared to approximately HK\$228.6 million for as at 31 December 2022, which included (a) trade receivables of approximately

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

HK\$141.3 million as compared to approximately HK\$163.8 million as at 31 December 2022; (b) pledged bank balances of approximately HK\$29.7 million which has remained unchanged as compared to the amount as the balance as at 31 December 2022; and (c) bank balances and cash of approximately HK\$44.7 million as compared to approximately HK\$21.1 million as at 31 December 2022.

As at 30 June 2023, the total liabilities of the Group amounted to approximately HK\$223.2 million, representing a decrease of approximately 8.0% as compared to approximately HK\$242.7 million as at 31 December 2022, which mainly comprised (i) other payables of approximately HK\$67.7 million as compared to approximately HK\$73.2 million as at 31 December 2022, mainly due to a decrease in contribution from government subsidy; (ii) bank and other borrowings of approximately HK\$45.7 million as compared to approximately HK\$58.5 million as at 31 December 2022; (iii) provisions of approximately HK\$45.7 million as compared to approximately HK\$39.9 million as at 31 December 2022; and (iv) lease liabilities of approximately HK\$31.5 million as compared to approximately HK\$34.4 million as at 31 December 2022. On 19 January 2023, the Company entered into a subscription agreement in relation to the issuance of an exchangeable bond at a principal amount of HK\$20 million by the Company and subscription of the exchangeable bond by Mr. Tam with regard to setting off in its entirety against the Company's obligation to repay the loans in an aggregate principal amount of HK\$20 million due from the Company to Mr. Tam.

The equity attributable to the owners of the Company amounted to approximately HK\$94.9 million as at 30 June 2023, representing an increase of approximately 19.7% as compared to approximately HK\$79.3 million as at 31 December 2022.

Financial position as at 31 December 2022

As at 31 December 2022, the Group's total assets amounted to approximately HK\$322.0 million, representing an increase of approximately 28.4% as compared to approximately HK\$250.8 million as at 31 December 2021, which mainly comprised (i) non-current assets recorded at approximately HK\$93.4 million as compared to approximately HK\$55.3 million as at 31 December 2021; and (ii) current assets of approximately HK\$228.6 million, representing an increase of approximately 16.9% as compared to approximately HK\$195.5 million as at 31 December 2021, which included (a) trade receivables of approximately HK\$163.8 million as compared to approximately HK\$119.8 million as at 31 December 2021; (b) pledged bank balances of approximately HK\$29.7 million as compared to approximately HK\$21.7 as at 31 December 2021; and (c) bank balances and cash of approximately HK\$21.1 million as compared to approximately HK\$40.5 million as at 31 December 2021.

As at 31 December 2022, the total liabilities of the Group amounted to approximately HK\$242.7 million, representing an increase of approximately 26.5% as compared to approximately HK\$191.8 million as at 31 December 2021, which mainly comprised of (i) other payables of approximately HK\$73.2 million as compared to approximately HK\$43.8 million as at 31 December 2021; (ii) bank and

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other borrowings of approximately HK\$58.5 million as compared to approximately HK\$91.9 million as at 31 December 2021; (iii) provisions of approximately HK\$39.9 million as compared to approximately HK\$22.1 million as at 31 December 2021; (iv) lease liabilities of approximately HK\$34.4 million as compared to approximately HK\$27.6 million as at 31 December 2021; and (v) loan from a director of the Company's subsidiaries of HK\$20 million.

The equity attributable to the owners of the Company amounted to approximately HK\$79.3 million as at 31 December 2022, representing an increase of approximately 34.4% as compared to approximately HK\$59.0 million as at 31 December 2021.

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

As set out in the Letter from the Board, driven by the increasing public awareness of environmental hygiene due to outbreaks of past diseases, including COVID-19 in the past three years, the Directors believes that the environmental hygiene service industry in Hong Kong has strong growth potentials.

As set out in the Letter from the Board, the maximum net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$41.70 million (assuming no change in the number of Shares in issue on or before the Record Date). The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 62% (or approximately HK\$26.00 million) will be used for financing the provision of performance guarantee to satisfy the expansion and development of existing business of the Group; (ii) approximately 17% (or approximately HK\$7.00 million) will be used to acquire additional 5 cleaning vehicles; (iii) approximately 12% (or approximately HK\$4.80 million) will be used for the repayment of the Group's bank loans and payables due within the next twelve months; and (iv) approximately 9% (or approximately HK\$3.90 million) will be used as the general working capital of the Group.

The Group has a well-established presence in the environmental hygiene service industry in Hong Kong with a proven track record since 1988 and long history of business relationships with customers in both public and private sectors. The cleaning segment forms the core service of the Group. As disclosed in the annual report of the Company for the year ended 31 December 2022, the Group's revenue mainly derived from the provision of cleaning services, which contributed to approximately 81.43% and approximately 78.35% of the Group's revenue for the years ended 31 December 2022 and 31 December 2021 respectively and a large portion of the Group's revenue from cleaning segment was generated from street cleaning service contracts with the Government of Hong Kong that the Group obtained from open tenders.

As set out in the Letter from the Board, as at the Latest Practicable Date, the Group has 10 contracts on hand with a duration of three years for the provision of street cleaning services to the Government of Hong Kong and the aggregate contract sum is amounted to approximately HK\$1.76 billion. In addition, based on the Group's latest data on the Hong Kong Government's outsourced street cleaning contracts, there are total of 14 contracts (only 2 contracts in 2023) with an aggregate contract sum of approximately HK\$3.61

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billion (of which 2 contracts with total contract sum of approximately HK\$654.88 million are existing contracts of the Group) that will be expired in year 2024 (“**2024 Expiring Contracts**”) and will open for tendering. The Group intends to submit tenders for these 2024 Expiring Contracts taking into account the available financial resources of the Group.

In order to deliver the environmental hygiene services, in particular the street cleaning services, substantial financial and operational resources are required by the Group. Over the years, the Group relies on bank financings and internally generated funds to obtain new contracts from customers in both public and private sectors and manage its working capital associated with undertaking contract works (i.e. time lags between making payments to our employees/suppliers and receiving payments from our customers). Further, the Group is generally required to provide performance guarantee at a rate of 6% of the total contract sum to public sector customers, as security for due performance of the Group’s contractual obligations during the contract period (i.e. three years for public sector customers). Considering the expected increase in numbers of contracts to be undertaken by the Group in the coming years as disclosed above, the net proceeds raised from the Rights Issue will be substantially utilised to satisfy the expansion and relevant business opportunities anticipated by the Group. In addition, given the relatively long contract period for these contracts and the provision of performance guarantee would result in the lock-up of a portion of the Group’s capital and available banking facilities for a prolonged period of time, which affects the Group’s liquidity position, the maintenance and expansion of the Group’s existing businesses entail a healthy and sufficient level of cash flow of the Company.

Besides, the Group is required to use different specialised vehicles and equipment in performing the Group’s cleaning services and waste management and recycling services and taking into account the existing and potential contracts as discussed above. The Group plans to use part of the proceeds to purchase five cleaning vehicles as new additions to replace some of the Group’s existing vehicles, which would allow an increase in the Group’s service capacity and accommodate its business growth.

As set out in the Letter from the Board, as at 30 June 2023, (i) the short-term bank loans of the Group, bearing interest rates from 4.13% to 4.45% per annum amounted to HK\$18.77 million; (ii) the Group’s cash and cash equivalent and net current assets amounted to approximately HK\$44.70 million and approximately HK\$54.36 million; and (iii) the utilised amounts of bank guarantees (as performance guarantees) in favour of the Group’s customers under the Group’s existing banking facilities were HK\$159.00 million as at 30 June 2023, representing approximately 96% of the available banking facilities of the Group, the Directors have been exploring ways to enhance the Group’s liquidity position to cope with the Group’s business operations and development requirements.

For debt financing, the interest rates for debt financing may remain high in the medium term and it is difficult and time consuming for the Group to liaise with banks to obtain new/additional loan facilities for the Group as banks in Hong Kong have become more prudent in lending amid the slowdown of the Hong Kong and global economy, the Directors are of the view that and we concur that the Rights Issue could enhance the Group’s cash flow position to accommodate the liquidity needs for the Group’s business operations and development without increasing the Group’s gearing ratio and finance

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costs. Instead of the debt financing, the Board are of the view and we concur that it is relatively prudent to finance the Group's long-term growth by long term financing, preferably in the form of equity which will not increase the Group's finance costs.

As set out in the Letter from the Board, the Directors have considered alternative fundraising methods, including but not limited to debt financing, placing and open offer. As mentioned in above, the debt financing will result in additional interest burden, higher gearing ratio of the Group and subject the Group to repayment obligations. In addition, debt financing may not be achievable on favourable terms in a timely manner. For placing of new Shares, the Directors considered it 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. For open offer, while it is similar to a rights issue, offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto.

