



SILVERBRICKS SECURITIES COMPANY LIMITED
Rooms 1601-07, 16/F,
Nan Fung Tower,
88 Connaught Road Central,
Central, Hong Kong

9 June 2025

To: The Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
IN RELATION TO ISSUE OF SUBSCRIPTION SHARES UNDER SPECIFIC
MANDATE FOR DEBT CAPITALISATION**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transaction contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 9 June 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 7 May 2025, the Company (as issuer) and Tai Dong New Energy Holding Limited (as Subscriber) entered into the Subscription Agreement, pursuant to which the parties conditionally agreed that the Subscriber shall subscribe for, and the Company shall allot and issue, a total of 62,500,000 Subscription Shares at the Subscription Price of HK\$0.120 per Subscription Share. The aggregate Subscription Price of all Subscription Shares payable by the Subscriber shall be satisfied by capitalising and setting off against the principal amount of HK\$7,500,000 upon Completion.

As at the Latest Practicable Date, the Subscriber is wholly owned by Mr. Su Zhituan. Mr. Su is the former executive Director of our Company and former chairman of the Board. Mr. Su is also the ultimate beneficial owner of Tai Dong New Energy Holding Limited, a substantial shareholder of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Subscription Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules. The Subscription Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the SGM. The Subscriber and his associates shall abstain from voting in respect of the resolution approving the Subscription Agreement and the transactions contemplated thereunder at the SGM.

To the best knowledge of the Company and having made all reasonable enquiries, (i) no Director has a material interest in the Subscription Agreement and the transactions contemplated thereunder and is required to abstain from voting on the Board resolutions in relation to the aforesaid matters; (ii) other than the Subscriber, Mr. Su Zhituan and their respective associates who will abstain from voting at the SGM in respect of the resolution approving the aforesaid matters, no other Shareholder has any material interest in the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate).

The Independent Board Committee comprising all the independent non-executive Directors has been established to give a recommendation to the Independent Shareholders as to whether the terms of the Subscription Agreement are on normal commercial terms or better and fair and reasonable, whether the Subscription is in the interests of the Company and the Shareholders as a whole and as to how to vote at the SGM. We, Silverbricks Securities Company Limited, has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion as to (i) whether the terms of the Subscription Agreement are on normal commercial terms or better and fair and reasonable; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote at the SGM on the ordinary resolution(s) regarding the transactions contemplated under the Subscription Agreement. Our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the transactions contemplated under the Subscription Agreement has been approved by the Independent Board Committee.

During the past two years, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fee payable to us in connection with this engagement, no arrangement exists whereby we had received or will receive any 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 from the Company pursuant to Rule 17.96 of the GEM Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Group. We have assumed that all information and representations provided by the management of the Group, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the SGM and would affect or alter our opinion, we will notify the Independent Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Group. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Group to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Group.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the transactions contemplated under the Subscription Agreement, we have taken into consideration the following principal factors and reasons:

(1) Information on the Company

The Company is an investment holding company. The Group is principally engaged in the provision of engineering related services, equipment installation, support and maintenance services for robotics and automation systems.

Financial performance

The following table summarises the financial information of the Group for each of the two years ended 31 December 2023 and 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 (the “Annual Report 2024”).

	For the year ended 31 December	
	2023	2024
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	15,081	29,904
Gross profit	7,281	3,226
Gross Profit Margin	48.28%	10.79%
Loss for the year	(45,076)	(21,912)
Loss attributable to owners of the Company	(27,756)	(10,179)

Revenue

For the year ended 31 December 2024, revenue of the Group increased to approximately HK\$29.90 million compared to approximately HK\$15.08 million for the last corresponding year, representing an increase of approximately 98.29%. Revenue from the provision of engineering products and related services, and sales of wine business amounted to approximately HK\$29.30 million and approximately HK\$0.6 million, respectively, representing approximately 98% and approximately 2% of the Group's revenue for the year ended 31 December 2024, respectively. The increase was mainly attributable to the provision of engineering products and related services from Hong Kong, whereas the previous revenue was mainly attributed to the PRC.

