

ZHONGZHENG INTERNATIONAL COMPANY LIMITED

中證國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 943)

Executive Directors:

Mr. Tam Lup Wai, Franky

Mr. Liu Liyang

Non-executive Director:

Mr. Lim Kim Chai, J.P.

Independent non-executive Directors:

Mr. Hau Chi Kit

Mr. Leung Chi Hung

Mr. Li Hon Kuen

Ms. Yang Yan Tung Doris

Registered office:

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Hong Kong

19 June 2025

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED SHARE CONSOLIDATION, SHARE PREMIUM REDUCTION
AND CHANGE IN BOARD LOT SIZE;**
- (2) CONNECTED TRANSACTION IN RELATION TO ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR DEBT CAPITALISATION;**
- (3) APPLICATION FOR WHITEWASH WAIVER;**
- (4) PROPOSED RIGHTS ISSUE ON THE BASIS OF ONE (1) RIGHTS SHARE
FOR EVERY TWO (2) CONSOLIDATED SHARES HELD ON THE RECORD DATE;
AND**
- (5) CONNECTED TRANSACTION IN RELATION TO
THE UNDERWRITING AGREEMENT**

INTRODUCTION

Reference is made to the Announcement.

The purpose of this circular is to provide you with, among other things, (i) details of the Proposals; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from Merdeka Corporate Finance to the Independent Board Committee and the Independent Shareholders; (iv) other information required under the Listing Rules and the Takeovers Code; and (v) a notice convening the SGM.

THE PROPOSALS

The Board proposed the Proposals which aim to improve the financial position of the Group, raise funding to support the continuous business development of the Group and enhance the attractiveness of investing in the Shares. The Proposals comprise the following components:

- (i) the Share Consolidation: every twenty (20) issued and unissued Existing Shares of par value of HK\$0.00004 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.0008 each;
- (ii) the Share Premium Reduction: the entire amount standing to the credit of the share premium account of the Company of approximately HK\$899.1 million will be transferred to the contributed surplus account of the Company and applied towards setting off part of the accumulated losses of the Company;
- (iii) the Change in Board Lot Size: the board lot size for trading will be changed from 8,000 Existing Shares to 16,000 Consolidated Shares;
- (iv) the Debt Capitalisation: upon the Share Consolidation becoming effective, the Company proposes to capitalise the shareholder's loans owing by the Company to the Subscribers in the aggregate amount of approximately HK\$100.9 million by the allotment and issue of new Capitalisation Shares to the Subscribers pursuant to the Specific Mandate to be sought from the Independent Shareholders; and
- (v) the Rights Issue: following completion of the Debt Capitalisation, the Company proposes to conduct the Rights Issue on the basis of one Rights Shares for every two Consolidated Shares (including the Capitalisation Shares) held by the Shareholders on the Record Date to raise an aggregate of approximately HK\$114.6 million. The Rights Issue will be fully underwritten by Subscriber I, who will be a Controlling Shareholder upon completion of the Debt Capitalisation.

Upon completion of the Proposals, the liabilities of the Group will be reduced while new capital will be raised through the Rights Issue, the overall effect is that the financial position of the Group will be enhanced. It is also expected that following the Share Consolidation and the Change in Board Lot Size, the trading price of the Shares and value of the board lot will be increased, which will enable the Company to comply with the trading requirements under the Listing Rules. Further details of the reasons for and benefits of the Proposals are set out in the section headed "Reasons for and benefits of the Proposals and use of proceeds" below.

As at the Latest Practicable Date, Subscriber I was interested in 2,206,750,364 Existing Shares, representing approximately 17.2% of the issued share capital of the Company, and is a Substantial Shareholder; and Subscriber II was interested in 1,569,420,951 Existing Shares, representing approximately 12.2% of the issued share capital of the Company, who is also a Substantial Shareholder. As disclosed in the section headed “Information of the Subscribers” below, Subscriber I is the co-founder and the vice-chairman while Subscriber II is the co-founder and chairman of Yuk Tung Group, which is principally engaged in property development in Malaysia. Subscriber I and Subscriber II are business partners and are de facto parties acting in concert with each other. Upon the Share Consolidation having taken effect and completion of the Debt Capitalisation, the Subscribers and their respective concert parties together will be interested in 693,382,705 Consolidated Shares, representing approximately 60.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares. Accordingly, Subscriber I and Subscriber II would be required to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by them and parties acting in concert with any of them, unless the Whitewash Waiver is granted. An application has been made by the Subscribers to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by at least 75% of the independent votes that are casted by the Independent Shareholders at the SGM by way of poll to approve the Whitewash Waiver.

Details of each of the Share Consolidation, the Share Premium Reduction, the Change in Board Lot Size, the Debt Capitalisation and the Rights Issue are set out below.

PROPOSED SHARE CONSOLIDATION

The Board proposed that every twenty (20) issued and unissued Existing Shares of par value of HK\$0.00004 each will be consolidated into one (1) Consolidated Share of par value of HK\$0.0008 each.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company was HK\$1,000,000,000 divided into 25,000,000,000 Existing Shares of par value of HK\$0.00004 each, of which 12,824,484,010 Existing Shares were issued and credited as fully paid.

Assuming no further Existing Shares will be issued or repurchased between the Latest Practicable Date and the date of the SGM, immediately after the Share Consolidation becoming effective but before completion of the Debt Capitalisation and the Rights Issue, the authorised share capital of the Company will be HK\$1,000,000,000 divided into 1,250,000,000,000 Consolidated Shares of par value of HK\$0.0008 each, of which 641,224,200 Consolidated Shares will be in issue.

The Consolidated Shares will be identical and rank *pari passu* in all respects with each other.

Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the proportionate interests or rights of the Shareholders. The Directors believe that the Share Consolidation will not have any material adverse effect on the financial position of the Company.

Conditions of the Share Consolidation

The implementation of the Share Consolidation is conditional upon:

- (i) the Share Consolidation (including the elimination of any residual fraction of a Consolidated Share in the issued share capital of the Company arising therefrom) having been approved by more than 75% of the Independent Shareholders at the SGM by way of poll;
- (ii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consolidated Shares; and
- (iii) the compliance with all relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Consolidation.

The Share Consolidation is not conditional on the Debt Capitalisation and the Rights Issue.

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

Subject to the fulfilment of the above conditions, it is expected that the Share Consolidation shall become effective on 14 July 2025.

Application for listing of the Consolidated Shares

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consolidated Shares in issue and to be issued upon the Share Consolidation becoming effective.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchange other than the Stock Exchange, and at the time the Share Consolidation becomes effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional Consolidated Shares

Fractional Consolidated Shares (if any) will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder. Any residual fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation will be eliminated in order to round down the total number of the Consolidated Shares to a whole number, which will be approved by the Independent Shareholders as part of the Share Consolidation by way of a special resolution at the SGM.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots (if any) of the Consolidated Shares, the Company has appointed VC Brokerage Limited as an agent to provide matching services, on a best effort basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares, during the period from 9:00 a.m. on Monday, 28 July 2025 to 4:00 p.m. on Friday, 15 August 2025 (both dates inclusive). Shareholders who wish to take advantage of this facility should contact Dealing Department of VC Brokerage Limited at 6th Floor, Centre Point, 181-185 Gloucester Road, Wanchai, Hong Kong or at telephone number: (852) 2913-6716 during office hours (i.e. 9:00 a.m. to 5:00 p.m.) of such period.

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of Certificates for Consolidated Shares

Subject to the Share Consolidation becoming effective, which is currently expected to be Monday, 14 July 2025, Shareholders may on or after Monday, 14 July 2025 and until Tuesday, 19 August 2025 (both days inclusive), submit their existing share certificates in blue colour for the Existing Shares to the Registrar at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for exchange for new share certificates in red colour for the Consolidated Shares at the expense of the Company.

Shareholders should note that after the prescribed time for free exchange of new share certificates, a fee of HK\$2.5 per share certificate (or such higher amount as may from time to time be allowed by the Stock Exchange) will be payable by the Shareholders to the share registrar for exchange of new share certificates.

After 4:10 p.m. on Friday, 15 August 2025, trading will only be in Consolidated Shares which share certificates will be issued in red colour. Existing share certificates in blue colour for the Existing Shares will cease to be valid for trading and settlement purpose, but will remain valid and effective as documents of title.

PROPOSED SHARE PREMIUM REDUCTION

The Board proposed to reduce the share premium of the Company in accordance with the applicable laws of Bermuda and the Bye-laws. The amount standing to the credit of the share premium account of the Company as at 31 December 2024 was approximately HK\$899.1 million. It is proposed that the entire amount standing to the credit of the share premium account be reduced and cancelled and be applied towards setting off part of the amount of the accumulated losses of the Company. As at 31 December 2024, the total amount of the accumulated losses of the Company was approximately HK\$1,540.1 million.

