BALLAS
CAPITAL

20 June 2025

To the Independent Board Committee and
the Independent Shareholders

Dear Sir or Madam,

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

INTRODUCTION

We refer to our engagement (the "**Engagement**") as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 20 June 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, on 13 May 2025, the Company announced, among other things, the Capital Reorganisation and the Rights Issue and the Placing Agreement. The Company proposed to raise up to approximately HK$155.7 million before expenses by way of the Rights Issue. The Rights Issue will involve the issue of up to 155,659,455 Rights Shares at the Subscription Price of HK$1.00 per Rights Share (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) on the basis of three (3) Rights Share for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date. Assuming full subscription under the Rights Issue, the net proceeds from the Rights Issue after deducting the estimated expenses of approximately HK$1.2 million is expected to be approximately HK$154.5 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately 46.6% (being approximately HK$72.0

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million) for repayment of the Group's bonds principal amount and accrued interests; (ii) approximately 44.1% (being approximately HK$68.1 million) for future investments pursuant to the investment objectives of the Company; and (iii) approximately 9.3% (being approximately HK$14.4 million) for general working capital.

As set out in the Letter from the Board, on 13 May 2025 (after trading hours), the Company entered into the Placing Agreement with Cheong Lee Securities Limited and ChaoShang Securities Limited, being the Placing Agents, pursuant to which the Placing Agents have conditionally agreed as agents of the Company (either by themselves or through their sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares. For details of the major terms and conditions of the Placing Agreement, please refer to the section headed "The Placing Agreement" in the Letter from the Board.

In accordance with Rule 7.19A(1) and Rule 7.27A(1) of the Listing Rules, as the Rights Issue will increase the total number of issued Shares of the Company by more than 50% within 12 months period immediately preceding the date of the Latest Practicable Date (after taking into account the effect of the Capital Reorganisation), the Rights Issue is conditional upon the Independent Shareholders' approval at the SGM.

The Rights Issue does not result in a theoretical dilution effect of 25% or more on its own. As such, the theoretical dilution impact of the Rights Issue is in compliance with Rule 7.27B of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, being namely Mr. Shi Zhu, Ms. Chen Shunqing and Mr. Ding Jiasheng, has been established to provide recommendations to the Independent Shareholders in connection with the Rights Issue.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, its respective core connected persons or associates. During the past two years immediately preceding and up to the date of our appointment as the independent financial adviser for the Rights Issue, save for the Engagement, we did not have any relationship with or interests in the Company, its respective core connected persons or associates that could be reasonably regarded as a hindrance to Ballas Capital Limited's independence as defined under the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue. Accordingly, we consider we are eligible to give independent advice on the Rights Issue.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We have reviewed information including the Annual Reports (as defined below), the Interim Reports (as defined below), the Placing Agreement, the repayment schedule of the bonds payable of the Group, the historical closing prices and trading volume of the Shares, and announcements published by companies listed on the Stock Exchange in relation to their rights issue. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, we have considered the following principal factors and reasons:

A. Information on the Group

The Company is an investment company listed under Chapter 21 of the Listing Rules and its purpose is to achieve short to long-term capital appreciation as well as income from interest and dividend by investing principally in listed and unlisted securities.

Set out below is a summary of the audited consolidated financial performance of the Group for the years ended 31 March 2023 ("**FY2023**") and 2024 ("**FY2024**") as extracted from the annual reports of the Company for FY2023 and FY2024 (collectively, the "**Annual Reports**"), and the six months ended 30 September 2023 ("**HY2024**") and 2024 ("**HY2025**") as extracted from the interim reports of the Company for the years ended HY2024 and HY2025 (collectively, the "**Interim Reports**"), respectively.

	HY2025	**HY2024**	**FY2024**	**FY2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**	**(Audited)**
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Revenue	—	—	—	—
Other income	7,629	4,715	8,082	10,331
Change in fair value of financial assets at fair value through profit or loss	(20,220)	29,288	—	—
Net (losses)/gains on financial assets at fair value through profit or loss	—	—	(787)	2,518
Impairment losses under the expected credit loss model, net of reversal	10,770	—	(1,619)	(6,687)
Gain on disposal of a subsidiary	—	—	344	—
Administrative and other expenses	(8,253)	(12,117)	(32,482)	(26,132)
Finance costs	(523)	(1,529)	(2,265)	(2,832)
(Loss)/profit before income tax expense	(10,597)	20,357	(28,727)	(22,802)
Income tax expense	—	—	—	—
(Loss)/profit for the period attributable to owners of the Company	**(10,597)**	**20,357**	**(28,727)**	**(22,802)**