The Directors considered that the Rights Issue would give the Qualifying Shareholders an equal opportunity to participate in the growth of the Group. Given it is pre-emptive in nature, 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). 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. Accordingly, the Board (including the members of the Independent Board Committee) are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole. Having considered (i) the placing of new Shares would dilute the shareholding of the existing Shareholders while the Rights Issue will allow the Qualifying Shareholders to maintain their respective shareholdings in the Company on a pro rata basis; and (ii) as opposed to an open offer, the Rights Issue enables the Shareholders to sell the nil-paid rights in the market, we are of the view that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

Having consider that (i) debt financing will result in additional interest burden, higher gearing ratio of the Group and debt financing may not be achievable on favourable terms in a timely manner; (ii) placing would dilute the shareholding of the existing Shareholders without offering them the opportunity to maintain their shareholding interests in the Company; (iii) the open offer does not allow the trading of rights entitlements in the open market; (iv) the Rights Issue enables the Shareholders to sell the nil-paid rights in the market; (v) the Rights Issue gives the Qualifying Shareholders the opportunity to maintain their respective pro-rata shareholding interest in the Company and to continue to participate in the future development of the Company; (vi) 62% of proceeds will be used for financing the provision of performance guarantee to satisfy the expansion and development of existing business of the Group and 12% of proceeds will be

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used for the repayment of the Group's bank loans and payables due within the next twelve months; (vii) the net proceeds from the Rights Issue could improve the financial position and gearing ratio of the Group by decreasing the Company outstanding debts in which the gearing ratio of the Group, which was calculated based on the total interest-bearing bank borrowings, non interest bearing loan from a director of the Company's subsidiaries and lease liabilities over total equity of the Group, would improve from 1.4 times to approximately 0.9 times as at 31 December 2022 upon completion of the Rights Issue; and (viii) the Rights Issue could facilitate the Group in reducing its future financing costs by early repayment of its outstanding debts, we concur with the Company and consider that the current fund-raising method by way of the Rights Issue is appropriate and acceptable for the Company and its Shareholders as a whole.

3. Previous fundraising exercise involving issue of securities in the prior 12-month period

The Company has conducted the following equity fund raising activity during the twelve months immediately preceding the date of the Announcement:

Date of Announcement	Event	Net proceeds raised (Approximately)	Proposed use of proceeds	Actual use of proceeds as at the date of the Announcement
4 May 2023	May Share Placing	HK\$7.91 million	(i) approximately HK\$5.54 million for acquisition of additional vehicles including waste compaction vehicles and street washing vehicles;	Used as intend
			(ii) approximately HK\$2.37 million, for the business operation and general working capital of the Group	Used as intended

Save as disclosed above, the Company has not conducted any equity fund-raising activities during the past twelve months immediately preceding the date of the Announcement.

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4. Principal terms of the Rights Issue and the Placing Agreement

Assuming no further change in the number of issued Shares on or before the Record Date:

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription Price	:	HK\$0.60 per Rights Share
Net price per Rights Share (i.e. the Subscription Price less estimated cost and expenses incurred in the Rights Issue on a per Rights Share basis)	:	HK\$0.579 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	24,000,000 Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	:	up to 72,000,000 Rights Shares
Aggregate nominal value of the Rights Shares	:	up to HK\$14,400,000
Number of Shares in issue immediately upon completion of the Rights Issue	:	up to 96,000,000 Shares
Maximum amount of gross proceeds raised from the Rights Issue (before expenses)	:	up to approximately HK\$43.2 million
Maximum amount of net proceeds raised from the Rights Issue	:	up to approximately HK\$41.7 million

As at the Latest Practicable Date, the Group had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into the Shares. Assuming no change in the number of Shares in issue on or before the Record Date and that no new Shares (other than the Rights Shares) will be allotted and issued on or before completion of the Rights Issue, the 72,000,000 Rights Shares to be issued under the Rights Issue represent (i) 300% of the total number of issued Shares as at the Latest Practicable Date; and (ii) 75% of the total number of issued Shares as enlarged by the allotment and issue of the Rights Shares. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Non-underwritten basis

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 that the Rights Issue is not fully subscribed, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed to independent Placees under the Compensatory Arrangements. Any Unsubscribed Rights Shares and ES Unsold Rights Shares which are not placed under the Compensatory Arrangements will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. Subject to the Rights Shares undertaken to be subscribed by Mr. Tam as set out in section headed "Irrevocable Undertaking" in the letter from the Board, there is no minimum amount to be raised under the Rights Issue. There is also no statutory requirement regarding minimum subscription level in respect of the Rights Issue.

As the Rights Issue will proceed on a non-underwritten basis, Shareholders who apply to take up all or part of their entitlements under the PALs 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 10.26(2) of the GEM Listing Rules.

Irrevocable Undertaking

As at the Latest Practicable Date, Mr. Tam, a substantial Shareholder and a director of a subsidiary of the Company, is interested in 5,980,000 Shares, representing approximately 24.92% of the issued share capital of the Company. Pursuant to the Irrevocable Undertaking, Mr. Tam has, among other things, irrevocably and unconditionally undertaken to the Company:

- (i) subject to the Note to Rule 10.26(2) in relation to scaling down mechanism in case of an obligation to make a general offer being triggered under the Takeovers Code, to subscribe for the 17,940,000 Rights Shares to be offered to Mr. Tam; and
- (ii) not to sell, dispose of or transfer, or agree to sell, dispose of or transfer any of the Shares held by Mr. Tam from the date of the Irrevocable Undertaking to the close of business on the Record Date.

Save for the above Irrevocable Undertaking, the Company has not received, as at the Latest Practicable Date, any other information or irrevocable undertaking from other Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Subscription Price

As set out in the Letter from the Board, the Subscription Price is HK\$0.60 per Rights Share, payable in full by the Qualifying Shareholders upon acceptance of the relevant provisional allotment of Rights Shares or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of 30.23% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of 19.35% to the average closing price of HK\$0.744 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) a discount of 9.77% to the theoretical ex-rights price of HK\$0.665 per Share based on the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of 22.67% represented by the theoretical diluted price of HK\$0.665 per Share to the benchmarked price (as defined under Rule 10.44A of the GEM Listing Rules) of HK\$0.86 per Share;
- (v) a discount of 84.85% to the unaudited net asset value per Share of HK\$3.96 (based on the unaudited consolidated net asset value of the Group of HK\$94.94 million as at 30 June 2023 and 24,000,000 Shares in issue as at the Latest Practicable Date); and
- (vi) a discount of 43.40% to the closing price of HK\$1.060 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.579 per Rights Share (assuming no change in the number of Shares in issue on or before the Record Date).

As stated in the Letter from the Board, the Subscription Price was determined with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in the Letter from the Board.

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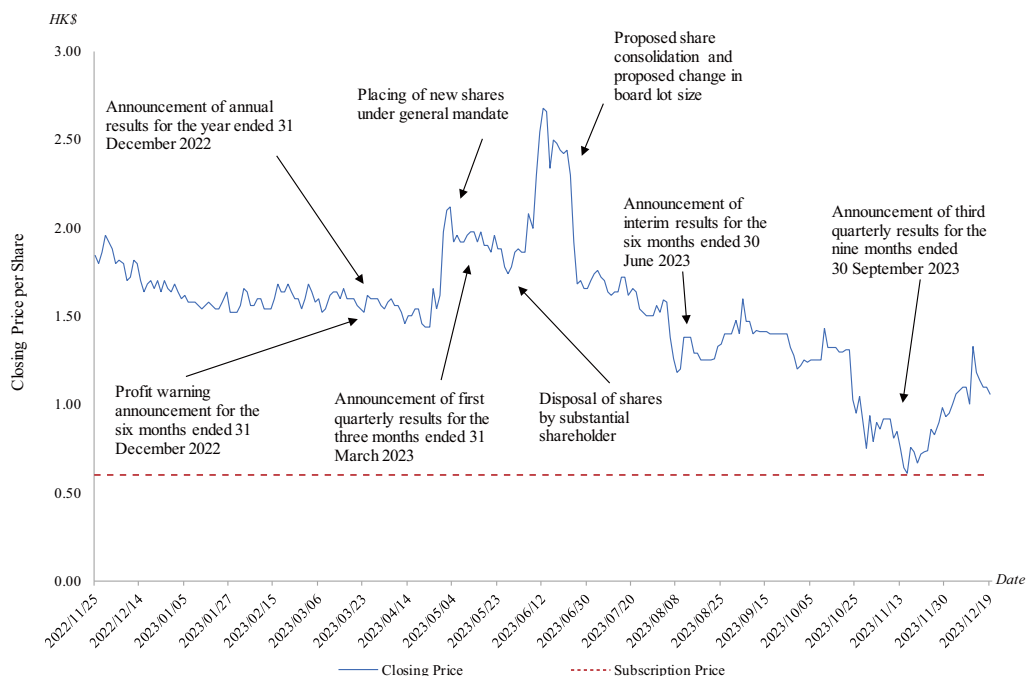
Analysis on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustrative purposes:

Analysis on historical Share price performance

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the movements in the closing price per Share during the period from 25 November 2022, being 12 months immediately preceding the Last Trading Day, to the Latest Practicable Date (the “**Share Price Review Period**”), which is commonly adopted for share price analysis. We consider that a period of 12 months is adequate and long enough to illustrate the recent price movements and covered the seasonal factors of the Shares for conducting a reasonable comparison between the Subscription Price and the closing price of the Shares for assessing the reasonableness and fairness of the Subscription Price.

Share price chart during the Share Price Review Period



Source: www.hkex.com.hk

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the Share Price Review Period and up to the date of the Announcement, the average closing price per Share was approximately HK\$1.55 per Share (the “**Average Closing Price**”). The daily closing price per Share ranged from HK\$0.61 per Share recorded on 15 November 2023 (the “**Lowest Closing Price**”) to HK\$2.68 per Share recorded on 12 June 2023 (the “**Highest Closing Price**”). We note that Shares were traded above the Subscription Price during the Share Price Review Period. The Subscription Price of HK\$0.60 represents (i) a discount of approximately 1.6% to the Lowest Closing Price; (ii) a discount of approximately 77.6% to the Highest Closing Price; and (iii) a discount of approximately 61.3% to the Average Closing Price.

As illustrated in the chart above, during the Share Price Review Period, we noted three waves of surge and plunge: (i) from 26 April 2023 to 3 May 2023, the closing price per Share reached HK\$2.12 per Share on 3 May 2023; (ii) from 10 May 2019 to 12 June 2023, the closing price per Share reached its peak of HK\$2.68 (i.e. the Highest Closing Price) on 12 June 2023; and (iii) from 12 June 2023, the closing price per Share gradually decreased to the Lowest Closing Price on 15 November 2023.