Gross profit

The Group's cost of sales increased by approximately 242.03% to approximately HK\$26.68 million for the year ended 31 December 2024 compared to approximately HK\$7.80 million for the last corresponding year. The increase in cost of sales was generally in line with the respective changes regarding the revenue derived from the diverse provision of regions and the difference in the business provision of engineering products and related services, and sales of wine business, which required demands for the services led to the increase in cost of services provided. The gross profit of the Group for the year ended 31 December 2024 decreased by approximately 55.69% to approximately HK\$3.23 million when compared to approximately HK\$7.28 million for the last corresponding year. The decrease was mainly attributable to the narrowing of the gross profit margin due to the increase in the cost of sales.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company for the year ended 31 December 2024 of approximately HK\$10.18 million, representing a decrease of approximately 63.33% when compared with approximately HK\$27.76 million for the last corresponding year. The decrease was mainly attributable to (i) imputed interest on other borrowings in financial costs; (ii) impairment losses recognised under expected credit loss model, net of reversal, and (iii) absence of loss on modification of financial liabilities in 2024 which included in other gains and losses (net) which was partially offset by the increase in revenue.

Financial position

The following table summarises the financial position of the Group as at 31 December 2023 and 31 December 2024 as extracted from the published Annual Report 2024:

	For the year ended	
	31 December	
	2023	2024
	HK\$'000	HK\$'000
	(audited)	(audited)
Total assets	27,554	26,332
Total liabilities	(172,272)	(188,281)
Net current assets	722	(18,576)
Net liabilities	(144,718)	(161,949)

The total assets of the Group amounted to approximately HK\$26.33 million as at 31 December 2024, representing a decrease of approximately HK\$1.22 million or approximately 4.43%, as compared to HK\$27.55 million as at 31 December 2023. The decrease was primarily due to (i) the decrease in prepayments, deposits and other receivables of approximately HK\$2.45 million; (ii) the decrease in trade receivables of approximately HK\$2.49 million; (iii) the decrease in other receivables of approximately HK\$1.82 million; (iv) the increase in financial assets at fair value through profit or loss of approximately HK\$1.20 million; and (v) the increase in cash and cash equivalents of approximately HK\$2.04 million. The total liabilities of the Group amounted to approximately HK\$188.3 million as at 31 December 2024, representing an increase of approximately HK\$16 million or approximately 9.29%, as compared to HK\$172.3 million as at 31 December 2023. The increase was primarily due to (i) the increase in amount due to a related company of approximately HK\$9.23 million; (ii) the increase in other borrowings of approximately HK\$7.21 million; (iii) the increase of the trade payables of approximately HK\$4.29 million; and (iv) the decrease in accruals and other payables of approximately HK\$4.01 million. The net liabilities of the Company amounted to approximately HK\$161.95 million as at 31 December 2024, representing an increase of approximately HK\$17.23 million or approximately 11.91%, as compared to HK\$144.72 million as at 31 December 2023. Such an increase was mainly attributable to the total amounts due incurred during the year ended 31 December 2024.

(2) Information of the Subscriber

As at the Latest Practicable Date, the Subscriber is an investment holding company incorporated in Hong Kong with limited liability and wholly owned by Mr. Su Zhituan. Mr. Su is the former executive Director of our Company and former chairman of the Board. Mr. Su is also the ultimate beneficial owner of Tai Dong New Energy Holding Limited, a substantial shareholder of the Company. Therefore, the Subscriber is a connected person of the Company under Chapter 20 of the GEM Listing Rules.

(3) Reasons for and benefits of the Subscription and Debt Capitalisation

The Group recorded revenue of approximately HK\$29.90 million and a loss for the year of approximately HK\$21.91 million for the year ended 31 December 2024. The Group also had approximately HK\$14.04 million in cash and cash equivalents and total liabilities of HK\$188.28 million including current and non-current other borrowings of approximately HK\$147.0 million.