Effect of the Share Premium Reduction

The implementation of the Share Premium Reduction does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the shares of the Company or the trading arrangements concerning the shares of the Company. Save for the expenses incurred by the Company in relation to the Share Premium Reduction, the implementation of the Share Premium Reduction will not, in itself, have any material adverse effect on the underlying assets, liabilities, business operations, management or financial position of the Company or the interests of the Shareholders as a whole.

Conditions of the Share Premium Reduction

The Share Premium Reduction is conditional upon:

- (i) the Share Premium Reduction having been approved by the Shareholders at the SGM by way of poll; and
- (ii) the compliance with all relevant procedures and requirements under the applicable laws of Bermuda and the Listing Rules to effect the Share Premium Reduction.

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

Subject to the fulfilment of the above conditions, it is expected that the Share Premium Reduction shall become effective on the date of the SGM.

PROPOSED CHANGE IN BOARD LOT SIZE

The Existing Shares are currently traded on the Stock Exchange in board lot size of 8,000 Existing Shares. The Board proposes to change the board lot size for trading to 16,000 Consolidated Shares per board lot upon the Share Consolidation becoming effective.

Based on the closing price of HK\$0.01 per Existing Share (equivalent to the theoretical closing price of HK\$0.20 per Consolidated Share) as at the Latest Practicable Date, (i) the value per board lot of 8,000 Existing Shares is HK\$80; and (ii) the value of each board lot of 16,000 Consolidated Shares would be HK\$3,200 upon the Share Consolidation and the Change in Board Lot Size becoming effective.

PROPOSED DEBT CAPITALISATION

After trading hours of the Stock Exchange on 15 May 2025, (i) the Company and Subscriber I entered into the Debt Capitalisation Agreement I, pursuant to which, the Company has agreed to allot and issue, and Subscriber I has agreed to subscribe for, 289,574,140 Capitalisation Shares at the Capitalisation Issue Price of HK\$0.20 per Capitalisation Share; and (ii) the Company and Subscriber II entered into the Debt Capitalisation Agreement II, pursuant to which, the Company has agreed to allot and issue, and Subscriber II has agreed to subscribe for, 215,000,000 Capitalisation Shares at the Capitalisation Issue Price of HK\$0.20 per Capitalisation Share, upon the Share Consolidation becoming effective.

The amount of the total Capitalisation Issue Price will be set off against all of the shareholder's loans owing by the Company to Subscriber I and part of the shareholder's loans owing by the Company to Subscriber II, on a dollar-to-dollar basis.

Save for the parties to the agreement, the amount of loans to be capitalised and the number of the Capitalisation Shares to be allotted and issued, salient terms of the two Debt Capitalisation Agreements are the same.

Debt Capitalisation Agreement I

Date

15 May 2025

Parties

- (i) The Company, as issuer; and
- (ii) Subscriber I, as subscriber.

Subscriber I was a Substantial Shareholder interested in 2,206,750,364 Existing Shares, representing approximately 17.2% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Subscriber I is a connected person of the Company.

Subject matter

As at 30 April 2025, the aggregate amount owing by the Company to Subscriber I was approximately HK\$57.9 million, comprising loan principal of HK\$48.1 million and accrued interest of approximately HK\$9.8 million, and are repayable by 31 December 2025.

Pursuant to the Debt Capitalisation Agreement I, the Company will allot and issue, and Subscriber I will subscribe for, 289,574,140 Capitalisation Shares at the Capitalisation Issue Price, which will be set-off against the entire amount of the outstanding shareholder's loan owing by the Company to Subscriber I of approximately HK\$57.9 million on a dollar-to-dollar basis by execution of a deed of set-off upon completion of the Debt Capitalisation Agreement I. Subscriber I will waive all other interest that may be accrued during the period from 1 May 2025 to the date of completion of the Debt Capitalisation Agreement I, which would amount to approximately HK\$321,000 assuming that completion of the Debt Capitalisation Agreements takes place on 15 July 2025.

Debt Capitalisation Agreement II

Date

15 May 2025

Parties

- (iii) The Company, as issuer; and
- (iv) Subscriber II, as subscriber.

Subscriber II was a non-executive Director and a Substantial Shareholder interested in 1,569,420,951 Existing Shares, representing approximately 12.2% of the total issued share capital of the Company as at the Latest Practicable Date. As such, Subscriber II is a connected person of the Company.

Subject matter

As at 30 April 2025, the aggregate amount owing by the Company to Subscriber II was approximately HK\$261.7 million, comprising loan principal of HK\$250.0 million and accrued interest of approximately HK\$11.7 million, and are repayable by 31 December 2027.

Pursuant to the Debt Capitalisation Agreement II, the Company will allot and issue, and Subscriber II will subscribe for, 215,000,000 Capitalisation Shares at the Capitalisation Issue Price, which will be set-off against part of the outstanding shareholder's loan owing by the Company to Subscriber II of HK\$43.0 million on a dollar-to-dollar basis by execution of a deed of set-off upon completion of the Debt Capitalisation Agreement II. Subscriber II will waive all other interest that may be accrued on such amount of loan which will be capitalised pursuant to the Debt Capitalisation Agreement II during the period from 1 May 2025 to the date of completion of the Debt Capitalisation Agreement II, which would amount to approximately HK\$215,000 assuming that completion of the Debt Capitalisation Agreements takes place on 15 July 2025.

Upon completion of the Debt Capitalisation Agreement II, the remaining shareholder's loan owing by the Company to Subscriber II will be reduced to approximately HK\$218.7 million.

Capitalisation Shares

An aggregate of 504,574,140 Capitalisation Shares will be allotted and issued, credited as fully paid, by the Company to the Subscribers under the Debt Capitalisation. Assuming there will be no issue of other new Existing Shares or Consolidated Shares from the date of the Debt Capitalisation Agreements and up to the date of completion of the Debt Capitalisation Agreements, the Capitalisation Shares represent (i) approximately 78.7% of the issued share capital of the Company upon the Share Consolidation having taken effect; (ii) approximately 44.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares; and (iii) approximately 29.4% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Rights Shares.

Capitalisation Issue Price

The Capitalisation Issue Price of HK\$0.20 per Capitalisation Share represents:

- (i) the same price as the theoretical closing price of the Consolidated Shares of HK\$0.20 based on the closing price of the Existing Shares of HK\$0.01 quoted on the Stock Exchange on the Last Trading Day;
- (ii) the same price as the average of the theoretical closing prices of the Consolidated Shares of HK\$0.20 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of HK\$0.01;
- (iii) a discount of approximately 1.0% to the theoretical closing prices of the Consolidated Shares of HK\$0.202 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of HK\$0.0101;
- (iv) a discount of approximately 0.7% to the average of the theoretical closing prices of the Consolidated Shares of approximately HK\$0.201 based on the average of the closing prices of the Existing Shares quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.01007;
- (v) a discount of approximately 56.2% to the net asset value of the Company per Consolidated Share as at 30 June 2024 of approximately HK\$0.457 calculated based on the audited consolidated net asset value attributable to the Shareholders as at 30 June 2024 of approximately HK\$293.1 million and 641,224,200 Consolidated Shares;

- (vi) a discount of approximately 54.5% to the net asset value of the Company per Consolidated Share as at 31 December 2024 of approximately HK\$0.440 calculated based on the unaudited consolidated net asset value attributable to the Shareholders as at 31 December 2024 of approximately HK\$281.9 million and 641,224,200 Consolidated Shares;
- (vii) the same price as the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.20 calculated based on the theoretical closing prices of the Consolidated Shares for the last five consecutive trading days up to and including the Last Trading Day, and there will be no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules); and
- (viii) the same price as the theoretical closing price of the Consolidated Shares of HK\$0.20 based on the closing price of the Existing Shares of HK\$0.01 quoted on the Stock Exchange on the Latest Practicable Date.

The Capitalisation Issue Price was arrived at after arm's length negotiation between the Company and the Subscribers taking into account the prevailing market prices, the thin trading volume of the Shares, as well as the current market conditions.

The Company notes that the Capitalisation Issue Price represents a relatively large discount of approximately 54.5% to the net asset value attributable to the Shareholders as at 31 December 2024. However, the Shares have been trading very low at or close to the extremity of HK\$0.01 for a prolong period of time. The average of the closing prices of the Shares during the two years immediately prior to the Last Trading Day was also approximately HK\$0.01023, and the discounts of the average closing price of the Shares to the net asset value attributable to the Shareholders during this two-year period ranged between approximately 53.4% and 88.7%. The Company is of the view that this may indicate that investors might not have valued the Shares based on the underlying value of the Group's assets. Accordingly, having considered the business development of the Group and prevailing market conditions, and taking into account the reasons for the Debt Capitalisation as disclosed in the section headed "Reasons for and benefits of the Proposals and use of proceeds" below, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the terms of the Debt Capitalisation Agreements (including the Capitalisation Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Debt Capitalisation Agreements is subject to and conditional upon:

- (i) the Share Consolidation having taken effect;
- (ii) the Debt Capitalisation Agreements and the transactions contemplated thereunder including the Specific Mandate having been approved by more than 50% of the Independent Shareholders at the SGM by way of poll;
- (iii) the Executive having granted to the Subscribers the Whitewash Waiver, and any conditions attaching to the Whitewash Waiver including the approval by at least 75% of the Independent Shareholders at the SGM by way of poll having been satisfied;

- (iv) the Underwriting Agreement and the transactions contemplated thereunder having been approved by more than 50% of the Independent Shareholders at the SGM by way of poll;
- (v) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consolidated Shares and the Capitalisation Shares;
- (vi) all necessary approvals and consents on the part of the Company in relation to the Debt Capitalisation Agreements and the transactions contemplated thereunder having been obtained; and
- (vii) all necessary approvals and consents on the part of the Subscribers in relation to the Debt Capitalisation Agreements and the transactions contemplated thereunder having been obtained.