Overall, the closing price per Share generally experienced a decreasing price trend over the Share Price Review Period and we have discussed with the Company regarding the such decreasing price trend and were advised that the Company are not aware of any particular reason that may lead to the decreasing price trend over the Share Price Review Period.

The Subscription Price of HK\$0.60 per Rights Share represents a discount of approximately 1.6% to the Lowest Closing Price of HK\$0.61 per Share as quoted on the Stock Exchange on 15 November 2023 and a further discount of approximately 30.2% to the closing price of HK\$0.86 per Share as quoted on the Stock Exchange on the Last Trading Day. As set out in the section headed “Analysis on recent rights issue market comparables” below, we noted that it is a common market practice (17 out of 21 Rights Issue Comparables) to set the subscription price at a discount to the prevailing trading prices of the relevant shares in order to increase the attractiveness and encourage shareholders to participate in the right issues and the discount of the Subscription Price to the closing price on the Last Trading Day fall within discount range of Comparable LTD Range Comparables. Having considered the above and the Subscription Price Factors set out in our analysis under the section headed “Analysis on recent rights issue market comparables” below, we consider that the Subscription Price set at discount of approximately 30.2% to the closing price on the Last Trading Day is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Our analysis on historical trading volume and liquidity

We have also reviewed the historical trading volume of the Shares during the Share Price Review Period. The number of trading days, average daily trading volume of the Shares and the percentages of daily trading volume of the Shares as compared to the total number of issued Shares and the Shares held by the public during the Share Price Review Period are shown in the table below.

Month/period	Number of trading days	Total volume of Shares traded	Approximately average daily number of Shares traded	Percentage of average daily trading volume to total number of issued shares as at the end of the month/ period <i>(Note 1)</i>
2022				
November <i>(from 25 November 2022)</i>	4	316,000	79,000	0.40%
December	20	1,256,250	62,813	0.31%
2023				
January	18	535,750	29,764	0.15%
February	20	1,061,250	53,063	0.27%
March	23	319,750	13,902	0.07%
April	17	1,190,500	70,029	0.35%
May	21	2,022,250	96,298	0.48%
June	21	5,322,750	253,464	1.06%
July	20	2,360,000	118,000	0.49%
August	23	798,750	34,728	0.14%
September	19	207,750	10,934	0.05%
October	20	984,750	49,238	0.21%
November	22	10,226,250	464,830	1.94%
December <i>(up to the Latest Practicable Date)</i>	13	2,311,000	177,769	0.74%
Average		2,060,214	113,131	0.47%
Maximum		10,226,250	464,830	1.94%
Minimum		207,750	10,934	0.05%

Source: www.hkex.com.hk

Note:

1. Calculated based on the total number of the Shares in issue at the end of month/period.

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As set out in the table above, during the Share Price Review Period, the percentage of average daily trading volume of the Shares by month/period were in the range of approximately 0.05% to approximately 1.94% with an average of approximately 0.47% (the “**Average Trading Percentage**”) as to the total number of issued Shares.

Based on the above statistics revealed that the trading liquidity of the Shares has been low in the open market, given the Average Trading Percentage of approximately 0.47%, and the closing price of the Shares generally showed a decreasing trend during the Share Price Review Period as discussed under the section headed “Analysis on historical Share price performance” above, we consider that the Company is unlikely to be able to raise equity funds without a substantial discount to the prevailing Share price. Having considered (i) the financial conditions of the Group as analysed under the section headed “1. Background and financial information of the Group” in this letter; (ii) the benefits and costs of each of the alternative fundraising methods and the imminent need of capital of the Group for the purposes of financing the provision of performance guarantee to satisfy the expansion and development of existing business of the Group and repayment of the Group’s bank loans and payables due within the next twelve months as discussed in section headed “2. Reasons for the Rights Issue and the use of proceeds” in this letter; (iii) the trading liquidity of the Shares has been low in the open market given the Average Trading Percentage of approximately 0.47% and the closing price of the Shares generally showed a decreasing trend during the Share Price Review Period as discussed under the section headed “Analysis on historical Share price performance” above; and (iv) the Subscription Price Factors set out in our analysis under the section headed “Analysis on recent rights issue market comparables” below, we concur with the Directors that the discount of the Subscription Price would encourage Shareholders to participate in the Rights Issue and accordingly maintain their shareholdings in the Company and participate in the future growth and development of the Group. In view of the above, we consider that it is fair and reasonable for the Company to determine the Subscription Price with reference to (i) the market price of the Shares under the prevailing market conditions; (ii) prevailing market conditions of the capital market in Hong Kong; (iii) the latest financial position of the Group; and (iv) the reasons for and benefits of the Rights Issue as discussed in the section headed “Reasons for and benefits of the Rights Issue and use of proceeds” in the Letter from the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Analysis on recent rights issue market comparables

With a view to assess the fairness and reasonableness of the terms of the Rights Issue, we have conducted market research on recent proposed rights issue transactions based on the following selection criteria: (i) the shares of the company are listed on the GEM of the Stock Exchange; and (ii) the proposed rights issues announced during the 12-months period (the “**Review Period**”) commencing on 25 November 2022 up to and including the Last Trading Day (the “**Criteria**”). Based on the Criteria, we have identified 21 rights issues (the “**Rights Issue Comparable(s)**”) for the purpose of our analysis. We consider that the Rights Issue Comparables are exhaustive under the Criteria.

We consider the Review Period of approximately 12 months is adequate and appropriate given that (i) such period would provide us with the recent and relevant information to demonstrate the prevailing market practice prior to the Announcement under the prevailing market conditions; and (ii) we are able to identify sufficient and reasonable samples size for selection of Rights Issue Comparables within the Review Period. We noted that (i) the terms of the rights issue announced by the Rights Issue Comparables may not be directly comparable to the terms of the Rights Issue announced by the Company due to the differences in business activities and performances; and (ii) the business activities of the Rights Issue Comparables may not be directly comparable to the business activities carried out by the Group. Despite the terms of the rights issue depend on various factors, including the dilution effect to shareholding, the funding needs and use of proceeds, discounts to share price, etc., we consider that they are often influenced by the recent market trends for rights issue. Although the Rights Issue Comparables included rights issue on different basis of entitlement, and involved issuers which engaged in different business or with different financial performance and funding needs from the Company, we consider that the Rights Issue Comparables are appropriate to serve as a general reference for the purpose of an assessment on the Subscription Price, as (i) all of the Rights Issue Comparables and the Company are listed on GEM of the Stock Exchange; (ii) our analysis is mainly concerned with the comparison of subscription price to closing price, maximum dilution on the shareholding and theoretical dilution effect; and (iii) the Rights Issue Comparables are exhaustive under the Criteria thus they represented a true and fair view of the recent market trends for rights issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We set out our findings in the following table:

Date of announcement	Company name (Stock code)	Basis of entitlement	Gross proceeds <i>(Approximately HK\$ million)</i>	Premium/ (discount) of subscription price over/to the closing price per share on the last trading day <i>(Approximately %)</i>	Premium/ (Discount) of subscription price over/to the consolidated net asset value per share <i>(Note 1)</i> <i>(Approximately %)</i>	Excess application <i>(Yes/No)</i>	Theoretical dilution effect <i>(Approximately %)</i>	Placing commission
21-Nov-2023	Gameone Holdings Limited (8282)	1 for 2	13.2	6.8	(11.3)	Yes	-	N/A
20-Nov-2023	Cool Link Holdings Limited (8491)	3 for 1	100.2	(28.7)	(56.5)	No	22.1	1.5
3-Oct-2023	Universe Printshop Holdings Limited (8448)	3 for 2	34.4	(14.8)	N/A	Yes	11.1	N/A
15-Sep-2023	Royal Century Resources Holdings Limited (8125)	5 for 1	36.1	(19.3)	(85.0)	No	16.1	1.0
16-Aug-2023	Wisdomcome Group Holdings Limited (8079)	3 for 1	70.0	(22.4)	(86.4)	Yes	16.8	N/A
11-Aug-2023	Almana Limited (8186)	3 for 1	18.7	(26.7)	22.2	No	21.8	1.0%
14-Jul-2023	Tasty Concepts Holding Limited (8096) <i>(Note 2)</i>	5 for 2	27.5	4.7	566.7	No	2.6	Higher of HK\$100,000 and 2.5%
6-Jul-2023	Classified Group (Holdings) Limited (8232)	3 for 2	14.3	(15.0)	(49.1)	No	8.8	HK\$38,000
8-Jun-2023	Hi-Level Technology Holdings Limited (8113)	1 for 1	78.3	(35.5)	188.0	No	17.7	1.0%
5-Jun-2023	Jisheng Group Holdings Limited (8133)	1 for 2	10.2	(20.8)	66.7	Yes	7.3	N/A
30-May-2023	Min Fu International Holding Limited (8511)	1 for 2	24.0	(8.3)	12.4	No	3.3	4.0%
29-May-2023	Hao Bai International (Cayman) Limited (8431)	1 for 2	19.5	(5.7)	37.0	No	3.8	1.6%
25-May-2023	Jimu Group Limited (8187)	2 for 1	14.4	15.6	N/A	Yes	-	N/A
13-Apr-2023	Finet Group Limited (8317)	1 for 2	33.9	(52.4)	96.1	No	18.0	HK\$20,000
6-Apr-2023	Luk Hing Entertainment Group Holdings Limited (8052)	1 for 1	43.9	(5.9)	N/A	No	2.9	3.0%