In view of the financial position of the Group, the Group is not in a position to repay the amounts due to the Subscriber without restricting its existing financial resources and affecting its operational budget. The Directors have considered other alternative means for fund raising to settle the Outstanding Sum, such as bank borrowings, private placements or rights issue. However, taking into account that:

- (i) debt financing and bank borrowing will further increase the gearing ratio of the Group and lenders generally require collateral from the borrower;
- (ii) other equity financing alternative such as placing of new shares and rights issue usually require attractive discounts to the prevailing market price of the Shares and is relatively more time consuming and less cost effective as compared to Debt Capitalisation; and
- (iii) the Debt Capitalisation would allow the Group to reduce its indebtedness without utilising existing financial resources and avoid incurring cash outflow,

the Directors consider that the Subscription and Debt Capitalisation is a more desirable solution for the Group to repay the Outstanding Sums to the Subscriber and strengthen the financial position of the Group.

Our view

As outlined in the Letter from the Board, regarding debt financing and bank borrowings, the Directors have considered that: (i) one of the key rationales for settling the Outstanding Sum is to improve the Group's gearing ratio, which cannot be effectively achieved through debt financing; (ii) the existing financial resources are tight for operational budget, which not available to spare more resources on repaying the Outstanding Sum; and (iii) obtaining additional bank borrowings to settle the Outstanding Sum would result in incurring higher finance costs. Nevertheless, we have discussed with the Management and understand that the Management would like to attempt to ask for debt financing as an alternative means of settling the Outstanding Sum, but the results have not been satisfactory due to its financial situation and no collateral can be provided.

Given the Group's current financial performance and position, as detailed in the section titled "(1) Information on the Company" in this letter, the Directors note that obtaining bank borrowings generally involves extensive due diligence, internal risk assessments, and prolonged negotiations with banks. Additionally, such borrowings usually require the borrower to provide appropriate assets as collateral, which the Group currently does not possess. Consequently, the Directors, whose perspective we share, believe that debt financing is both uncertain and time-consuming. Moreover, even if loans financed from banks were secured, they would inevitably increase the Group's interest burden and further deteriorate its gearing ratio. Considering these factors and Management's goal of lowering the Group's gearing ratio, we align with the Directors' view that taking on additional liabilities to repay the Outstanding Sum would not serve the best interests of the Group.

Concerning equity financing options like rights issues or open offers, the Board has determined that the probability of issuing new shares at a significant discount is high, given the Group's history of losses and the current market conditions and sentiment. Furthermore, as highlighted in the section "(5)(a) Analysis on historical Share price performance– (b) Review on trading liquidity of the Shares," the Group's recent financial performance and the thin liquidity of its Shares make it challenging to raise funds through equity financing without offering a substantial discount to the prevailing market price of the Shares, in order to attract potential investors or Shareholders. In light of the above, the Directors are of the view and we concur that it is unlikely for the Group to raise funds by way of placing or rights issue or open offer of new Shares without a significant discount to the current market price of the Shares to encourage subscriptions by the potential investors or Shareholders. Having considered the above and, in particular that: (i) the likelihood of success in obtaining additional bank borrowing with favourable terms is low. Although obtaining secure bank borrowings is an alternative to settle the Outstanding Sum, such borrowings would inevitably raise the interest burden and further worsen the Group's gearing level, which is contrary to the Company's objective of reducing gearing; (ii) a substantial discount to the current closing price of the Shares would be necessary for any equity fundraising effort by the Company to encourage participation from Shareholders and/or potential investors, considering the low trading volume of the Shares. In contrast, the Subscription Price under the Subscription Agreement represents no discount to or premium over the closing price of the Shares as at the date of the Subscription Agreement; (iii) the likelihood of issuing new shares with substantial discount is high considering the loss-making performance, along with the prevailing market conditions; (iv) equity fundraising typically involves prolonged discussions with potential commercial underwriters and involve high amounts of professional fee; (v) the Debt Capitalisation would enable the Group to decrease its indebtedness without using existing financial resources, thereby avoiding any cash outflow as no internal resources are used to settle the Outstanding Sum; (vi) the Group's gearing will be reduced immediately after Completion; and (vii) the analysis of the Issue Price as discussed in the paragraph headed "(5) Analysis of the Subscription Price" below, we concur with the view of the Board (excluding the Subscriber, Mr. Su Zhituan (who had abstained from voting on the relevant resolution(s) of the Board in respect of the Subscription Agreement and the transactions contemplated thereunder) and the Independent non-executive Directors) that although settling the Outstanding Sum is not in the ordinary and usual course of the Group's business, the terms of the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and Shareholders as a whole.