In respect of condition (iv) above, completion of the Debt Capitalisation Agreements is conditional on the Independent Shareholders' approval of the Underwriting Agreement and the transactions contemplated thereunder, but not conditional on completion of the Rights Issue.

None of the above conditions can be waived by the parties. As at the Latest Practicable Date, each of the Company and the Subscribers was not aware of any other approval and consent was required in respect of conditions (vi) and (vii).

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

If the above conditions are not fulfilled on or before 31 July 2025 (or such later date as may be agreed between the parties in writing), the Debt Capitalisation Agreements shall cease and terminate and neither parties shall have any claim against the other for compensation save for any antecedent breach of the Debt Capitalisation Agreements.

Completion of the Debt Capitalisation Agreements

Completion of the Debt Capitalisation Agreements shall take place within three Business Days after the date upon which all the aforesaid conditions have been fulfilled, or at such other date as the parties may agree in writing, and at the principal place of business of the Company in Hong Kong or such venue as the parties may agree.

Based on the current expected timetable, the expected completion date of the Debt Capitalisation will be on 15 July 2025.

Ranking of the Capitalisation Shares

The Capitalisation Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Capitalisation Shares. Holders of the Capitalisation 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 Capitalisation Share.

Specific Mandate

The Capitalisation Shares will be allotted and issued pursuant to the Specific Mandate to be sought and approved by more than 50% of the Independent Shareholders at the SGM.

Application for listing of the Capitalisation Shares

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Capitalisation Shares.

PROPOSED RIGHTS ISSUE

The Company proposed to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) Consolidated Shares (including the Capitalisation Shares to be allotted and issued pursuant to the Debt Capitalisation) held on the Record Date at the Rights Issue Price of HK\$0.20 per Rights Share, to raise gross proceeds of up to approximately HK\$114.6 million by issuing 572,899,170 Rights Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares) to the Qualifying Shareholders. The net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$112.0 million. The Rights Issue will not be extended to the Non-Qualifying Shareholders.

Details of the Rights Issue are summarised as follows:

Basis of the Rights Issue	: One (1) Rights Share for every two (2) Consolidated Shares held on the Record Date
Rights Issue Price	: HK\$0.20 per Rights Share
Number of Existing Shares in issue as at the Latest Practicable Date	: 12,824,484,010 Existing Shares
Number of Consolidated Shares in issue upon the Share Consolidation becoming effective and upon the allotment and issue of the Capitalisation Shares	: 1,145,798,340 Consolidated Shares
Number of Rights Shares to be issued pursuant to the Rights Issue	: 572,899,170 Rights Shares
Aggregate nominal value of the Rights Shares	: Approximately HK\$458,319
Total number of Consolidated Shares in issue as enlarged by the allotment and issue of the Capitalisation Shares and the Rights Shares	: 1,718,697,510 Consolidated Shares

Number of Rights Shares subject to the Irrevocable Undertakings	:	Each of Subscriber I, Subscriber II and Mr. Yang has irrevocably undertaken to the Company that each of them will take up the 199,955,829 Rights Shares, the 146,735,523 Rights Shares and the 52,570,429 Rights Shares, respectively, under each of their entitlements pursuant to the terms of the Rights Issue.
Number of Underwritten Shares	:	173,637,389 Rights Shares, being the total of 572,899,170 Rights Shares minus the aggregate of 399,261,781 Rights Shares subject to the Irrevocable Undertakings
Underwriter	:	Subscriber I
The proceeds from the Rights Issue (before expenses)	:	Approximately HK\$114.6 million
The proceeds from the Rights Issue (after deducting expenses)	:	Approximately HK\$112.0 million

As at the Latest Practicable Date, the Company had no outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares. Save for the allotment and issue of the Capitalisation Shares, the Company has no intention to issue or grant any other Shares, convertible securities, warrants and/or options on or before the Record Date.

Assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares, and that no other new Shares other than the Rights Shares will be allotted and issued on or before completion of the Rights Issue, the 572,899,170 Rights Shares represent (i) 50.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares; and (ii) approximately 33.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Capitalisation Shares and the Rights Shares.

Rights Issue Price

The Rights Issue Price is HK\$0.20 per Rights Share, which is the same as the Capitalisation Issue Price, and is payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The price comparison of the Rights Issue Price with the prevailing market prices of the Shares and the net asset value attributable to the Shareholders is the same as that for the Capitalisation Issue Price as discussed in the section headed “Proposed Debt Capitalisation – Capitalisation Issue Price” above. The equal pricing for the Rights Issue can ensure that the Qualifying Shareholders have the opportunity to participate in the Group’s future development at the same price as the Subscribers. The theoretical ex-rights price will also be the same as the benchmarked price (as defined under Rule 7.27B of the Listing Rules) of HK\$0.20, and there will be no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

The net Rights Issue Price per Rights Share (after deducting expenses) is estimated to be approximately HK\$0.196 per Rights Share. The Rights Issue Price and the subscription ratio was determined by the Company with reference to the prevailing market prices of the Shares, the current market conditions, the financial condition of the Group and the fund-raising size intended by the Company.

Having considered the above and taking into account the reasons for the Rights Issue as disclosed in the section headed “Reasons for and benefits of the Proposals and use of proceeds” below, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the terms of the Rights Issue (including the Rights Issue Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Status of the Rights Shares

The Rights Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all other Shares in issue at the time of allotment and issue of the Rights Shares. Holders of the fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid with a record date falling on or after the date of allotment and issue of the Rights Shares in their fully-paid form.

Basis of provisional allotment

The basis of the provisional allotment shall be one (1) Rights Share (in nil-paid form) for every two (2) Consolidated Shares held by the Qualifying Shareholders as at the close of business on the Record Date, which was determined taking into account (i) that the ratio would be non-aggressive to attract minority Shareholders to participate in the Rights Issue and thereby the long-term development of the Group; (ii) the Group’s overall financial position; and (iii) the expected funding requirement for the coming future.

Application for all or any part of a Qualifying Shareholder’s provisional allotment shall be made by completing a PAL and lodging the same with remittance for the Rights Shares accepted with the Registrar by 4:00 p.m. on Tuesday, 12 August 2025.

If a Qualifying Shareholder wishes to accept only a part of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholder will need to split his/her/its PAL into the denominations required. Details as to how to split the PALs will be set out in the Prospectus.

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 at the close of business on the Record Date and not be a Non-Qualifying Shareholder.

Shareholders with their Shares held by a nominee (or held in CCASS) should note that the Board will consider the said nominee (including HKSCC Nominees Limited) as one single Shareholder according to the register of members of the Company, and are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to the Record Date.

In order to be registered as members of the Company at the close of business on the Record Date, transfer documents (together with the relevant share certificate(s)) must be lodged with the Registrar no later than 4:00 p.m. on Monday, 21 July 2025.

The Prospectus Documents are expected to be made available and/or despatched (as the case may be) to the Qualifying Shareholders on the Prospectus Posting Date (i.e. Tuesday, 29 July 2025). The Company will despatch the PAL(s) in printed form to the Qualifying Shareholders. Copies of the Prospectus Documents will also be made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhongzheng.com.hk).

Closure of register of members

The register of members of the Company will be closed from Tuesday, 22 July 2025 to Monday, 28 July 2025 (both days inclusive) for determining the entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholders may or may not be eligible to take part in the Rights Issue. As at Latest Practicable Date, there were a total of two Overseas Shareholders with addresses in the British Virgin Islands and the Mainland China.

The Company has, in compliance with Rule 13.36(2)(a) of the Listing Rules, made reasonable enquiries of the legal requirements regarding the feasibility of extending the Rights Issue to the Overseas Shareholders. Based on the legal advice provided by the respective legal advisers of the British Virgin Islands and the Mainland China engaged by the Company as at the Latest Practicable Date and having considered the circumstances, the Directors are of the view that the relevant overseas legal restrictions and requirements of the relevant regulatory body or the Stock Exchange do not make it necessary or expedient to exclude the Overseas Shareholders with registered addresses in the British Virgin Islands and the Mainland China from the Rights Issue. Accordingly, the Rights Issue will be offered to the Overseas Shareholders in those jurisdictions.

The Company will continue to ascertain whether there are any other Overseas Shareholders as at the Record Date and will, if necessary, make further enquiries with legal advisers in other overseas jurisdictions regarding the feasibility of extending the Rights Issue to such Overseas Shareholders as at the Record Date and make relevant disclosure in the Prospectus.