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Date of announcement	Company name (Stock code)	Basis of entitlement	Gross proceeds <i>(Approximately HK\$ million)</i>	Premium/ (discount) of subscription price over/to the closing price per share on the last trading day	Premium/ (Discount) of of subscription price over/to the consolidated net asset value per share (Note 1)	Excess application <i>(Yes/No)</i>	Theoretical dilution effect <i>(Approximately %)</i>	Placing commission
				<i>(Approximately %)</i>	<i>(Approximately %)</i>		<i>(Approximately %)</i>	
6-Mar-2023	CBK Holdings Limited (8428)	5 for 1	20.6	(15.9)	(79.1)	No	13.2	3.5%
17-Feb-2023	China New Consumption Group Limited (8275)	3 for 2	35.3	(26.5)	(53.5)	No	16.0	2.5%
10-Jan-2023	Kinetix Systems Holdings Limited (8606)	1 for 2	31.3	(29.4)	(47.0)	No	9.8	1.3%
6-Jan-2023	SDM Education Group Holdings Limited (8363)	1 for 2	23.8	-	N/A	Yes	-	N/A
28-Dec-2022	New Amante Group Limited (8412)	1 for 2	12.6	(10.6)	N/A	Yes	5.6	N/A
28-Dec-2022	Jiading International Group Holdings Limited (8153)	1 for 2	51.0	(50.0)	69.0	No	17.3	3.5%
	Maximum			15.6	188.0		22.1	4.0%
	Minimum			(52.4)	(86.4)		-	1.0%
	Average			(17.2)	1.6		10.2	2.2%
	The Company			(30.2)	(84.9)	No	22.7	2.5%

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

Notes:

- The net asset value (the "NAV") per share is calculated based on the latest published audited/unaudited consolidated equity attribute to owners of the company and total number of shares in issue as at the date of the respective announcements. "N/A" denotes that the NAV of the rights issue comparable company that has net liabilities according to their respective latest published audited/unaudited consolidated financial statements.
- The premium of the subscription price over the net asset value per issued share of the relevant Comparable is exceptionally high and considered an outlier, and is therefore not included in the calculation of the premium/discount of the subscription price to the net assets per share.

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As set out in the table above, we noted that:

- (i) the premium or discount of subscription price over or to the closing price on the Last Trading Day of the Rights Issue Comparables ranged from a discount of approximately 52.4% to a premium of approximately 15.6% (the “**Comparable LTD Range**”), with an average discount of approximately 17.2% (the “**Average Discount of Comparable LTD**”). The Subscription Price represents a discount of approximately 30.2% to the closing price per Share on the Last Trading Day, which is within the Comparable LTD Range and higher than the above average discount of the Rights Issue Comparables;
- (ii) the premium or discount of subscription price over or to the net asset value per share of the Rights Issue Comparables ranged from a discount of approximately 86.4% to a premium of approximately 188.0% (the “**Comparable NAV Range**”), with an average premium of approximately 1.6% (the “**Average Premium of Comparable NAV**”). The Subscription Price represents a discount of approximately 84.85% to the unaudited net asset value per Share of approximately HK\$3.96 (the “**NAV per Share**”) (based on the unaudited consolidated net asset value of the Group of HK\$94.94 million as at 30 June 2023 and 24,000,000 Shares in issue as at the Latest Practicable Date), which is within the Comparable NAV Range;
- (iii) the theoretical dilution effect of the Rights Issue Comparables ranged from none of theoretical dilution effect to approximately 22.1% (the “**Comparable Dilution Range**”), with an average dilution effect of approximately 10.2% (the “**Average Comparable Dilution**”). The theoretical dilution effect of the Rights Issue of approximately 22.7% is closed to the Comparable Dilution Range and higher than the above average dilution effect of the Rights Issue Comparables;
- (iv) the placing commission of the Rights Issue Comparables, where applicable, ranged from 1.0% to 4.0%, with an average of approximately 2.2%. Pursuant to the terms of the Placing Agreement, the Placing Agent shall be entitled to a commitment fee equal to 2.5% of the actual gross proceeds from the subscription of the Placing Shares, and the such percentage is within the aforesaid range and higher than the such average placing commission of the Rights Issue Comparables.

In determining the current subscription ratio and the Subscription Price, we understand from the Management that the Company has considered various factors, including (i) the market price of the Shares under the prevailing market conditions; (ii) the prevailing market conditions of the capital market in Hong Kong; (iii) the latest financial position of the Group and; (iv) the funding needs of the Group.

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It is noted from the Letter from the Board that the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Rights Issue Comparables, we noted that 14 out of 21 Rights Issue Comparables, did not offer excess application as part of the rights issue. On this basis, we considered the absence of excess application to be common market practice. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company, for Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement is acceptable so far as the Independent Shareholders are concerned.

Considering (i) the discount of Subscription Price to the closing price per Share on the Last Trading Day of approximately 30.2% was higher than the discount of Comparable LTD Average of approximately 17.2%; (ii) the discount of the Subscription Price to the consolidated net asset value per share (based on the unaudited consolidated net asset value of the Group of HK\$94.94 million as at 30 June 2023 and 24,000,000 Shares in issue as at the Latest Practicable Date) of approximately 84.85% was noted while there was approximately 1.6% of Average Premium of Comparable NAV and (iii) the theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules) of approximately 22.7% based on the Subscription Price was higher than the Average Comparable Dilution of approximately 10.2%, we have considered the factors set out below (the “**Subscription Price Factors**”): (a) it is a normal market practice (17 out of 21 Rights Issue Comparables) that the subscription price of a rights issue be set at a discount to the closing price as at Last Trading Date in order to enhance the attractiveness of a rights issue and to encourage the qualifying shareholders to take part in the rights issue; (b) the discount of the Subscription Price to the closing price on the Last Trading Day fall within discount ranges of Comparable LTD Range Comparables; (c) the discount of the Subscription Price to the NAV per Share falls within premium/discount range of Comparable NAV Range; (d) the theoretical dilution effect of the Rights Issue of approximately 22.7% which is below 25.0% as required under Rule 10.44A of the GEM Listing Rules; (e) the theoretical dilution effect of the Rights Issue of 22.7% represented 0.6% slightly higher than the maximum of Comparable Dilution Range of approximately 22.1%; (f) the Subscription Price was determined after considering under the prevailing market conditions and the downward trend and the prevailing market price of the Shares; and (g) the imminent need of capital of the Group for the purposes of financing the provision of performance guarantee to satisfy the expansion and development of existing business of the Group and repayment of the Group’s bank loans and payables due within the next twelve months and the Rights Issue will proceed on a non-underwritten basis and, therefore, the certain discount to the prevailing trading prices of the Shares is considered necessary to increase the attractiveness and encourage shareholders to participate in the right issues and balance the thin trading liquidity of the Shares during the Share Price Review Period which may imply a lack of interest from potential investors to invest in the Shares.

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In view of (i) the Subscription Price represents a discount of approximately 30.2% to the closing price per Share on the Last Trading Day which is within the Comparable LTD Range; (ii) the Subscription Price represents a discount of approximately 84.85% to the NAV per Share which is within the Comparable NAV Range; (iii) the theoretical dilution effect of the Rights Issue is closed to the Comparable Dilution Range; (iv) the Subscription Price is available to all Qualifying Shareholders; and (v) the Subscription Price Factors in our analysis as above, we consider that the principal terms of the Rights Issue (including the Subscription Price) to be fair and reasonable to the Shareholders and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Placing Agreement for the Unsubscribed Rights Shares

(a) Procedures in respect of the Unsubscribed Rights Shares and the Compensatory Arrangements

According to Rule 10.31(1)(b) of the GEM Listing Rule, the Company will make Compensatory Arrangements to dispose of the Unsubscribed Rights Shares and the ES Unsold Rights Shares (i.e. Placing Shares) by offering the Placing Shares to independent places for the benefit of the relevant No Action Shareholders and Excluded Shareholders. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

As further mentioned in the Letter from the Board, the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has appointed the Placing Agent to place the Placing Shares during the Placing Period to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) on a best efforts basis. Any premium over the Subscription Price that is realised will be paid to the No Action Shareholders and the Excluded Shareholders on a pro-rata basis. Any Placing Shares which are not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly.

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

- (i) for No Action Shareholders, the relevant Qualifying Shareholders (or such persons who hold any nil-paid rights at the time such nil-paid rights are lapsed) whose nil-paid rights are not validly applied for in full, by reference to the extent that Shares in his/her/its nil-paid rights are not validly applied for;
- (ii) for Excluded Shareholders, the relevant Excluded Shareholders whose name and address appeared on the register of members of the Company on the Record Date with reference to their shareholdings in the Company on the Record Date; and
- (iii) If and to the extent in respect of any Net Gain, any No Action Shareholders or Excluded Shareholders become entitled on the basis described above to an amount of (i) more than HK\$100, the entire amount will be paid to the relevant No Action Shareholders or Excluded Shareholders in Hong Kong Dollars only; or (ii) HK\$100 or less, such amount will be retained by the Company for its own benefit.

(b) *Principal terms of the Placing Agreement*

Details of the Placing Agreement are summarised as follows:

- Date : 24 November 2023 (after trading hours)
- Issuer : (i) the Company, as issuer; and
(ii) the Placing Agent
- Placing Agent : Zijing Capital Limited was appointed as the Placing Agent to procure, on a best effort basis, Places to subscribe for the Placing Shares during the Placing Period.

The Placing Agent confirmed that it and its ultimate beneficial owner(s) are Independent Third Parties.