(4) Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are as follows:

Date: 7 May 2025 (after the Stock Exchange trading hours)

Parties: (1) the Company (as the issuer); and
(2) Tai Dong Holding Limited (as the Subscriber).

Number of Subscription Shares

The Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, a total of 62,500,000 Subscription Shares at the Subscription Price of HK\$0.120 per Subscription Share. The aggregate Subscription Price payable by the Subscriber under the Loan Subscription Agreement shall be satisfied by capitalising and setting off against the principal amount of the Outstanding Sum of HK\$7,500,000 upon Completion.

The Subscription Shares represent (i) approximately 9.57% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 8.74% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the total number of issued Shares between the Latest Practicable Date and the allotment and issue of the Subscription Shares.

The aggregate nominal value of the Subscription Shares (with a par value of HK\$0.10 each) is HK\$6,250,000. The Subscription Shares to be allotted and issued to the Subscriber will be allotted and issued under the Specific Mandate to be obtained at the SGM.

Subscription Price

The Subscription Price of HK\$0.120 per Subscription Share represents:

- (i) equal to the closing price of HK\$0.120 per Share as quoted on the Stock Exchange on 7 May 2025, Last Trading Date;
- (ii) a discount of approximately 1.80% the average closing price of HK\$0.1222 per Share as quoted on the Stock Exchange for the five trading days immediately preceding the Last Trading Date;
- (iii) a discount of approximately 4.46% to the average closing price per Share of HK\$0.1256 as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the Last Trading Date; and
- (iv) a premium of approximately 22.45% to the closing price of HK\$0.098 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

As mentioned in the Letter from the Board, the Subscription Price was arrived on an arm's length basis between the Company and the Subscriber after taking into account the following factors:

- (i) the recent trading performance of the shares: during the review period from 8 May 2024 to 7 May 2025, the daily closing prices of the Shares ranged from HK\$0.098 per Share recorded on 7 January 2025 to 5 February 2025 to HK\$0.4 per Share recorded on 30 August 2024 and 2 September 2024.
- (ii) the recent market condition: the Company has taken notice of the recent economic stimulus measures focuses on liquidity improvements, driving the advancement in engineering and automation production, digital infrastructure and semiconductors sector for prioritising next generation technologies gaining the competitive advantages, and stabilising the financial markets promulgated by the Chinese authorities has increased liquidity and volatility of the stock market in Hong Kong and in the PRC; however the trading volume of the Company's Shares remained relatively low during the same period with the average daily trading volume of the Shares during the review period from 8 May 2024 and up to the date of the Subscription Agreement being 103,518 Shares, representing 0.0164% of total number of issued shares as at the date of the Subscription Agreement.
- (iii) The current financial position and the business prospect of the Group according to the Annual Report 2024: having considered (a) the loss-making positions of the Group for the two years ended 31 December 2023 and 2024; and (b) two consecutive years owning net liabilities of approximately HK\$144.7 million and HK\$161.9 million for the year ended 31 December 2023 and 2024 respectively, if excluding the the Outstanding Sum, the Net Liabilities will be relieved part through the Subscription Agreement.

The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon the fulfilment of the following conditions:

- (i) the Independent Shareholders having approved and passed at the SGM, of the necessary resolutions to approve the Subscription Agreement and the transaction contemplated thereunder (including but not limited to the grant of the Specific Mandate for the allotment and issuance of the Subscription Shares);

- (ii) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Subscription Shares and such approval and permission having not subsequently been revoked or withdrawn;
- (iii) all other necessary consents, approvals, reports and filings pursuant to the GEM Listing Rules and applicable laws for the consummation of the transactions contemplated in this Agreement having been obtained by the Company and the Subscriber;
- (iv) the representations and warrants given by the Company under the Subscription Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading in all material respects; and
- (v) the representations and warrants given by the Subscriber under the Subscription Agreement being true and accurate and not misleading when made and remaining true and accurate and not misleading in all material respects.