The Company will make available and/or despatched (as the case may be) the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but will not send any PAL to them.

The Non-Qualifying Shareholders (which are excluded from the Rights Issue) will not have any entitlement under the Rights Issue. However, arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the Rights Shares in their nil-paid form commence and before dealings in the Rights Shares in their nil-paid form end, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, will be paid pro rata (but rounded down to the nearest cent) to the Non-Qualifying Shareholders in Hong Kong dollars, except that the Company will retain individual amounts of less than HK\$100 for its own benefit.

Any NQS Unsold Rights Shares, which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders in nil-paid form, will be placed by the Placing Agent on a best effort basis to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties, at the price not less than the Rights Issue Price under the Placing together with other Unsubscribed Rights Shares. Any Unsubscribed Rights Shares remain not placed after completion of the Placing will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Company pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company reserves the right to treat as invalid any acceptance of Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders should exercise caution when dealing in the Shares.

Fractional entitlement to the Rights Shares

No fractional entitlements to the Rights Shares shall be issued to the Shareholders. All fractions of the Rights Shares shall be rounded down to the nearest whole number of Rights Shares and aggregated and, if a premium (net of expenses) can be achieved, sold in the market by the Company for its own benefit.

Certificates of the Rights Shares and refund cheques for the Rights Issue

Subject to fulfilment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be sent on or before Wednesday, 20 August 2025 to those entitled thereto by ordinary post, at their own risk, to their registered addresses. Each allottee will receive one share certificate for all allotted Rights Shares.

If the Underwriting Agreement is terminated or does not become unconditional, refund cheques will be despatched on or before Wednesday, 20 August 2025 by ordinary post, at the respective Shareholders' own risk, to their registered addresses.

The Irrevocable Undertakings

Upon completion of the Debt Capitalisation, Subscriber I will be interested in 399,911,658 Consolidated Shares, representing approximately 34.9% of the issued share capital of the Company upon allotment and issue of the Capitalisation Shares. Subscriber I has irrevocably undertaken to the Company that (i) he will subscribe for 199,955,829 Rights Shares which comprise the full amount of provisional entitlements in respect of the 399,911,658 Consolidated Shares; (ii) he will not dispose of, or agree to dispose of, any of the 399,911,658 Consolidated Shares, and such Shares will remain beneficially owned by him up to and including the Record Date; and (iii) he will lodge the subscription for the 199,955,829 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him under the Rights Issue with the Registrar.

Upon completion of the Debt Capitalisation, Subscriber II will be interested in 293,471,047 Consolidated Shares, representing approximately 25.6% of the issued share capital of the Company upon allotment and issue of the Capitalisation Shares. Subscriber II has irrevocably undertaken to the Company that (i) he will subscribe for 146,735,523 Rights Shares which comprise the full amount of provisional entitlements in respect of the 293,471,047 Consolidated Shares; (ii) he will not dispose of, or agree to dispose of, any of the 293,471,047 Consolidated Shares, and such Shares will remain beneficially owned by him up to and including the Record Date; and (iii) he will lodge the subscription for the 146,735,523 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him under the Rights Issue with the Registrar.

Upon completion of the Debt Capitalisation, Mr. Yang will be interested in 105,140,858 Consolidated Shares, representing approximately 9.2% of the issued share capital of the Company upon allotment and issue of the Capitalisation Shares. Mr. Yang has irrevocably undertaken to the Company that (i) he will subscribe for 52,570,429 Rights Shares which comprise the full amount of provisional entitlements in respect of the 105,140,858 Consolidated Shares; (ii) he will not dispose of, or agree to dispose of, any of the 105,140,858 Consolidated Shares, and such Shares will remain beneficially owned by him up to and including the Record Date; and (iii) he will lodge the subscription for the 52,570,429 Rights Shares which will be the number of Rights Shares provisionally allotted (on nil-paid basis) to him under the Rights Issue with the Registrar.

Application for listing of the Rights Shares

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and the 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. Other than on the Stock Exchange, no part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Subject to the granting of the listing of, and the 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 their nil-paid and fully-paid forms with their new board lot size (i.e. 16,000) as their underlying Shares 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 settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their licensed securities dealer(s) or other professional adviser(s) for details of those settlement arrangements and how such arrangements will affect their rights and interests.

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

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

Subscriber I, who will be a Controlling Shareholder as at the time of conducting the Rights Issue, will act as the Underwriter. Pursuant to Rule 7.21(2) of the Listing Rules, the Company will make arrangements to dispose of the Unsubscribed Rights Shares by offering the Unsubscribed Rights Shares to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties, for the benefit of the relevant No Action Shareholders to whom they were offered under the Rights Issue. As the Compensatory Arrangements are in place, there will be no excess application arrangements in relation to the Rights Issue.

The Company has appointed the Placing Agent to place the Unsubscribed Rights Shares after the Latest Time for Acceptance to independent Placee(s) on a best effort basis, and any premium over the aggregate amount of (i) the Rights Issue Price for those Rights Shares; and (ii) the expenses of the Placing Agent (including any other related costs and expenses), that is realised from the Placing (i.e. the Net Gain) will be paid to those No Action Shareholders in the manner set out below. The Placing Agent will, on a best effort basis, procure, by not later than 4:00 p.m. on Monday, 18 August 2025, acquirers of those Unsubscribed Rights Shares at a price not less than the Rights Issue Price. The principal terms and conditions of the Placing Agreement are set out in the section headed “Proposed Rights Issue – The Placing Agreement” below. Any unsold Unsubscribed Rights Shares under the Compensatory Arrangements will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.

Net Gain (if any but rounded down to the nearest cent) will be paid on a pro-rata basis to the No Action Shareholders as set out below:

- (i) where the nil-paid rights are, at the time they lapse, represented by a PAL, to the person whose name and address appeared on the PAL; and
- (ii) where the nil-paid rights are, at the time they lapse, registered in the name of HKSCC Nominees Limited, to the beneficial holders (via their respective CCASS participants) as the holder of those nil-paid rights in CCASS.

It is proposed that if the Net Gain to any of the No Action Shareholder(s) mentioned in (i) above is more than HK\$100, the entire amount will be paid to them; or (ii) is HK\$100 or less, such amount will be retained by the Company for its own benefit.

Conditions of the Rights Issue

The Rights Issue will be conditional upon completion of the Debt Capitalisation Agreements and obtaining the Independent Shareholders’ approval of the Underwriting Agreement and the Underwriting Agreement becoming unconditional. Details of the conditions of the Underwriting Agreement are set out in the section headed “Proposed Rights Issue – The Underwriting Agreement – Conditions of the Underwriting Agreement” below.

As at the Latest Practicable Date, the conditions of the Rights Issue had not been fulfilled.

Based on the current expected timetable, the expected date of commencement of dealings in fully-paid Rights Shares will be on Thursday, 21 August 2025.

The Placing Agreement

After trading hours of the Stock Exchange on 15 May 2025, the Company and the Placing Agent entered into the Placing Agreement, pursuant to which the Placing Agent has agreed to procure Placee(s), on a best effort basis, to subscribe for the Unsubscribed Rights Shares. Principal terms of the Placing Agreement are set out below.

Date	:	15 May 2025
Placing Agent	:	VC Brokerage Limited, a licensed corporation carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO The Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties, and are independent and not connected with and not acting in concert with the Subscribers and their respective concert parties
Placing commission	:	2.0% of the gross proceeds from the successful placement of the Unsubscribed Rights Shares
Placing price of the Unsubscribed Rights Shares	:	The placing price of the Unsubscribed Rights Shares shall be not less than the Rights Issue Price. The final price will be determined based on the demand for and market conditions of the Unsubscribed Rights Shares at the time of placement.
Placees	:	The Unsubscribed Rights Shares shall only be offered by the Placing Agent to Placee(s) who and whose ultimate beneficial owner(s) are Independent Third Party(ies) and are not acting in concert with the Subscribers and their respective concert parties.
Ranking of the Unsubscribed Rights Shares	:	The Unsubscribed Rights Shares (when placed, allotted, issued and fully paid) shall rank <i>pari passu</i> in all respects among themselves and with the Shares then in issue.
Placing period	:	Thursday, 14 August 2025 to Monday, 18 August 2025, or such other dates as the Company may announce, being the period during which the Placing Agent will seek to effect the Compensatory Arrangements

Placing condition	: Completion of the Placing is conditional upon the Underwriting Agreement becoming unconditional.
Termination	: The obligations of the Placing Agent under the Placing Agreement will be terminated if all of the Rights Shares have been accepted by the Qualifying Shareholders on or before the Latest Time for Acceptance.

The terms of the Placing Agreement (including the placing commission thereof) were determined after arm's length negotiation between the Company and the Placing Agent with reference to the size of the Rights Issue and the prevailing market rate of commission and are on normal commercial terms. The Directors consider that the terms of the Placing Agreement are fair and reasonable.