- Placing period : A period commencing from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Tuesday, 20 February 2024, and ending at the 6:00 p.m. on Friday, 23 February 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Fees and expenses : Subject to completion of the Placing, the Company shall pay to the Placing Agent a placing commission of 2.5% of the actual gross proceeds from the subscription of the Placing Shares (i.e. amount which is equal to the placing price multiplied by the Placing Shares that are successfully placed by the Placing Agent) and reimbursed for the expenses in relation to the Placing, which the Placing Agent is authorized to deduct from the payment to be made by the Placing Agent to the Company at completion of the Placing.
- Placing price of the Placing Shares : The placing price of the Placing Shares shall be not less than the Subscription Price. The final price shall be determined by the Placing Agent based on the demand for and the market conditions of the Placing Shares during the placing.
- Placees : The Placing Shares shall only be offered to institutional, corporate or individual investor(s) who and whose ultimate beneficial owner(s) shall be Independent Third Parties, such that:
- (i) no Placee shall become a substantial shareholder of the Company immediate following the placing;
 - (ii) the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing; and
 - (iii) the Placing will not result in the Company incapable of complying with the public float requirements under the GEM Listing Rules immediately following the Placing.
- Ranking of the Unsubscribed Rights Shares and ES Unsold Rights Shares : The placed Placing Shares (when allotted, issued and fully-paid, if any) shall rank pari passu in all respects among themselves and with the existing Shares in issue as at the date of completion of the Rights Issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- Termination : The Placing Period shall end at 6:00 p.m. on Friday, 23 February 2024 or any other date by mutual agreement between the Placing Agent and the Company. The Placing Agent may terminate the Placing Agreement by notice in writing given to the Company at any time prior to 6:00 p.m. on Tuesday, 27 February 2024 (or any other date any mutually agreed between the Company and the Placing Agent) upon the occurrence of the following events which, in the reasonable opinion of the Placing Agent, to be material in the context of the Placing or has or may have a material adverse effect on the business or financial conditions or prospects of the Group or the success of the Placing or the full placement of all of the Placing Shares or has or may otherwise make it inappropriate, inadvisable or inexpedient to proceed with the Placing on the terms and in the manner contemplated in the Placing Agreement if there develops, occurs or comes into force:
- (i) the Company fails to comply with its material obligations under the Placing Agreement;
 - (ii) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events, developments or changes occurring or continuing before, on and/or after the date of the Placing Agreement) and including an event or change in relation to or a development of an existing state of affairs of a political, military, industrial, financial, economic, fiscal, regulatory or other nature, resulting in a change in, or which may result in a change in, political, economic, fiscal, financial, regulatory or stock market conditions and which in the Placing Agent's reasonable opinion would materially and adversely affect the success of the Placing; or
 - (iii) any of the warranties of the Company under the Placing Agreement is not, or has ceased to be, true, accurate and not misleading in material respect by reference to the facts subsisting at the time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If notice of termination is given by the Placing Agent, the Placing Agreement shall be terminated and be of no further effect and neither party shall be under any liability to the other party in respect of the Placing Agreement save for any antecedent breach under the Placing Agreement prior to such termination.

- Conditions precedent : The Placing is subject to and conditional upon:
- (i) the passing by the Independent Shareholders at the general meeting of the Company of the necessary resolution(s) to approved the Rights Issue;
 - (ii) the GEM Listing Committee having granted the listing of, and permission to deal in, the Rights Shares; and
 - (iii) the Company having obtained all necessary consents and approvals for allotting and issuing the Rights Shares.

None of the above conditions are capable of being waived.

The timetable of the Placing is driven by the timetable of the Rights Issue. Under the terms of the Placing Agreement, the Placing Period shall commence from the first Business Day after the date of announcement of the number of Unsubscribed Rights Shares and the ES Unsold Rights Shares, which is expected to be Tuesday, 20 February 2024, and ending at the 6:00 p.m. on Friday, 23 February 2024.

As set out in the Letter from the Board, the terms of the Placing Agreement (including the placing fee) were determined after arm's length negotiation between the Placing Agent and the Company with reference to the size of the Rights Issue, and the market conditions. The Board considers the terms of the Placing for the Placing Shares (including the commission payable) are on normal Commercial terms and are fair and reasonable.

We understand that the Compensatory Arrangements is at the cost of the Company that would protect the interest of the Company's minority Shareholders in the Rights Issue. The Unsubscribed Rights Shares may be placed to independent placees under the Compensatory Arrangements which will expand the shareholders' base. As there will be no excess application arrangement in relation to the Rights Issue as stipulated under Rule 10.31(1)(a) of the GEM Listing Rules, the Company has put in place the Compensatory Arrangements as required by Rule 10.31(1)(b) of the GEM Listing Rules.

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Given that the Compensatory Arrangements would provide (i) a distribution channel of the Unsubscribed Rights Shares and the ES Unsold Rights Shares; and (ii) a compensatory mechanism for No Action Shareholders and the Excluded Shareholders, the Board considers and we concur that the Compensatory Arrangements are fair and reasonable and would provide adequate safeguard to protect the interest of the Company's minority Shareholders.

Taking into account the principal terms of the Rights Issue as highlighted above, we consider that the terms of the Rights Issue and the Placing Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

4.5 Potential dilution effect of the Rights Issue

The table below illustrates the shareholding structure of the Company as at the Latest Practicable Date and the possible changes upon completion of the Rights Issue.

	As at the Latest Practicable Date		Immediately upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders		Immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent		Immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and all the Placing Shares having been placed by Placing Agent	
	Number of Shares	%	Number of Shares	%	Number of Shares	%	Number of Shares	%
Mr. Tam (Note 1)	5,980,000	24.92	23,920,000	24.92	7,686,000	29.90	23,920,000	24.92
<i>Public Shareholders</i>								
Independent Placees (Note 2)	-	-	-	-	-	-	54,060,000	56.31
Other public Shareholders	18,020,000	75.08	72,080,000	75.08	18,020,000	70.10	18,020,000	18.77
Total	24,000,000	100.00	96,000,000	100.00	25,706,000	100.00	96,000,000	100.00

Note 1: The total number of Rights Shares to be subscribed by Mr. Tam will be scaled down to the extent that it and its associates will not trigger a general offer obligation under the Takeovers Code as a result of the Rights Issue.

Note 2: As it is not expected that any of the individual Placees will become a substantial Shareholder immediately after completion of the Placing, the Placing Shares will form part of the public float of the Company.

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All Qualifying Shareholders are entitled to subscribe for the Rights Shares, and for those who take up their full provisional allotments under the Rights Issue, their shareholding interest in the Company remain the same after the Rights Issue. As illustrated above is the shareholding structure of the Company, assuming no further change in the number of issued Shares before completion of the Rights Issue other than the allotment and issue of the Rights Shares, (i) as at the Latest Practicable Date; (ii) immediately upon completion of Rights Issue assuming full acceptance of Rights Shares by existing Shareholders; (iii) immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and none of the Placing Shares having been placed by Placing Agent; and (iv) immediately upon completion of Rights Issue assuming nil acceptance of Rights Shares by Qualifying Shareholders and all the Placing Shares having been placed by Placing Agent.

Taking into account: (i) all Qualifying Shareholders are offered an equal opportunity to participate in the Rights Issue and that the Qualifying Shareholders have their choice of whether to accept the Rights Issue or not; (ii) the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at the Subscription Price; (iii) those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue; (iv) the inherent dilutive nature of rights issue in general if the existing shareholders do not subscribe in full for their assured entitlements; (v) the Rights Issue would enable the Group to improve its financial position; (vi) the Compensatory Arrangements will provide a compensatory mechanism for No Action Shareholders and the Excluded Shareholders; and (vii) although the compensatory mechanism would cost that the independent Placees have the potential to increase its equity interests in the Company at a lower cost because the Subscription Price is at discounts to the recent prevailing market price, the placing of the Unsubscribed Rights Shares may be placed to independent placees under the Compensatory Arrangements which will expand the shareholders' base, we are of the view that the potential dilution effect of the Rights Issue is fair and reasonable so far as the Independent Shareholders are concerned.

We are of the view that the implementation of the Rights Issue is beneficial to the Company and the Shareholders as a whole despite the potential dilution impact to the shareholding interests of the existing public Shareholders, who do not participate fully or partly in the Rights Issue, having regard to the potential mitigating measure such as the Compensatory Arrangements.

5. Financial effects of the Rights Issue

Net Assets

According to the unaudited pro forma financial information of the Group set out in Appendix II to the Circular, the unaudited consolidated net assets of the Group attributable to the owners of the Company was approximately HK\$94.9 million as at 30 June 2023. Assuming 72,000,000 Rights Shares are issued on the basis of three Rights Share for every one Share in issue as at 30 June 2023 at the Subscription Price of HK\$0.6 per Rights Share, upon completion of the Rights Issue,

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the unaudited consolidated net assets of the Group attributable to the owners of the Company would improve from approximately HK\$94.9 million to unaudited consolidated net assets of the Group attributable to the owners of the Company of approximately HK\$136.6 million as at 30 June 2023, representing the increase by the expected net proceeds from the Rights Issue of approximately HK\$41.7 million.

Liquidity

According to the 2023 Interim Report, as at 30 June 2023, the Group had bank balances and cash of approximately HK\$44.7 million, current asset of approximately HK\$231.2 million and current liabilities of approximately HK\$176.9 million. Accordingly, the current ratio of the Group (being the current assets of the Group divided by the current liabilities of the Group) as at 30 June 2023 was approximately 1.3 times. Immediately upon completion of the Rights Issue, the bank balances and cash of the Group is expected to increase by the expected net proceeds from the Rights Issue of approximately HK\$41.7 million. The current ratio of the Group will be increased from approximately 1.3 times to approximately 1.5 times. As such, the current ratio and the liquidity of the Group will be improved upon the completion of the Rights Issue.