Save for condition (iv) above which can be waived by the Subscriber by notice in writing to the Company, none of the above conditions may be waived by the Company or the Subscriber. If the conditions set out above are not fulfilled on or before the Long Stop Date, the Subscription Agreement shall terminate and neither of the parties shall have any claim against the other for costs, damages, compensation or otherwise save for any antecedent breach of such Subscription Agreement.

As at the Latest Practicable Date, none of the above conditions has been fulfilled.

Completion

Completion shall take place on or before the seventh business day following the day upon which the conditions precedent have been satisfied (or such later date as may be agreed between the Company and the Subscriber in writing).

Ranking of the Subscription Shares

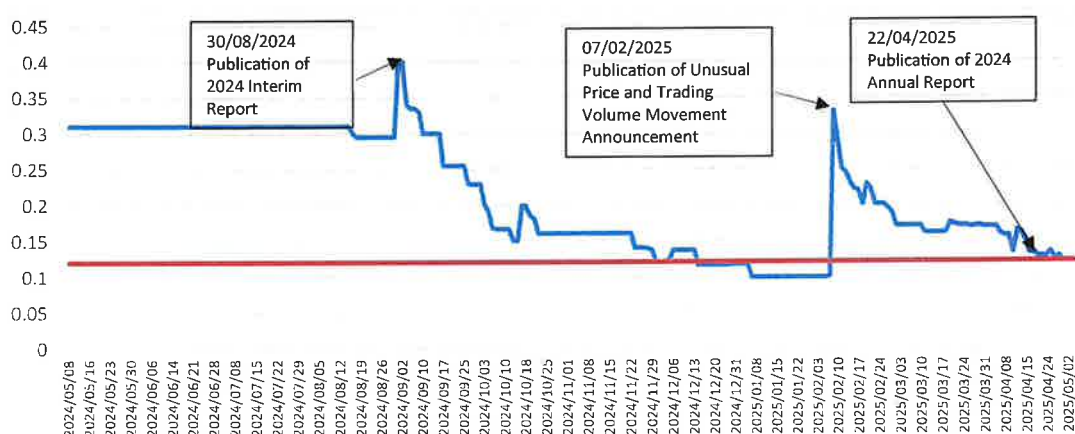
The Subscription Shares when allotted and issued, shall rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

(5) Analysis of the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we have performed a review on the daily closing prices and trading volume of the Shares from 8 May 2024 to 7 May 2025, being a period of 12 months prior to and including the Last Trading Date (the “**Review Period**”) and compared with the Subscription Price. We consider the Review Period which covers a full year prior to and including the date of the Subscription Agreement represents a reasonable and sufficient period to provide a general overview of the recent price performance of the Shares.

(a) Analysis on historical Share price performance

The following chart sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:



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

As shown in the chart above, during the Review Period, the daily closing prices of the Shares ranged from HK\$0.098 per Share (the “**Lowest Closing Price**”) recorded from 7 January 2025 to 5 February 2025 to HK\$0.4 per Share (the “**Highest Closing Price**”) recorded on 30 August 2024 and 2 September 2024, with the average closing price of the Shares amounted to approximately HK\$0.214 per Share (the “**Average Closing Price**”).

During the Review Period, the Share price showed stability, remaining around HK\$0.31 from May to late August 2024. Starting from late August, a sudden increase in the price rose to HK\$0.4 which is the Highest Closing Price of the Review Period. Since then, the Share price began to decline from September 2024 to the beginning of February 2025. It fluctuated and generally trended downward around the Lowest Closing Price of HK\$0.098. Following early February 2025, a significant increase at HK\$0.33, followed by a gradual decrease leading to a price of around HK\$0.13 per Share by May 2025, then reach at the Subscription Price at early May 2025. The Directors confirmed that they do not aware the reasons for all of the abovementioned decreases and increases in Share price.