Given that the Compensatory Arrangements would provide a compensatory mechanism for the No Action Shareholders, the Directors consider that the Compensatory Arrangements are in the interest of the minority Shareholders.

The Underwriting Agreement

After trading hours of the Stock Exchange on 15 May 2025, the Company and the Underwriter entered into the Underwriting Agreement, pursuant to which the Rights Shares (other than those Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriter in accordance with the terms of the Underwriting Agreement. Principal terms of the Underwriting Agreement are set out below.

Date	: 15 May 2025
Underwriter	: Subscriber I, who was a Substantial Shareholder as at the Latest Practicable Date. As such, Subscriber I complies with Rule 7.19(1)(b) of the Listing Rule. It is not in the ordinary course of business of Subscriber I to underwrite securities.
Number of Rights Shares to be underwritten by the Underwriter	: 173,637,389 Rights Shares (assuming there will be no issue of other new Shares from the Latest Practicable Date up to the Record Date save for the allotment and issue of the Capitalisation Shares)
Underwriting commission	: Nil

Subject to the fulfilment of the conditions under the Underwriting Agreement and provided that the Underwriting Agreement is not terminated prior to the Latest Time for Termination in accordance with the terms of the Underwriting Agreement, the Underwriter has agreed to subscribe for the Untaken Rights Shares (being any Unsubscribed Rights Shares that are not placed by the Placing Agent under the Placing Agreement) at the Rights Issue Price.

Having considered the terms of the Underwriting Agreement, including that no commission is payable to the Underwriter, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the Underwriting Agreement is on normal commercial terms or better and is fair and reasonable so far as the Shareholders are concerned.

Conditions of the Underwriting Agreement

The obligations of the Underwriter under the Underwriting Agreement are conditional on the fulfilment of the following conditions:

- (i) the Underwriting Agreement and the transactions contemplated thereunder having been approved by more than 50% of the Independent Shareholders at the SGM by way of poll;
- (ii) all necessary approvals and consents in relation to the Underwriting Agreement and the transactions contemplated thereunder having been obtained by the Company, and the requirements of the Bermuda laws, the Listing Rules and the Takeovers Code having been complied with;
- (iii) completion of the Debt Capitalisation having taken place;
- (iv) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, by no later than the Prospectus Posting Date;
- (v) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (vi) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Rights Shares, and not having withdrawn or revoked such grant and permission;
- (vii) the Company having complied with and performed all its commitments and obligations in accordance with the terms of the Underwriting Agreement;
- (viii) the Underwriter having complied with and performed all its commitments and obligations in accordance with the terms of the Underwriting Agreement;
- (ix) the Underwriting Agreement not having been terminated in accordance with its terms and conditions; and

- (x) all representations, warranties and undertakings given by the Company in the Underwriting Agreement not having been breached and being true, correct and not misleading in any material respects.

None of the above conditions is capable of being waived. As at the Latest Practicable Date, save for the Independent Shareholders' approval, the Company was not aware of any other approval and consent is required in respect of condition (ii).

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

If any of the conditions precedent are not satisfied by the Latest Time for Termination, the Underwriting Agreement shall terminate and no party will have any claim against any other party save for any antecedent breaches and claims thereof.

Termination of the Underwriting Agreement

The Underwriter shall be entitled by a notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement if, prior to the Latest Time for Termination:

- (i) in the reasonable opinion of the Underwriter, the success of the Rights Issue would be materially and adversely affected by:
 - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or is materially adverse in the context of the Rights Issue; or
 - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date thereof) of a political, military, financial, economic or other nature (whether or not of the same kind with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may materially and adversely affect the business or the financial or trading position or prospects of the Company as a whole or materially and adversely prejudice the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or
- (ii) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of the Underwriter is likely to materially or adversely affect the success of the Rights Issue or otherwise makes it inexpedient or inadvisable to proceed with the Rights Issue; or

- (iii) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of the Underwriter will materially and adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or the destruction of any material asset of any member of the Group.

If prior to the Latest Time for Termination any such notice as is referred to above is given by the Underwriter, all obligations of the Underwriter under the Underwriting Agreement shall cease and determine.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement will be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

REASONS FOR AND BENEFITS OF THE PROPOSALS AND USE OF PROCEEDS

Background of the Group

The Group is principally engaged in the business of manufacturing and sale of healthcare and household products, coal mining business and money lending business. The Group also has a 35%-interest in an associate principally engaged in a property development project in Malaysia.

Over the past few years, the Group faced significant challenges in its business operations, particularly the PRC property development operations, due to adverse market conditions including a severe credit crunch in the PRC property sector, and incurred significant losses. The heavily debt financed PRC property development operations further poised significant burden on the financial position of the Group. In the circumstances, the auditors of the Company issued qualified opinions on five items for the financial year ended 30 June 2024 regarding, among other things, the PRC property development operations. As such, the Company's focus and energy were inevitably driven to exploring means to restructure the business operations of the Group, offloading the financial burden and resolving the auditor's qualified opinions.

After years of efforts, the Group finally disposed the PRC property development operations to Subscriber II in July 2024, and realigned the business segments of the Group, details of which are set out in the circular of the Company dated 28 June 2024. Following the disposal of the PRC property development operations, three out of the five qualified opinions were address. The Group also took measures to resolve the other two qualified opinions in May 2024 and March 2025, respectively, and the Company was of the view that all of the five qualified opinions had been fully addressed. The Company is therefore able to shift back its focus to optimising its capital structure, strengthening the financial position of the Group and developing its core business operations. In particular, in view of the depletion of the Group's financial resources by the PRC property development operations over years, and the adverse impact of the China-United States trade war on, among other things, the Group's business of manufacturing and sale of healthcare and household products, the Company is in need of new capital to support the business development of the Group.

Debt Capitalisation

As disclosed in the unaudited consolidated statement of financial position as set out in the interim report of the Company for the six months ended 31 December 2024, as at 31 December 2024, the Group had (i) bank and other borrowings of approximately HK\$29.0 million; and (ii) shareholder's loans owing to the Subscribers comprising loan principal of approximately HK\$298.1 million in aggregate and accrued interest of approximately HK\$20.8 million in aggregate. The gearing ratio (calculated by dividing total debt and borrowings by total equity) as at 31 December 2024 was approximately 116.0%. On the other hand, the Group only had bank and cash balances of approximately HK\$2.3 million as at 31 December 2024, and recorded net current liabilities of approximately HK\$103.2 million, reflecting substantial financial leverage.

Subscriber I acquired the loan in the amount of approximately HK\$32.6 million together with the 17.2% shareholding interest in the Company from a former shareholder of the Company in December 2023. This loan is unsecured and interest bearing at 2.2% per annum. He granted four further unsecured loans to the Company in May 2024, July 2024, September 2024 and November 2024, respectively, which are interest bearing at 5% per annum. As at 30 April 2025, shareholder's loans from Subscriber I amounted to approximately HK\$57.9 million in aggregate, comprising loan principal of HK\$48.1 million and accrued interest of approximately HK\$9.8 million, and are repayable by 31 December 2025.

Subscriber II granted two unsecured loans to the Company in August 2019 and November 2019, which are interest bearing at the rate of 2.2% per annum and 5% per annum, respectively. As at 30 April 2025, shareholder's loans from Subscriber II amounted to approximately HK\$261.7 million in aggregate, comprising loan principal of HK\$250.0 million and accrued interest of approximately HK\$11.7 million, and are repayable by 31 December 2027.

Given the Group's liquidity constraints and financial position, in particular the lack of working capital, the net current liabilities position and the high gearing ratio, it is imperative for the Company to resolve the liquidity and funding issue in order for the Group to continue moving forward. Although the repayment dates of the shareholder's loans have not yet been due, the substantial outstanding amounts and the continuous accrual of interest expenses further strain the Group's financial health. Without alleviating these liabilities, the Group's financial position will remain weak and vulnerable.

Recognising that the shareholder's loans were originally extended by the Subscribers to fund the Group's operations, the Company therefore proposed, and the Subscribers agreed, to capitalise all of the shareholder's loans owing to Subscriber I and part of their respective shareholder's loans owing to Subscriber II. This approach will remove Subscriber I as a creditor of the Group and settle a large portion of the Group's outstanding debts without depleting its existing financial resources or triggering significant cash outflows, particularly having considered the Group's limited liquidity. It will also convert the Subscribers funding supports into permanent capital of the Company.

The Board considered that the Debt Capitalisation will reduce finance costs, alleviating the Group's ongoing financial burden, improving its profitability and cash flow. Through conducting the Debt Capitalisation, the financial position of the Group will be improved, making it more viable for future fund-raising efforts, including the impending Rights Issue. The willingness of the Subscribers to capitalise their debts into equity also demonstrates their long-term commitment to the Group's development. Following the Debt Capitalisation, the Subscribers will further support the Group by contributing additional funding through the Rights Issue.