Having considered that the Rights Issue will (i) improve the unaudited consolidated net assets attributable to the owners of the Company from approximately HK\$94.9 million to unaudited consolidated net assets of the Group attributable to the owners of the Company of approximately HK\$136.6 million as at 30 June 2023; and (ii) improve the overall liquidity position of the Group, we are of the view that the Rights Issue are fair and reasonable as far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

It should be noted that the aforementioned analysis is for illustrative purposes only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

RECOMMENDATION

Having taken into account the principal factors and reasons as referred to the above, including:

- (i) the imminent need of capital of the Group as discussed in section headed “2. Reasons for the Rights Issue and the use of proceeds” in this letter;
- (ii) the Rights Issue, which the net proceeds of approximately HK\$41.7 million of which (a) approximately 62% will be used for financing the provision of performance guarantee to satisfy the expansion and development of existing business of the Group; (b) approximately 17% will be used to acquire additional 5 cleaning vehicles; (c) approximately 12% will be used for the repayment of the Group’s bank loans and payables due within the next twelve

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months; and (d) approximately 9% will be used as the general working capital of the Group;

- (iii) taking into account the benefits and costs of each of the alternative fundraising methods, the Rights Issue represents an appropriate means for fund raising to improve the Group's financial position as discussed under the section headed "2. Reasons for the Rights Issue and the use of proceeds" in this letter;
- (iv) the Subscription Price, which was determined at discounts to the prevailing market prices of the Share before the Last Trading Day, ensures that the Company would raise sufficient funding from the Rights Issue to improve its overall liquidity position and fulfil its capital requirements;
- (v) the Subscription Price is reasonable with considering the Subscription Price Factors as discussed in the section headed "4. Principal terms of the Rights Issue and the Placing Agreement — Analysis on the Subscription Price" in this letter;
- (vi) the Subscription Price, the dilution effects of the Rights Issue and the commission under the Placing Agreement are reasonable as discussed in the section headed "4. Principal terms of the Rights Issue and the Placing Agreement" in this letter; and
- (vii) the Rights Issue is conducted on the basis that all the Qualifying Shareholders have been offered the equal opportunity to maintain their proportionate interests in the Company and allows the Qualifying Shareholders to participate in the future growth of the Company, and the maximum dilution effect only occur when the Qualifying Shareholders do not subscribe for their proportionate Rights Shares,

we are of the opinion that (i) the terms of the Rights Issue and the Placing Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution(s) on the Rights Issue and the Placing Agreement to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Red Sun Capital Limited
Robert Siu
Managing Director

Mr. Robert Siu is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 25 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of three years ended 31 December 2020, 2021 and 2022, the three months ended 31 March 2023, the six months ended 30 June 2023 and the nine months ended 30 September 2023, together with the accompanying notes to the financial statements, are disclosed in the following documents which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lapco.com.hk>):

Annual report for the year ended 31 December 2020 (pages 56 to 115):

<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0330/2021033001330.pdf>

Annual report for the year ended 31 December 2021 (pages 54 to 113):

<https://www1.hkexnews.hk/listedco/listconews/gem/2022/0330/2022033002604.pdf>

Annual report for the year ended 31 December 2022 (pages 55 to 115):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0330/2023033001208.pdf>

First quarterly report for the three months ended 31 March 2023 (pages 1-7):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0515/2023051500729.pdf>

Interim report for the six months ended 30 June 2023 (pages 1 to 16):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/0814/2023081401081.pdf>

Third quarterly report for the nine months ended 30 September 2023 (pages 1-7):

<https://www1.hkexnews.hk/listedco/listconews/gem/2023/1113/2023111300730.pdf>

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2023, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had approximately HK\$65,783,000 outstanding indebtedness and performance guarantees as set out below:

- (a) Secured and guaranteed bank loans from factoring of trade receivables with full recourse of approximately HK\$120,000;
- (b) Unsecured and guaranteed other bank loans of approximately HK\$17,183,000;
- (c) Lease liabilities of approximately HK\$392,000 relating to right-of-use assets in respect of leased properties which were unsecured and unguaranteed;
- (d) Lease liabilities of approximately HK\$163,000 relating to right-of-use assets in respect of leased properties which were secured by rental deposits and unguaranteed;

- (e) Lease liabilities of approximately HK\$27,925,000 relating to right-of-use assets in respect of leased motor vehicles which were secured by the leased motor vehicles and guaranteed by the Company or subsidiaries of the Company;
- (f) Unsecured and unguaranteed exchangeable bond with principal amount of HK\$20,000,000; and
- (g) Secured and guaranteed performance guarantees of approximately HK\$155,474,000.

The secured and guaranteed bank borrowings and performance guarantees were secured and/or guaranteed by:

- (i) the pledged bank balances of the Group;
- (ii) the pledge of the Group's trade receivables to the factoring loans;
- (iii) the subordination deed given by the Group to subordinate HK\$12,000,000 to the facilities against HK\$12,000,000 indebted to a director of the Company's subsidiaries;
- (iv) unlimited corporate guarantee provided by the Company and its subsidiaries; and
- (v) personal guarantee of HK\$20,000,000 from a director of the Company's subsidiaries.

Save as aforesaid and apart from intra-group liabilities, normal trade and wages payables, as at the close of business on 31 October 2023, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans, bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or other borrowings, mortgages, charges, guarantees or contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

4. WORKING CAPITAL SUFFICIENCY

After taking into account the financial resources available to the Group, including the internally generated funds, currently available facilities from bank, institutions and person and the net proceeds from the Rights Issue, the Directors, are of the opinion that the Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of the publication of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As disclosed in the annual report of the Company for the year ended 31 December 2022 and the interim report of the Company for the six months ended 30 June 2023, the competition in the environmental hygiene service industry remained keen. Shortage of labour and high operating costs continued to be the challenges of the business. Looking ahead, the global and local economies are expected to continue to fluctuate. The Group will remain vigilant and actively respond to the challenges to the Group's operation and financial position, and will contribute to the society by the Group's professional services. With the increasing public awareness of environmental hygiene and health as well as the escalating demand for services in response to the increase in public health awareness, the Group is optimistic and confident about the future of the environmental hygiene service industry.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited to illustrate the effect of the Rights Issue on the unaudited consolidated net tangible assets of the Group as if the Rights Issue had taken place on 30 June 2023.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the unaudited net tangible assets of the Group attributable to owners of the Company as at 30 June 2023, as extracted from the published interim report of the Company for the six months ended 30 June 2023 and is adjusted for the effect of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not reflect a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company immediately after completion of the Rights Issue or at any future dates.

	Unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 <i>(Note 1)</i> HK\$'000	Estimated net proceeds from the Rights Issue <i>(Note 2)</i> HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as adjusted for the Rights Issue per Share <i>(Note 3)</i> HK\$'000
Rights Issue of 72,000,000 Rights Shares to be issued at Subscription Price of HK\$0.6 per Rights Share	94,935	41,700	136,635	1.42

Notes:

1. The unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2023 was approximately HK\$94,935,000 as disclosed in the published interim report of the Company for the six months ended 30 June 2023.
2. The estimated net proceeds from the Rights Issue of approximately HK\$41,700,000 is calculated based on 72,000,000 Rights Shares on the basis of three Rights Shares for every one Share held at the Subscription Price of HK\$0.6 per Rights Share, after deduction of the estimated related expenses of approximately HK\$1,500,000.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share after the completion of the Rights Issue is calculated based on 96,000,000 Shares which represent the 480,000,000 Shares in issue as at 30 June 2023, adjusted for the consolidation of 20 shares into 1 as if the consolidation of shares took place on 30 June 2023, and 72,000,000 Rights Shares assumed to be issued on the completion of the Rights Issue as if the Rights Issue had been completed on 30 June 2023.
4. No other adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Company's unaudited pro forma financial information prepared for the purpose of incorporation in this document.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Lapco Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Lapco Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2023 and related notes as set out on pages II-1 to II-2 of Appendix II to the circular issued by the Company dated 22 December 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of 72,000,000 rights shares at HK\$0.6 per rights share on the basis of three rights shares for every one existing share in issue held on the record date (the "**Rights Issue**") on the Group's financial position as at 30 June 2023 as if the Rights Issue had taken place at 30 June 2023. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2023, on which no auditor's report or review report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

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

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

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Circular” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2023 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 December 2023

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company (a) as at the Latest Practicable Date; and (b) immediately after the completion of the Rights Issue (assuming no change in the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders) are as follows:

(a) As at the Latest Practicable Date

<i>Authorised:</i>	<i>HK\$</i>
<u>500,000,000</u> Shares of HK\$0.2 each	<u>100,000,000</u>
 <i>Issued and fully paid up:</i>	
<u>24,000,000</u> Shares of HK\$0.2 each	<u>4,800,000</u>

(b) Immediately after completion of the Rights Issue (assuming no change in the number of issued Shares from the Latest Practicable Date to completion of the Rights Issue and full acceptance by Qualifying Shareholders)

<i>Authorised:</i>	<i>HK\$</i>
<u>500,000,000</u> Shares	<u>100,000,000</u>
 <i>Issued and fully paid up:</i>	
24,000,000 Shares of HK\$0.2 each	4,800,000
72,000,000 Rights Shares of HK\$0.2 each to be allotted and issued under the Rights Issue	14,400,000
<u>96,000,000</u> Total enlarged number of Shares upon completion of the Rights Issue	<u>19,200,000</u>

All issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital, and with all the Shares in issue as at the date of allotment and issue of the Rights Shares.

The Rights Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the Shares then in issue. Holders of 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 Rights Shares.