We note that the Subscription Price of HK\$0.120 per Subscription Share represents (i) a premium of approximately 22.4% over the Lowest Closing Price of HK\$0.098 per Share; (ii) a discount of approximately 70.0% to the Highest Closing Price of HK\$0.4 per Share; and (iii) a discount of approximately 44.0% to the Average Closing Price of approximately HK\$0.214 per Share. Taking into consideration that the Subscription Price is in the aforesaid historical closing price range during the Review Period; and as shown in the chart above, the closing price of the Shares demonstrated a downward trend since February 2025, we are of the view that the Subscription Price is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(b) Review on trading liquidity of the Shares

The following table sets out (i) the average daily trading volume of the Shares; and (ii) the percentage of the average daily trading volume of the Shares to total number of issued Shares as at the end of the month/period during the Review Period:

	Number of trading days	Total trading volume of the Shares for the month/period	Average daily trading volume of the Shares for the month/period	Percentage of the average daily trading volume over total number of issued Shares as at the end of the month/period
2024				
May	17	—	—	0.0000%
June	19	—	—	0.0000%
July	22	—	—	0.0000%
August	22	145,400	6,609	0.0011%
September	19	137,600	7,242	0.0012%
October	21	2,741,750	130,560	0.0215%
November	21	16,200	771	0.0001%
December	20	153,500	7,675	0.0013%
2025				
January	19	62,300	3,279	0.0005%
February	20	8,525,300	426,265	0.0702%
March	21	1,411,000	67,190	0.0111%
April	19	2,555,000	134,474	0.0206%
May (up to the Last Trading Date)	3	1,685,000	561,667	0.0860%
Maximum			561,667	0.0860%
Minimum			—	0.0000%
Average			103,518	0.0164%

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

As illustrated from the table above, the average trading volume of the Shares was low, with a range from 0 Shares to 561,667 Shares during the Review Period, representing approximately 0% to 0.0860% of the total number of Shares in issue as at the end of relevant month/period. It illustrates that the trading volume of the Shares was relatively thin during the Review Period. The low liquidity of the Shares may imply a lack of interest from potential investors in the existing shares and as such, it may not be easy for the Company to conduct other equity financing alternatives when considering fundraising exercises in the stock market without providing a considerable discount.

(c) Market comparable analysis

To further assess the fairness and reasonableness of the Subscription Price, we have identified, to the best of our knowledge, effort and endeavor, an exhaustive list of 8 comparable transactions (the “Comparables”) based on the following criteria: (i) companies listed on the Stock Exchange; (ii) companies that had published announcements in relation to connected transactions subscription of new ordinary shares (excluding transactions involving (a) issue of new shares for restructuring scheme, emolument or acquisition purposes, or A shares or domestic shares; and (b) whitewash waiver applications or general offer obligations under the Hong Kong Code on Takeovers and Mergers) under specific mandate for loan/debt capitalisation exercise for the period from 8 December 2024 to 7 May 2025 (being approximate six months prior to and including the date of the Subscription Agreement); and (iii) more than or equal to 70% of the use of proceeds from the subscriptions in only issuing new shares are for repaying loans. The six months period was adopted to demonstrate recent market trends with a sufficient number of Comparables and thus, we consider the six months period is reasonable and representative. We also noted that the terms of the relevant transactions of the Comparables may vary from companies with different financial standings, business performance and prospects. However, we consider that the Comparables represent recent trend of relevant transactions in the prevailing market conditions and could provide a general reference.

Date of announcement	Stock code	Company name	Premium/ (Discount) of the subscription price over/to the average closing price per share for the last five consecutive trading days prior to/up to and including the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (approx. %)
			Premium/ (Discount) of the subscription price over/to the closing on/prior to the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/to the closing on/prior to the date of agreement (approx. %)	Premium/ (Discount) of the subscription price over/(to) the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of agreement (approx. %)
29-Apr-25	290	GoFintech Quantum Innovation Limited	4.92	2.56	1.75
17-Apr-25	931	China HK Power Smart Energy Group Limited	0	-0.51	-4.41
16-Apr-25	8246	Zhonghua Gas Holdings Limited	0	0	0.25
11-Apr-25	2309	ZO Future Group	-19.83	-18.13	-21.55
7-Apr-25	575	Regent Pacific Group Limited	0	16.00	13.00
27-Jan-25	2098	Zall Smart Commerce Group Ltd.	-10.34	-9.72	-10.34
21-Jan-25	8391	Cornerstone Technologies Holdings Limited	0	0	-0.99
17-Jan-25	632	CHK Oil Limited	5.06	-5.03	-15.65
		Average	-2.52	-1.85	-4.74
		Median	0.00	-0.26	-2.70
		Maximum	5.06	16.00	13.00
		Minimum	-19.83	-18.13	-21.55
		The Company	0	-1.8	-4.46