The Board had assessed other alternative methods to repay the shareholder's loans but considered that they would not be feasible and practical to resolve the Group's needs, as (i) it would be difficult to source sufficient funds to fully repay the shareholder's loans given the substantial amount; (b) replacing the debt with alternative debt financing would not enhance the Group's financial standing and could exacerbate its leverage issues; and (c) the Group's weak financial position makes it impractical to conduct a rights issue or other equity fund raising before its financial position improves. The Board also considered that further extending the shareholder's loans would not be preferable as the financial position would not be improved and finance costs would continue be incurred, and it would not be helping the future development of the Group. In view of the above, the Debt Capitalisation would be the most feasible and practical approach to reduce the liabilities, alleviate the financial costs and improve the financial position of the Group.

It is noted that the allotment and issue of the Capitalisation Shares would dilute the shareholding of other Shareholders (other than the Subscribers) from approximately 70.6% to 39.5%. However, considering that the Share price has been very low at or close to the extremity of HK\$0.01 for a prolonged period of time, without improving the continuous weak financial position and liquidity issues, the future development of the Group would continue to be hindered, and the improvement in the value of the Shares would be difficult. As the improvement in the long-term investment value of the Shares is considered to be beneficial to all of the Shareholders, the Company thus proposed the Debt Capitalisation followed by the Rights Issue despite the dilution effect.

Having considered that the Debt Capitalisation would (i) alleviate the Group's financial burden and the repayment pressure on the outstanding debts; (ii) preserve as much liquidity as possible; (iii) expand the Company's capital base; (iv) reduce the gearing ratio while improving the net asset position, and thereby strengthen the Group's financial position; and (v) the Debt Capitalisation has no other disadvantages, and taking into account the terms of the Debt Capitalisation, particularly the Capitalisation Issue Price which is equal to the current market price, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) are of the view that the merits of the Debt Capitalisation justify the dilution.

Rights Issue

While the Debt Capitalisation would alleviate debt obligations and financial burden of the Group, it would not fully resolve its structural financial challenges, particularly the net current liabilities position and insufficient working capital for business development. As mentioned earlier, as at 31 December 2024, the Group only had bank and cash balances of approximately HK\$2.3 million and had net current liabilities of approximately HK\$103.2 million. Upon completion of the Debt Capitalisation, while the consolidated net assets of the Group would be improved, the Group would remain in a net current liabilities position as only part of the current liabilities in the amount of approximately HK\$57.9 million attributable to the shareholder's loans and accrued interest thereof owing to Subscriber I would have been capitalised. The remaining current liabilities mainly comprised trade and other payables and borrowings. Given the bank and cash balances, without additional funding, the Group would not be having sufficient working capital to meet its financial needs. To strengthen the Group's financial position, replenish the working capital and raise funding to improve the Group's liquidity, and thereby provide the Group with the financial flexibility necessary for support the Group's continuous business development particularly under the challenging market conditions amidst the China-United States trade war, the Company thus proposes the Rights Issue. This initiative would establish a permanent equity base, reduce reliance on debt financing and establish a more sustainable capital structure for the Group. Upon completion of the Rights Issue, the Group will raise net proceeds of approximately HK\$112.0 million which will provide the Group with sufficient working capital to meet its financial obligations, provide the cashflow to align the timing and amounts of payments to suppliers with receivables from customers and fund its operations. As at the Latest Practicable Date, the Company had no intention to conduct further equity fund raising activities in addition to the Rights Issue.

Given the Company's objective is to improve its capital structure, additional debt financing would not support deleveraging efforts. Consequently, the Company believes equity fundraising would be the preferable approach. Compared to a private placement which would bring further dilution to the shareholding of the Shareholders, the Rights Issue would offer the Qualifying Shareholders an opportunity to maintain their proportional interests and participate in the Group's future development. The Irrevocable Undertakings from the Substantial Shareholders, alongside the underwriting commitment from Subscriber I, further demonstrate their confidence in and support for the Group's future development. Additionally, the Rights Issue allows the Qualifying Shareholders who choose not to take up their entitlements to benefit by selling their nil-paid rights.

Intended use of proceeds

There will be no cash proceeds arising from the allotment and issue of the Capitalisation Shares as the amount of the total Capitalisation Issue Price will be fully set off against the shareholder's loans owing by the Company to the Subscribers on a dollar-to-dollar basis.

The gross proceeds from the Rights Issue will be approximately HK\$114.6 million and the net proceeds from the Rights Issue after deducting the expenses are estimated to be approximately HK\$112.0 million. The Company intends to apply the entire amount of the net proceeds from the Rights Issue as follows:

- (i) approximately HK\$48.0 million, or 43% of the net proceeds, be applied towards repayment of the outstanding debt of the Group, of which:
 - (a) by August 2025, approximately HK\$15.1 million, or 13% of the net proceeds, be applied towards repayment of an outstanding loan facility and the accrued interest thereof owing to Sky Treasure Group (Development) Limited, which is an investment holding company and is an Independent Third Party and is not a Shareholder, and has no other relationship (business or otherwise) with the Company and its connected persons. The loan facility is unsecured, carries interest rate of 6% per annum and will be due in July 2025; and
 - (b) by December 2025, approximately HK\$32.9 million, or 30% of the net proceeds, be applied towards repayment of an outstanding bank loan and the accrued interest thereof relating to the healthcare and household business. The bank loan is secured by the land use rights and the factory buildings, carries interest rate of 3% per annum and will be due in January 2028. While the bank loan is not yet due, having considered the challenging business environment amidst the China-United States trade war, the Company takes the initiative to minimise the costs for the Group's operations;
- (ii) approximately HK\$40.0 million, or 35% of the net proceeds, be applied towards strategic adjustment and business transformation for the Group's business of manufacturing and sale of healthcare and household products, of which:
 - (a) by December 2025, approximately HK\$6.0 million, or 5% of the net proceeds, be applied towards the development of diversified markets by establishing sales and marketing teams, with a focus on expanding into the Mainland China, the Middle East, Europe and/or the Southeast Asia;
 - (b) by December 2025, approximately HK\$6.0 million, or 5% of the net proceeds, be applied towards expanding domestic and/or cross-border e-commerce channels to establish direct sales pathways within the Mainland China and/or the overseas market; and
 - (c) by June 2026, approximately HK\$28.0 million, or 25% of the net proceeds, be applied towards optimising the products lines, trimming down low margin and loss-making products and developing higher margin products such as shavers or beauty devices for the healthcare and household business; and

- (iii) the remaining amount of approximately HK\$24.0 million, or 22% of the net proceeds, be used for general working purposes, of which:
 - (a) approximately HK\$12.0 million, or 11% of the net proceeds, be applied towards the faster payments to suppliers for discounted purchase price of materials; and
 - (b) approximately HK\$12.0 million, or 11% of the net proceeds, be used for payment for administrative expenses.

Taking into account the Debt Capitalisation and proceeds from the Rights Issue, the Company would have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the next twelve months.

Share Consolidation, Share Premium Reduction and Change in Board Lot Size

Pursuant to Rule 13.64 of the Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. Moreover, pursuant to the “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020, it stated that (i) market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) the expected board lot value per board lot should be greater than HK\$2,000 after taking into account the minimum transaction costs for a securities trade.

In view of the prevailing trading price of the Existing Shares of HK\$0.01 and the board lot value of HK\$80, the Company proposes to implement the Share Consolidation and the Change in Board Lot Size. It is expected that the proposed Share Consolidation and the Change in Board Lot Size will bring about a corresponding upward adjustment in the trading price and the board lot value of the Consolidated Shares on the Stock Exchange. As a result, the proposed Share Consolidation and the Change in Board Lot Size would enable the Company to comply with the trading requirements under the Listing Rules. The Company also considers that the Change in Board Lot Size will maintain the trading amount for each board lot at a reasonable level and attract more investors and broaden the shareholder base of the Company.

Besides, as at 31 December 2024, the Company had accumulated losses of approximately HK\$1,540.1 million. The Company proposes to transfer the entire amount standing to the credit of the share premium account of approximately HK\$899.1 million to the contributed surplus account of the Company to be applied towards setting off part of the accumulated losses of the Company. The Directors believe that reducing the Company's accumulated losses will provide the Shareholders and investors of the Company with a clearer understanding of the Company's financial position and business performance. Furthermore, this improvement in the financial position would enhance the Company's ability to consider dividend distributions to the Shareholders at an appropriate future time.

Directors' views

Having considered that the Proposals would (i) alleviate the Group's financial burden and debt pressure; (ii) improve the Group's financial position by reducing the gearing ratio and enhancing its net asset value; (iii) raise capital to support the continuous business development of the Group; (iv) expand the capital base and create a more sustainable capital structure; (v) offer the Qualifying Shareholders an opportunity to participate in the Rights Issue while maintaining their proportional interests in the Company; and (vi) enable the Company to comply with the trading requirements under the Listing Rules, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) are of the view that terms of the Proposals are on normal commercial terms and are fair and reasonable, and the respective transactions contemplated under the Proposals are in the interests of the Company and the Shareholders as a whole.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon the Share Consolidation having taken effect; (ii) upon the allotment and issue of the Capitalisation Shares; and (iv) upon completion of the Rights Issue in different scenarios as follows:

- (a) full acceptance of the Rights shares by all Qualifying Shareholders;
- (b) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Unsubscribed Rights Shares are fully placed to the Placees under the Compensatory Arrangements; and

- (c) nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all of the Untaken Rights Shares are taken up by the Underwriter.