The Company will apply to the GEM Listing Committee for the listing of and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms. No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Rights Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

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

As at the Latest Practicable Date, the Company has no outstanding convertible securities, options or warrants or other similar rights which confer any right to convert into or subscribe for Shares and there was no capital of any member of the Group which is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in Shares, underlying Shares and debentures

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions of in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders' interests in Shares and underlying Shares

As at the Latest Practicable Date, based on the disclosure of interests filed on the Stock Exchange's website and so far is known to the Directors, the following person (not being a Director or chief executive of the Company or their respective associates) or entities which had, or was deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Nature of interest	Number of issued Shares held	Approximate % of the total issued share capital of the Company
Tam Wai Tong	Beneficial owner	5,980,000	24.92%

Save as disclosed herein, so far as is known to the Directors, as at the Latest Practicable Date, the Company has not been notified of any other person (other than a Director or chief executive of the Company or their respective associates) who had, or were deemed or taken to have, an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or of any other company which is a member of the Group, or any options in respect of such share capital.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware of, none of the members of the Group was involved in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which was not determinable within one year without payment of compensation, other than statutory compensation.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective close associates had any interests in any business apart from the Group's business which competed or might compete, either directly or indirectly, with the business of the Group.

7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors had any material interest, directly or indirectly, in any contract or arrangement subsisting which was significant in relation to the business of the Group.

8. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) of the Group have been entered into by the members of the Group during the period commencing two years preceding the date of this circular and are or may be material:

- (i) the Placing Agreement;
- (ii) the placing agreement dated 4 May 2023 entered into between the Company, as the issuer and the Zijing Capital Limited, as the placing agent in relation to the placing of up to 80,000,000 shares of the Company, on a best efforts basis, at the placing price of HK\$0.1 per placing Share. Completion took place on 31 May 2023; and
- (iii) the subscription agreement dated 19 January 2023 entered into among the Company, Shiny Glory Services Limited and the Mr. Tam in relation to the subscription of the exchangeable bond in the face value of HK\$20,000,000 by Mr. Tam.

9. EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinions, letters or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Red Sun Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, advice or report, as the case may be, and reference to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding, directly or indirectly, in any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of above experts did not have any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or which were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

10. CORPORATE INFORMATION AND PARTIES INVOLVED IN THE RIGHTS ISSUE

Board of Directors

Executive Directors

Mr. Tam Yiu Shing, Billy

Mr. Au Pak Lun

Mr. Wang Rong

Independent non-executive Directors

Mr. Mak Kwok Kei

Ms. Lam Kit Yan

Ms. Wan Hoi Shan

Audit Committee

Ms. Lam Kit Yan (*Chairman*)

Ms. Wan Hoi Shan

Mr. Mak Kwok Kei

	<i>Remuneration Committee</i> Ms. Wan Hoi Shan (<i>Chairman</i>) Mr. Tam Yiu Shing Billy Mr. Mak Kwok Kei
	<i>Nomination Committee</i> Mr. Tam Yiu Shing Billy (<i>Chairman</i>) Mr. Mak Kwok Kei Ms. Wan Hoi Shan
Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Principal place of business in Hong Kong	Unit No. 301A, 3/F Tower III, Enterprise Square 9 Sheung Yuet Road Kowloon Bay Kowloon Hong Kong
Authorised representatives	Mr. Wang Rong Mr. Tam Yiu Shing Billy
Compliance officer	Mr. Tam Yiu Shing Billy
Joint Company secretaries	Mr. Tam Yiu Shing Billy Mr. Au Pak Lun Patrick
Auditors and reporting accountants	Deloitte Touche Tohmatsu <i>Registered Public Interest Entity Auditors</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Financial Adviser	BaoQiao Partners Capital Limited Unit 2803-05, 28/F, Tower 1 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

Legal adviser to the Company as to Hong Kong laws	ONC Lawyers 19th Floor, Three Exchange Square 8 Connaught Place Central Hong Kong
Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders	Red Sun Capital Limited Room 310, 3/F China Insurance Group Building 141 Des Voeux Road Central Hong Kong
Placing Agent	Zijing Capital Limited Room 503, 5/F, Tower 2 Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central, Hong Kong
Hong Kong share registrar and transfer office	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal share registrar and transfer office in Cayman Islands	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Stock Code	8472
Company Website	www.lapco.com.hk

11. EXPENSES

In the event of full acceptance of the Rights Shares by all Qualifying Shareholders and no Placing has to be conducted, the relevant expenses which would be incurred in the Rights Issue would be approximately HK\$1.50 million; on the other hand, in the event of no acceptance by any Qualifying Shareholder other than Mr. Tam which will take up the Rights Shares in accordance with the terms of the Irrevocable Undertaking and all remaining Unsubscribed Rights Shares and ES Unsold Rights Shares are placed by the Placing Agent, the relevant expenses would be approximately HK\$2.31 million.

Accordingly, the gross proceeds from the Rights Issue will be up to approximately HK\$43.20 million and the maximum net proceeds (after deducting the estimated expenses) of the Rights Issue are estimated to be approximately HK\$41.70 million. The net subscription price per Rights Share is expected to be approximately HK\$0.579.

12. PARTICULARS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Tam Yiu Shing, Billy (Mr. Tam), aged 43, is our executive Director, financial controller, company secretary and compliance officer of the Group. He was appointed as our executive Director on 25 January 2019. Mr. Tam joined our Group on 3 May 2016 as an assistant financial controller and is responsible for the overall financial administration. Prior to joining our Group, he served Eddingpharm (Hong Kong) Company Limited, a pharmaceutical company, as a finance and administrative manager from June 2012 to February 2016 and he was primarily responsible for the management of accounting and financial operations. From March 2007 to May 2012, he served PricewaterhouseCoopers Ltd., an international auditing firm, as a manager as his last position in the firm and was primarily responsible for auditing, accounting, financial due diligence, works associated with initial public offerings and mergers and acquisitions.

Mr. Tam graduated from the Hong Kong Polytechnic University with a bachelor degree in Accountancy in November 2004 and was admitted as a member of Hong Kong Institute of Certified Public Accountants in May 2010.

Mr. Au Pak Lun Patrick (“Mr. Au”) aged 37, has more than 10 years of experience in global corporate structuring solutions for listed companies, mergers and acquisitions, venture capital, family offices, offshore funds, trust, finance and treasury. From May 2013 to October 2015, he joined Oilco Asia Pacific Limited as assistant general manager and senior accountant. From January 2016 to May 2017, Mr. Au was an associate (financial accounting) at SBI Securities (Hong Kong) Limited, a subsidiary of SBI Holdings, Inc., and the issued shares of SBI Holdings, Inc. are listed on the Tokyo Stock Exchange (stock code: 8473). From September 2017 to April 2019, Mr. Au joined Hui Kai Financial Group Limited as assistant accounting manager. From May 2019 to April 2021, he was appointed as vice president of GreenPro Holding Limited, a subsidiary of Greenpro Capital Corp and

the issued shares of Greenpro Capital Corp. are listed on the Nasdaq Stock Market (stock code: GRNQ). From June 2021 to August 2022, Mr. Au served as president, chief executive officer and director of MSB Global Capital Corp, the issued shares of which are traded in the over-the-counter market in the US (stock code: MSBM). Mr. Au is currently the director of QMMM Holdings Limited and the chief financial officer of ManyMany Creations Limited, both of which are engaged in the provision of Digital Media Advertising Service, Virtual Avatar & Virtual Apparel Technology Services.

Mr. Au is currently the joint company secretary of CROSSTEC Group Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 3893). Mr. Au is also a lecturer at the Hong Kong Management Association. Mr. Au is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He is also a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute. Mr. Au obtained a master degree of corporate governance from the Hong Kong Polytechnic University in September 2020.

Mr. Wang Rong (“**Mr. Wang**”), aged 41, has extensive experience in the finance and private equities sectors. From March 2009 to July 2011, Mr. Wang was manager at Chief Securities Limited (致富證券有限公司), a licensed securities firm that provides stock/securities trading solutions and wealth management services to clients. From August 2011 to March 2013, he joined as senior manager at Essence International Securities (Hong Kong) Limited (安信國際證券(香港)有限公司), a licensed securities firm that offers solutions in investment, assets management and cross-border mergers and acquisitions. From April 2013 to February 2021, Mr. Wang served as vice president at Fulbright Financial Group (富昌金融集團(香港)有限公司), a securities firm that provides stock/securities trading solutions to clients. From April 2021 to April 2023, he was a director, of Zhong Zi Xin Rong (Hainan) Private Equity Fund Management Co., Limited* (中資鑫融(海南)私募基金管理有限公司), and is responsible for strategic development and investment and fund management. Upon his appointment as an executive Director of the Company, he will be responsible for managing the Group’s investment profile, strategic development and business expansion in the PRC.

Mr. Wang obtained a diploma in English language education from Yunyang Teachers’ College (鄖陽師範高等專科學校) (currently known as Hanjiang Normal University (漢江師範大學)) in June 2006. He further obtained a bachelor’s degree in finance, through distance learning, from Dongbei University of Finance & Economics (東北財經大學) in July 2021.

Independent non-executive Directors

Mr. Mak Kwok Kei (Mr. Mak), aged 38, was appointed as our independent non-executive Director on 24 June 2017. Mr. Mak has over ten years of experience in securities dealing and capital markets advisory, specialising in capital fund raising for companies in China and Hong Kong. He worked as a trainee in Credit Agricole Corporate and Investment Bank (Hong Kong Branch), a financial services company, where he was mainly engaged in transacting high grade corporate and government bonds with central banks in Asia, from September 2009 to November 2010. From November 2010 to August 2015, he worked at Nomura International (Hong Kong) Limited, a financial services company, as associate where he was mainly engaged in both primary and secondary equity fund raising activities for listed companies and high-networth individuals in Asia. From October 2015 to June 2018, he served as a managing director and Head of Equity Capital markets in Zhongtai International Capital Limited, a corporate finance advisory company. He is primarily responsible for providing capital markets advisory services to clients and operating and managing the equity capital markets franchise. From January 2019 to July 2021, he has served as Head of Investment Banking Division of China Investment Securities (Hong Kong) Financial Holdings Limited, which was subsequently acquired by Soochow Securities International Financial Holdings Limited where Mr. Mak is a Member of Executive Committee and Head of Investment Banking Division. He oversees the investment banking division, including IPO sponsoring, capital fund raising and financial advisory.