As illustrated in the table above, we noted that the subscription prices of the Comparables ranged from:

- (i) a discount of approximately 19.83% to a premium of approximately 5.06% to/over the respective closing prices of the shares on the last trading day prior to/on the date of the relevant announcements (the “**Range**”), with no discount or premium of the median (the “**Median**”) and an average discount of approximately 2.52% (the “**Average**”);
- (ii) a discount of approximately 18.13% to a premium of approximately 16.00% to/over the respective average closing prices of the shares on the last five consecutive days up to and including the date of the relevant announcements (the “**Five Days Range**”), with a discount of approximately 0.26% of the median (the “**Five Days Median**”) and an average discount of approximately 1.85% (the “**Five Days Average**”); and

- (iii) a discount of approximately 21.55% to a premium of approximately 13.00% to/over the respective average closing prices of the shares on the last ten consecutive days up to and including the date of the relevant announcements (the “**Ten Days Range**”), with a discount of approximately 2.70% of the median (the “**Ten Days Median**”) and an average discount of approximately 4.74% (the “**Ten Days Average**”).

Having considered that the Subscription Price represents no discount or premium over the closing Share price on the date of the Subscription Agreement, and discounts of approximately 1.8% and 4.46%, the average closing Share price for the last five consecutive trading days immediately prior to the date of the Subscription Agreement and the last ten consecutive trading days immediately prior to the date of the Subscription Agreement, respectively, which (i) are fall in the Range, Five Days Range and Ten Days Range; and (ii) are higher than the Average, Five Days Average and Ten Days Average. In light of the above, we consider that the Subscription Price is fair and reasonable.

Based on the above analysis and the facts that (i) historical closing prices of the Shares has been on a downward trend since February 2025; (ii) the trading liquidity of the Shares was low during the Review Period; (iii) the discounts of the Subscription Price to the closing Share price on the date of the Subscription Agreement, to the average closing price per share for the last five consecutive trading days and the average closing price per share for the last ten consecutive trading days prior to/up to and including the date of the Subscription Agreement fall within the ranges of the Comparables; and (iv) the Subscription Price represents a premium of approximately of 22.45% over the closing price per Shares as at the Latest Practicable Date, we consider that the Subscription Price is fair and reasonable so far as the Independent Shareholders.

(6) Potential dilution effects of the Debt Capitalisation

Below is the shareholding structure of the Company as set out in the Letter from the Board: (i) as at the Latest Practicable Date; and (ii) immediately after Completion and the allotment and issue of the Subscription Shares as contemplated under the Subscription Agreement (assuming there are no other changes to the issued share capital of the Company between the Latest Practicable Date and the Completion Date save for the allotment and issue of the Subscription Shares):

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Subscription and issue of the Subscription Shares	
	Shares in the Company	Approximate	Shares in the Company	Approximate
Non-public Shareholders				
The Subscriber ⁽¹⁾	—	0.00%	62,500,000	8.74%
Tai Dong New Energy Holding Limited ⁽¹⁾	151,425,197	23.19%	151,425,197	21.16%
Hong Kong Bridge Investments Limited ⁽²⁾	41,666,666	6.38%	41,666,666	5.82%
HKBridge Absolute Return Fund, L.P. ⁽²⁾	64,148,063	9.82%	64,148,063	8.97%
On Top Global Limited ⁽²⁾	24,397,946	3.74%	24,397,946	3.41%
Mr. Huang Jianhang	89,970,697	13.78%	89,970,697	12.57%
Public Shareholders				
Public Shareholders	281,392,159	43.09%	281,392,159	39.33%
Total	653,000,728	100%	715,500,728	100%

Notes:

1. Mr. Su Zhituan, the former executive Director of our Company and former chairman of the Board, is the ultimate beneficial owner of Tai Dong New Energy Holding Limited and the Subscriber, Tai Dong Holding Limited and therefore deemed to be interested in the 151,425,197 Shares held by Tai Dong New Energy Holding Limited and 62,500,000 to be subscribed by Tai Dong Holding Limited or its nominee.
2. Renco Holdings Group Limited (“**Renco Holdings**”), is deemed to be interested in 130,212,675 Shares, being the aggregate of the 41,666,666 Shares of Hong Kong Bridge Investments Limited (its wholly owned subsidiary), 64,148,063 Shares of HKBridge Absolute Return Fund, L.P. (a Cayman Islands exempted limited partnership, the general partner of which is HK Bridge (Cayman) GP2 Limited, a Cayman Islands company indirectly owned by Renco Holdings) and 24,397,946 Shares of On Top Global Limited (a wholly owned subsidiary of Hong Kong Bridge High-Tech Investment Fund L.P., the general partner of which is Hong Kong Bridge High-Tech Investment G.P. Limited, a Cayman Islands company indirectly owned by Renco Holdings). The 16,500,000 Shares owned by Golden Brand Holdings Limited which is wholly owned by Mr. Bai Zhifeng. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, other than his shareholding in the Company, Mr. Bai Zhifeng is a third party independent of the Company and its connected persons.

As shown in the above table, we noted that shareholding held by public Shareholders in the Company would be diluted from approximately 43.09% as at the Latest Practicable Date to approximately 39.33% immediately after Completion. This represents a decrease of approximately 3.76% in their ownership stake. We are aware of the Subscription Agreement will incur a dilution effect on the shareholding of the existing public Shareholders. Nonetheless, having considered that (i) the Subscription Agreement can relieve part of the Group's existing borrowings without depleting its existing financial resources; (ii) the Subscription Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will improve the gearing ratio, enlarge the capital base and reduce the net liabilities position of the Group; and (iii) the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable.

(7) Financial effects of the Debt Capitalisation

Net liabilities

Upon Completion, the Subscription Shares will be recognised as equity of the Group, which will offset some of the Outstanding Sum and in turn, enlarge the capital base and reduce net liabilities of the Group.

Liquidity and gearing ratio

Upon Completion, parts of the principal amounts due to the Subscriber of HK\$9.226 million will be settled by the Subscription Shares. As a result, indebtedness and liquidity position of the Group will be improved and the gearing ratio will be reduced.

It should be noted that the above analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

RECOMMENDATION

Having taken into account the above principal factors and reasons, in particular that:

- I. the Group is facing liquidity pressure in view of its continuous loss-making financial performance;
- II. the Subscription will improve the Group's indebtedness level and reduce its finance costs;
- III. the Subscription will not involve cash outflow from the Group;
- IV. the Subscription is the preferred method of fund raising as compared to other alternatives as discussed in "(3) Reasons for and benefits of the Subscription and Debt Capitalisation" above;

- V. the Subscription Price is fair and reasonable as discussed in “(5) Analysis of the Subscription Price” above, in particular the Subscription Price represents no discount or premium over the closing Share price on the date of the Subscription Agreement, and discounts of approximately 1.8% and 4.46%, the average closing Share price for the last five consecutive trading days immediately prior to the date of the Subscription Agreement and the last ten consecutive trading days immediately prior to the date of the Subscription Agreement, respectively, which (i) are fall in the Range, Five Days Range and Ten Days Range; and (ii) are higher than the Average, Five Days Average and Ten Days Average; and
- VI. the potential dilution effect to the public Shareholders is acceptable as discussed in “(6) Potential dilution effects of the Debt Capitalisation,

we are of the opinion that although the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription under the Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution(s) at the SGM to approve the transactions contemplated under the Subscription Agreement.

Yours faithfully,
for and on behalf of
Silverbricks Securities Company Limited



Yau Tung Shing
Managing Director

Mr. Yau Tung Shing is a licensed person and responsible officer of Silverbricks Securities Company Limited registered with the SFC to carry on Type 6 (advising on corporate finance) regulated activity under the (under the licensing condition that in the capacity as an adviser to a client on matters/ transactions falling within the ambit of the Takeovers Code, act together with another adviser) SFO and has over 8 years of experience in the corporate finance industry.