Name of Shareholders	(iv) Upon completion of the Rights Issue, assuming											
	(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all						(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings), and					
	(i) As at the Latest Practicable Date	(ii) Upon the Share Consolidation having taken effect	(iii) Upon the allotment and issue of the Capitalisation Shares	(a) Full acceptance of the Rights Shares by all Qualifying Shareholders	(b) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all	(c) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings), and	(d) Full acceptance of the Rights Shares by all Qualifying Shareholders	(e) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all	(f) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings), and	(g) Full acceptance of the Rights Shares by all Qualifying Shareholders	(h) Nil acceptance of the Rights Shares by the Qualifying Shareholders (other than Subscriber I, Subscriber II and Mr. Yang pursuant to the Irrevocable Undertakings) and all	(i) Full acceptance of the Rights Shares by all Qualifying Shareholders
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Subscriber I	2,206,750,364	17.2%	110,337,518	17.2%	399,911,658	34.9%	599,867,487	34.9%	599,867,487	34.9%	773,504,876	45.0%
Subscriber II	1,569,420,951	12.2%	78,471,047	12.2%	293,471,047	25.6%	440,206,570	25.6%	440,206,570	25.6%	440,206,570	25.6%
Sub-total of the Subscribers and parties acting in concert with any of them	3,776,171,315	29.4%	188,808,565	29.4%	693,382,705	60.5%	1,040,074,057	60.5%	1,040,074,057	60.5%	1,213,711,444	70.6%
Mr. Yang	2,102,817,178	16.4%	105,140,858	16.4%	105,140,858	9.2%	157,711,287	9.2%	157,711,287	9.2%	157,711,287	9.2%
Independent Places	-	-	-	-	-	-	-	-	173,637,389	10.1%	-	-
Public Shareholders	6,945,495,517	54.2%	347,274,777	54.2%	347,274,777	30.3%	520,912,166	30.3%	347,274,777	20.2%	347,274,777	20.2%
Total	12,824,484,010	100%	641,224,200	100%	1,145,798,340	100%	1,718,697,510	100%	1,718,697,510	100%	1,718,697,510	100%

Notes:

1. Certain figures and percentage included in the above tables have been subject to rounding adjustments.
2. As at the Latest Practicable Date, save for Subscriber II, none of the Directors held any Shares or other relevant securities in the Company.
3. The percentage of shareholding in the above table is for illustrative purpose only. The Company will take all appropriate steps to ensure that sufficient public float be maintained in compliance with Rule 8.08 of the Listing Rules.

INFORMATION OF THE SUBSCRIBERS

Subscriber I was a Substantial Shareholder as at the Latest Practicable Date and will be a Controlling Shareholder upon the allotment and issue of the Capitalisation Shares. Subscriber II was a Substantial Shareholder as at the Latest Practicable Date and will continue to be a Substantial Shareholder upon the allotment and issue of the Capitalisation Shares. It is the intention of the Subscribers to continue the existing businesses of the Group, and they have no intention to introduce any major changes to the businesses of the Group (including any redeployment of the fixed assets of the Group) or terminate the continued employment of the employees of the Group.

Subscriber I, aged 64, is a businessman and has over 20 years of experience in investment and property development business. He is the co-founder and vice-chairman of Yuk Tung Group, which focuses on property development in Malaysia. Since the founding of Yuk Tung Group in 2005, Subscriber I has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., respectively, primarily responsible for the overall management and strategic development of Yuk Tung Group.

Subscriber II, aged 57, was appointed as a non-executive Director on 20 December 2019. He is a businessman and has over 19 years of experience in investment and property development business. He is the co-founder and chairman of Yuk Tung Group. Since 2005, Subscriber II has been the director of each of Yuk Tung Properties Sdn. Bhd., Yuk Tung Development Sdn. Bhd., Yuk Tung Land Sdn. Bhd., Yuk Tung Construction Sdn. Bhd., Home Marketing Sdn. Bhd. and Pacific Memory Sdn. Bhd., respectively, primarily responsible for the overall management and strategic development of Yuk Tung Group. Subscriber II was also appointed as Justice of the Peace (JP) in Malaysia in 2007.

EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

TAKEOVERS CODE IMPLICATIONS AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, the Subscribers and parties acting in concert with any of them were interested in 3,776,171,315 Existing Shares, representing approximately 29.4% of the issued share capital of the Company. As illustrated in the table under the section headed “Effect on the shareholding structure of the Company” above, immediately upon the allotment and issue of the Capitalisation Shares, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will be increased from approximately 29.4% to approximately 60.5%.

Under Rule 26.1 of the Takeovers Code, the allotment and issue of the Capitalisation Shares to the Subscribers will give rise to an obligation on Subscriber I and Subscriber II to make a mandatory general offer for all the issued shares and other securities of the Company (other than those already owned or agreed to be acquired by the Subscribers and their respective concert parties), unless the Whitewash Waiver is granted by the Executive.

If the Whitewash Waiver is granted by the Executive and is approved by the Independent Shareholders and completion of the Debt Capitalisation Agreements having taken place, the aggregate shareholding of the Subscribers and parties acting in concert with any of them in the Company will exceed 50% of the issued share capital of the Company as enlarged by the Capitalisation Shares. The Subscribers and parties acting in concert with any of them as a concert group may further increase its shareholding in the Company without incurring any further obligation to make a general offer under Rule 26 of the Takeovers Code.

An application has been made by the Subscribers to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, (i) the approval by at least 75% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Whitewash Waiver; and (ii) the approval by more than 50% of the votes cast by the Independent Shareholders either in person or by proxy at the SGM by way of poll in respect of the Debt Capitalisation Agreements and the transactions contemplated thereunder (including the Debt Capitalisation, the Share Consolidation and the Specific Mandate), and the Underwriting Agreement, in which the Subscribers and their respective concert parties will abstain from voting on the relevant resolution(s).

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Debt Capitalisation will not proceed.

As at the Latest Practicable Date, the Company did not believe that the Proposals, the Underwriting Agreement, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). The Company notes that the Executive may not grant the Whitewash Waiver if the Proposals, the Underwriting Agreement, the Specific Mandate, the Whitewash Waiver and the respective transactions contemplated thereunder do not comply with other applicable rules and regulations.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, each of the Subscribers confirmed that:

- (i) none of the Subscribers or parties acting in concert with any of them had dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the Relevant Period;

- (ii) none of the Subscribers or parties acting in concert with any of them would make any acquisitions or disposals of voting rights in the Company which constitute disqualifying transactions (within the meaning of the Takeovers Code) in the period between the Latest Practicable Date and the completion of the subscription of the Capitalisation Shares by the Subscribers pursuant to the Debt Capitalisation Agreements;
- (iii) save as disclosed in the section headed "Effect on the shareholding structure of the Company" above, there was no holding of voting rights in the Company or rights over any Shares which is owned, controlled or directed by the Subscribers or parties acting in concert with any of them;
- (iv) none of the Subscribers or parties acting in concert with any of them held any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor had entered into any outstanding derivative in respect of securities in the Company;
- (v) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Irrevocable Undertakings and the Underwriting Agreement, there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) between the Subscribers and their concert parties with any other persons;
- (vi) none of the Subscribers or parties acting in concert with any of them had received any irrevocable commitment from any person as to whether they will vote for or against the resolution(s) approving the Debt Capitalisation and the transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the granting of the Specific Mandate, the Underwriting Agreement and the Whitewash Waiver;
- (vii) save for the Irrevocable Undertaking given by the Subscribers and Mr. Yang, the Subscribers and any parties acting in concert with any of them had not received any irrevocable commitment from any Shareholders to accept or reject the relevant Rights Shares to be provisionally allotted to the relevant party under the Rights Issue;
- (viii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate and the Underwriting Agreement, there were no agreements or arrangements to which the Subscribers and their concert parties are parties which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Debt Capitalisation Agreements, the Rights Issue, the Share Consolidation, the Underwriting Agreement, the Specific Mandate and/or the Whitewash Waiver;
- (ix) none of the Subscribers or parties acting in concert with any of them had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