Mr. Mak has been a limited partner in WI Harper Fund VIII LP, which is mainly engaged in venture capital investments in healthcare and technology sectors, since May 2016.

Mr. Mak is currently an independent non-executive director of Renco Holdings Group Limited (formerly known as China HKBridge Financial Holdings Limited) (stock code: 2323), the issued shares of which are listed on the Main Board of the Stock Exchange.

Mr. Mak obtained a bachelor degree with first class honour in Applied Business Management from Imperial College London, United Kingdom in August 2008 and subsequently obtained a master degree in philosophy from University of Cambridge, United Kingdom in October 2009.

Ms. Lam Kit Yan (Ms. Lam), aged 49, was appointed as our independent non-executive Director on 24 June 2017. Ms. Lam has worked for international audit firms and various companies with extensive experience in financial reporting, auditing, mergers and acquisitions, compliance and initial public offerings. She had been the company secretary, chief financial officer and the authorised representative of Beijing Enterprises Clean Energy Group Limited (formerly known as Jin Cai Holdings Company Limited) (stock code: 01250), the issued shares of which are listed on the Stock Exchange from June 2013 to May 2015. From January 2016 to February 2016, Ms. Lam served as an executive director and company secretary of Aurum Pacific (China) Group Limited (stock code: 08148) the issued shares of which

are listed on GEM of the Stock Exchange. In November 2016, Ms. Lam was appointed as the company secretary and chief financial officer of StarGlory Holdings Company Limited (stock code: 08213) the issued shares of which are listed on GEM of the Stock Exchange.

Ms. Lam obtained a degree of bachelor of business administration from The Chinese University of Hong Kong in December 1997. Ms. Lam is as a certified tax adviser and a fellow member of The Taxation Institute of Hong Kong. She is also a fellow member of the Hong Kong Institute of Certified Public Accountants.

Ms. Wan Hoi Shan (“Ms. Wan”), aged 43, has over 20 years in the accounting and finance industry. From July 2002 to June 2004, Ms. Wan worked at Moore Stephens CPA Limited with her last position as audit assistant. From June 2004 to March 2010, she worked at Deloitte Touche Tohmatsu with her last position as audit manager. From September 2011 to November 2018, she was finance manager of AirMedia Group Inc., a company engages in the operation of out-of-home advertising platforms and travel Wi-Fi market in the PRC. Since May 2018, Ms. Wan has been serving as director of Master Professional Consulting Company Limited (萬得專業顧問有限公司) for the provision of consultation services in accounting and statutory and advisory matters. She is also a fellow of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Ms. Wan graduated with a bachelor’s degree in accountancy from the Hong Kong Polytechnic University in November 2002. Ms. Wan has also been appointed as the chairman of the Remuneration Committee, and a member of each of the Audit Committee and the Nomination Committee with effect from 12 May 2023.

Joint company secretaries

Mr. Tam Yiu Shing, Billy, the executive Director and financial controller of the Group, was appointed as the company secretary of the Company on 14 March 2017. Mr. Au Pak Lim, the executive Director, was appointed as the joint company secretaries of the Company on 12 May 2023.

Further details on the company secretary are set forth in the paragraph headed “Executive Directors” in this section.

Compliance officer

Mr. Tam Yiu Shing, Billy, the executive Director and financial controller of the Group, was appointed as the compliance officer of the Company on 31 December 2021. Further details on the compliance officer are set forth in the paragraph headed “Executive Directors” in this section.

Business address of the Directors

The business address of the Directors is the same as the principal place of business of the Company in Hong Kong, which is at Unit No. 301A, 3/F., Tower III, Enterprise Square, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

13. AUDIT COMMITTEE

As at the Latest Practicable Date, the audit committee of the Board (the “**Audit Committee**”) comprised all of the independent non-executive Directors, namely Ms. Lam Kit Yan (the chairman of the Audit Committee), Mr. Mak Kwok Kei and Ms. Wan Hoi Shan. The background, directorship and past directorship (if any) of each of the members of the Audit Committee are set out in the section headed “12. PARTICULARS OF THE DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY” in this appendix. The primary duties of the Audit Committee are (a) to review the Group’s annual reports, interim reports and quarterly reports; (b) to discuss and review with the auditor of the Company on the scope and findings of the audit; and (c) to supervise the financial reporting process, risk management and internal control systems of the Group.

14. MISCELLANEOUS

- (i) As at the Latest Practicable Date, there was no restriction affecting the remittance of profit or repatriation of capital of the Company into Hong Kong from outside Hong Kong.
- (ii) As at the Latest Practicable Date, there is no material foreign exchange exposure to the Company. Therefore, no financial instrument was made to hedge such exposures.
- (iii) As at the Latest Practicable Date, there was no contracts for the hire or hire purchase of plant to or by any member of the Group for a period of over one year which were substantial in relation to the Group’s business.
- (iv) This circular has been prepared in both English and Chinese. In the case of any discrepancies, the English text shall prevail over the respective Chinese text.

15. DOCUMENTS ON DISPLAY

Copies of the following documents will be available on the websites on the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.lapco.com.hk>) from the date of this circular up to and including the date of the EGM:

- (i) the letter from the Board, the text of which is set out on pages 9 to 29 of this circular;
- (ii) the letter of from Independent Board Committee, the text of which is set out on page 30 of this circular;
- (iii) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 62 of this circular;

- (iv) the accountant's report on the unaudited pro forma financial information of the Group issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this circular;
- (v) the written consents referred to in the paragraph under the heading "9. EXPERTS AND CONSENTS" in this appendix; and
- (vi) the material contracts referenced to in the paragraph under the heading "8. Material Contracts" in this appendix.

NOTICE OF EGM

Lapco Holdings Limited

立高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8472)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Lapco Holdings Limited (the “**Company**”) will be held by way of electronic means on Thursday 18 January 2024 at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** conditional upon the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting or agreeing to grant and not having revoked the listing of and permission to deal in the Rights Shares (as defined below):

- (a) the issue by way of rights of up to 72,000,000 Rights Shares at the Subscription Price of HK\$0.60 per Rights Share on the basis of three Rights Shares for one Share held by the Qualifying Shareholders as at the close of business on the Record Date, other than those Excluded Shareholders, and substantially on the terms and conditions set out in the circular of the Company dated 22 December 2023 (a copy of which marked “A” is produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and such other terms and conditions as may be determined by the Directors, be and is hereby approved;
- (b) the Directors are hereby authorised to allot and issue the Rights Shares pursuant to or in connection with the Rights Issue notwithstanding that the same may be offered, allotted or issued otherwise than pro-rata to the Qualifying Shareholders and, in particular, the Board may make such exclusions or other arrangements in relation to the Excluded Shareholders as it may deem necessary or expedient having regard to the legal restrictions under the laws of, or the requirements of the relevant regulatory body or stock exchange in, any territory outside Hong Kong; and
- (c) the Directors be and are hereby authorised to take such actions, do all such acts and things and execute all such further documents or deeds as he/they may, in his/their absolute discretion, consider necessary, appropriate, desirable or expedient for the purpose of, or in connection with, the implementation of or giving effect to or the completion of any matters relating to the Rights Issue and the transactions contemplated thereunder.”

NOTICE OF EGM

Unless otherwise defined, the capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 22 December 2023.

By order of the Board
Lapco Holdings Limited
Tam Yiu Shing, Billy
Executive Director and Joint Company Secretary

Hong Kong, 22 December 2023

Notes:

1. Registered Shareholders are requested to provide a valid email address of himself/herself/itself or his/her/its proxy (except for the appointment of the chairman of the Meeting) for the proxy to receive the login access code to participate online in Tricor e-Meeting System.

Registered Shareholders will be able to attend the Meeting, vote and submit questions online via the designated URL (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company.

Non-registered Shareholders whose Shares are held in the Central Clearing and Settlement System through banks, brokers, custodians or Hong Kong Securities Clearing Company Limited may also be able to attend the Meeting, vote and submit questions online. In this regard, they should consult directly with their banks, brokers or custodians (as the case may be) for the necessary arrangements.

2. Any member entitled to attend and vote at the Meeting shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the Meeting. A proxy need not be a member. In addition, a proxy or proxies representing a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorised on its behalf.
4. The register of members of the Company will be closed from Friday, 12 January 2024 to Thursday, 18 January 2024, both days inclusive, during which period no transfer of shares of the Company can be registered. In order to qualify for attending and voting at the Meeting, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Share Registrar, Tricor Investor Services Limited at 17/F, Far East Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 11 January 2024.
5. To be valid, the form of proxy must be duly completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, at the Share Registrar, Tricor Investor Services Limited at 17/F, Far East Centre, 16 Harcourt Road, Hong Kong or via the designated website (<https://spot-meeting.tricor.hk>) by using the username and password provided on the notification letter sent by the Company not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting.
6. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof should such member so wish, and in such event, the instrument appointing a proxy shall be deemed revoked.

NOTICE OF EGM

7. Where there are joint holders of any Share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled to vote, but if more than one of such joint holders are present at the Meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of members of the Company in respect of the joint holding.
8. In compliance with the GEM Listing Rules, the resolution to be proposed at the Meeting convened by this notice will be voted on by way of poll.

As at the date of this notice, the board of Directors comprises three executive Director, namely, Mr. Tam Yiu Shing, Billy, Mr. Au Pak Lun Patrick, and Mr. Wang Rong; and three independent non-executive Directors, namely Mr. Mak Kwok Kei, Ms. Lam Kit Yan and Ms. Wan Hoi Shan.

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

This notice will remain on the Stock Exchange website at www.hkexnews.hk on the "Latest Company Announcements" page for at least seven days after date of publication and on the website of the Company at www.lapco.com.hk.