- (x) save for the Capitalisation Issue Price for the Capitalisation Shares payable under the Debt Capitalisation Agreements and the Rights Issue Price for the Rights Shares payable under the Rights Issue and the waiver by the Subscribers of the interests which would be accrued to the loans to be capitalised under the Debt Capitalisation, none of the Subscribers or parties acting in concert with any of them had paid or would pay any other consideration, compensation or benefit in whatever form to the Company or any of the parties acting in concert with it in relation to the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Whitewash Waiver and the Underwriting Agreement;
- (xi) there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscribers or parties acting in concert with any of them on the one hand and any of the Shareholders on the other hand;
- (xii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Rights Issue, the Irrevocable Undertakings and the Underwriting Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between the Subscribers or parties acting in concert with any of them on the one hand, and the Company, its subsidiaries or associated companies on the other hand;
- (xiii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Rights Issue, the Irrevocable Undertakings and the Underwriting Agreement, there was no any agreement, arrangement or understanding (including any compensation arrangement) between (a) the Subscribers or parties acting in concert with any of them; and (b) any Director, recent Director, Shareholder or recent Shareholder of the Company which had any connection with or dependence upon the Debt Capitalisation, the Irrevocable Undertakings, the Rights Issue, the Share Consolidation, the Underwriting Agreement, the Specific Mandate and/or the Whitewash Waiver;
- (xiv) no Shares acquired by the Subscribers and parties acting in concert with them pursuant to the Debt Capitalisation and the Rights Issue will be transferred, charged or pledged to any other persons;
- (xv) none of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of any of its subsidiaries; nor (iii) any person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code), had any interest in the securities, options, warrants, convertible securities and derivatives of the Company and/or had dealt in the securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (xvi) there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of acting in concert under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of associate under the Takeovers Code;

- (xvii) save for the Debt Capitalisation Agreements, the Underwriting Agreement and the Irrevocable Undertaking, there was no agreement or arrangement between any of the Directors and any other person which was conditional or dependent on the outcome of the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Irrevocable Undertakings, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver or otherwise connected with the Debt Capitalisation, the Rights Issue, the Underwriting Agreement and the transactions contemplated thereunder and the Whitewash Waiver;
- (xviii) save for the entering into of the Debt Capitalisation Agreement II by the Subscriber II, there was no material contract entered into by the Subscribers and parties acting in concert with any of them in which any Director had a material personal interest;
- (xix) no securities, options, warrants, convertible securities and derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company, nor did any such fund managers deal in any securities, options, warrants, convertible securities and derivatives of the Company during the Relevant Period;
- (xx) no benefit had been given or will be given to any Directors as compensation for loss of office or otherwise in connection with the Debt Capitalisation, the Rights Issue the Share Consolidation, the Specific Mandate, the Irrevocable Undertakings, the Underwriting Agreement and/or the Whitewash Waiver; and
- (xxi) save for Subscriber II, none of the Directors beneficially held any Shares and accordingly, none of them (other than Subscriber II) will be entitled to vote for or against the Debt Capitalisation, the Share Consolidation, the Specific Mandate, the Underwriting Agreement and/or the Whitewash Waiver.

As at the Latest Practicable Date, the Company confirmed that:

- (i) the Company or the Directors had not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;
- (ii) save for the entering into of the Debt Capitalisation Agreement II by Subscriber II, none of the Directors had dealt in any Shares, acquired or entered into any agreement or arrangement to acquire any voting rights in the Company during the Relevant Period; and
- (iii) save for the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Rights Issue, the Irrevocable Undertakings and the Underwriting Agreement, there was no understanding, arrangement, agreement or special deal (as defined under Rule 25 of the Takeovers Code) between any of the Shareholders on the one hand, and the Company, its subsidiaries or associated companies on the other hand.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, (i) Subscriber I was a Substantial Shareholder interested in approximately 17.2% of the issued share capital of the Company; and (ii) Subscriber II was a non-executive Director and a Substantial Shareholder interested in approximately 12.2% of the issued share capital of the Company. As such, both of the Subscribers are connected persons of the Company. Accordingly, the Debt Capitalisation constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to announcement, reporting and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The granting of the Specific Mandate for the allotment and issue of the Capitalisation Shares is also subject to the approval by more than 50% of the votes cast by the Independent Shareholders at the SGM.

As (i) the Company has not conducted any rights issue or open offer within the twelve month period immediately prior to the Latest Practicable Date; and (ii) the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, the Rights Issue is not subject to the Shareholders' approval requirement under Chapter 7 of the Listing Rules. As the Rights Issue will be underwritten by Subscriber I who is a Substantial Shareholder, the Underwriting Agreement and the transactions contemplated thereunder constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the Capitalisation Issue Price and the Rights Issue Price are the same as the benchmarked price (as defined under Rule 7.27B of the Listing Rules), there will not be any theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules).

As Subscriber II, a non-executive Director, has a material interest in the Debt Capitalisation Agreements, he had abstained from voting at the meeting of the Board convened to consider the Proposals. Other than Subscriber II, no other Directors were involved in and/or interested in the Share Consolidation, the Debt Capitalisation and the transactions contemplated thereunder (including the granting of the Special Mandate), the Whitewash Waiver, the Underwriting Agreement and the transactions contemplated thereunder.

SGM

The SGM will be convened and held for (a) the Independent Shareholders to consider and, if thought fit, approve, among other things, (i) the Share Consolidation; (ii) the Debt Capitalisation Agreements and the transactions contemplated thereunder (including the granting of the Debt Capitalisation and the Specific Mandate); (iii) the Whitewash Waiver; and (iv) the Underwriting Agreement and the transactions contemplated thereunder; and (b) the Shareholders to consider and, if thought fit, approve, among other things, the Share Premium Reduction.

A notice convening the SGM to be held at Unit 5, 10/F, Bank of East Asia Harbour View Centre, No.56 Gloucester Road, Wanchai, Hong Kong at 11:00 a.m. on Thursday, 10 July 2025 is set out on pages SGM-1 to SGM-6 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

Given that each of the Subscribers has a material interest in the Debt Capitalisation Agreements and Subscriber I has a material interest in the Underwriting Agreement, the Subscribers and their respective associates and concert parties are required to abstain from voting on the relevant resolution(s) to be proposed at the SGM to approve the Debt Capitalisation Agreements, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver. Other than being a substantial Shareholder as at the Latest Practicable Date, Mr. Yang had no material interest in the respective transactions contemplated under the Share Consolidation, the Debt Capitalisation Agreements, the Specific Mandate, the Whitewash Waiver and the Underwriting Agreement, and thus was not required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

The register of members of the Company will be closed from Monday, 7 July 2025 to Thursday, 10 July 2025 (both days inclusive) for determining the identity of the Shareholders entitled to attend and vote at the SGM. For the avoidance of doubt, the Non-Qualifying Shareholders (if any) are entitled to attend and vote at the SGM.

ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising Mr. Hau Chi Kit, Mr. Leung Chi Hung, Mr. Li Hon Kuen and Ms. Yang Yan Tung Doris, being all the independent non-executive Directors who have no direct or indirect interest in the transactions contemplated under the Proposals and the Specific Mandate, the Underwriting Agreement and the Whitewash Waiver, has been established to advise the Independent Shareholders in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver, and as to the voting action therefor. Subscriber II, being a non-executive Director, has material interest in the Debt Capitalisation Agreements and therefore will not be a member of the Independent Board Committee.

With the approval of the Independent Board Committee, Merdeka Corporate Finance has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF PROSPECTUS DOCUMENTS

Subject to, among other things, the Underwriting Agreement and the transactions contemplated thereunder having been approved by the Independent Shareholders at the SGM and completion of the Debt Capitalisation Agreements, the Prospectus Documents are expected to be made available and/or despatched (as the case may be) to the Qualifying Shareholders on Tuesday, 29 July 2025. The Company will despatch the PAL(s) in printed form to the Qualifying Shareholders. Copies of the Prospectus Documents will also be made available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.zhongzheng.com.hk). The Company will, to the extent reasonably practicable and legally permitted and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, despatch the Prospectus to the Non-Qualifying Shareholders (if any) for their information only, but the Company will not send the PAL(s) Non-Qualifying Shareholders (if any).

RECOMMENDATIONS

The Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) consider that the terms of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver are on normal commercial terms and are fair and reasonable, and the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including members of the Independent Board Committee after having been advised by Merdeka Corporate Finance) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Debt Capitalisation Agreements, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver.

WARNINGS

Shareholders and potential investors of the Company should note that the transactions contemplated under the Proposals are subject to, among other things, the Independent Shareholders' approval at the SGM and the granting of the Whitewash Waiver by the Executive. Accordingly, the transactions contemplated under the Proposals may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares and, if they are in any doubt about their positions, they should consult their professional advisers.

Shareholders and potential investors of the Company should also note that the Rights Issue is conditional upon, among other things, completion of the Debt Capitalisation Agreements. Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Friday, 18 July 2025. Dealings in the Rights Shares in nil-paid form are expected to take place from Thursday, 31 July 2025 to Thursday, 7 August 2025. Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter's right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 53 to 54 of this circular which contain its recommendation to the Independent Shareholders in respect of the Debt Capitalisation Agreements, the Rights Issue, the Underwriting Agreement and the respective transactions contemplated thereunder including the Debt Capitalisation, the Share Consolidation, the grant of the Specific Mandate and the Whitewash Waiver. Your attention is also drawn to the letter from Merdeka Corporate Finance set out on pages 55 to 98 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is also drawn to the additional information contained in the appendices to this circular.

By order of the Board
Zhongzheng International Company Limited

A handwritten signature in black ink, appearing to read 'Liu Liyang', written in a cursive style.

Liu Liyang
Executive Director