Comparison of historical results for material items

FY2023 and FY2024

For FY2024, the Group recorded no revenue, consistent with FY2023. Other income declined by approximately 21.8% to HK$8.1 million, mainly due to lower interest income from other financial assets at amortised cost. The Group recorded a net loss on financial assets at fair value through profit or loss of approximately HK$0.8 million, compared to a net gain of HK$2.5 million in FY2023, primarily due to losses on unlisted investments, convertible bonds, and a currency fund. Impairment losses under the expected credit loss ("**ECL**") model decreased significantly to HK$1.6 million (FY2023: HK$6.7 million), mainly due to the net effect of the reversal of ECL and loss on other financial assets at amortised cost and other receivables for FY2024. Administrative and other expenses rose by approximately 24.3% to HK$32.5 million, driven by increases in staff costs, short-term leases, and exchange losses.

As a result, the Group reported a net loss attributable to owners of the Company of approximately HK$28.7 million for FY2024, representing an increase of HK$5.9 million or 26.0% from HK$22.8 million in FY2023, primarily due to the rise in administrative and other expenses.

HY2024 and HY2025

For HY2025, the Group recorded no revenue, consistent with HY2024. The Group incurred a loss attributable to owners of the Company of approximately HK$10.6 million for HY2025, as compared to a profit for HY2024, primarily due to a fair value loss of approximately HK$20.2 million on financial assets at fair value through profit or loss for HY2025 (HY2024: gain of HK$29.3 million).

Despite the overall loss, other income increased by approximately 61.8% to HK$7.6 million, mainly due to an increase in exchange gain. Administrative expenses declined by approximately 31.9% to HK$8.3 million, while impairment losses under the ECL model rose to HK$10.8 million (HY2024: nil). Furthermore, finance costs also decreased by approximately 65.8% to HK$0.5 million due to lower bond interest.

Financial position of the Group

Set out below is a summary of the financial position of the Group as at 30 September 2024 as extracted from the Interim Reports.

	As at 30 September 2024 *HKD'000* (unaudited)
Non-current assets	93,957
Current assets	312,872
Non-current liabilities	—
Current liabilities	36,707
Net assets	**370,122**
Equity attributable to owners of the Company	**370,122**

As at 30 September 2024, total assets of the Group amounted to approximately HK$406.8 million, which mainly comprised (i) financial assets at fair value through profit or loss of approximately HK$204.2 million, which included Hong Kong listed equity securities and investment in unlisted equity securities in PRC; (ii) other financial assets at amortised cost of approximately HK$116.1 million, which included promissory notes held by the Group ; and (iii) other receivables, deposits and prepayments of approximately HK$78.2 million.

As at 30 September 2024, the total liabilities of the Group amounted to approximately HK$36.7 million, which represented other payables and accrued charges.

Bonds and bonds interest payables of the Group

As disclosed in the Letter from the Board, based on the unaudited management accounts of the Group for the eleven months ended 28 February 2025, the Group had total bonds and bonds interest payables of approximately HK$79.9 million which will fall due on or before 31 December 2025. In contrast, the Group's cash and cash equivalents stood at approximately HK$4.2 million as at 28 February 2025.

B. Reasons for the Rights Issue and proposed use of net proceeds

As set out in the Letter from the Board, since the second half of 2024, capital market sentiment in Hong Kong and the PRC has shown signs of recovery despite the continuing geopolitical tension and other macroeconomic uncertainties. Hang Seng Stock Index has steadily increased and exceeded 24,000 level in February 2025 for the first time in three years while Chinese assets outperformed the other markets in the first quarter of this year. Furthermore, the National Bureau of Statistics of China recently released data on retail sales and industrial production, reflecting modest economic growth in China at the beginning of 2025. Meanwhile, the Chinese government unveiled a wide-ranging plan to stimulate domestic consumption which further bolstered market confidence. To deliver better returns to its Shareholders and expand its investment portfolio, the Group has adopted cautious yet proactive approach, actively identifying and pursuing potential business opportunities.

Furthermore, the table below sets forth details of the Group's bonds payables as at 28 February 2025:

Maturity date	Principal amount *(HK$'000)*	Accrued interest *(HK$'000)*
June 2025	3,000	29
July 2025	22,639	759
October 2025	40,000	748
November 2025	9,600	124
December 2025	3,000	32
Total	78,239	1,692

The bonds originally scheduled to mature in April 2025 and May 2025 have been extended to October 2025 and November 2025, respectively. As at the Latest Practicable Date, the Group has fully settled bonds due in June 2025 and December 2025 and has partially settled bonds amounting to HK$6.0 million which are due in July 2025 by using internal resources. The remaining principal balance of approximately HK$66.2 million, along with corresponding interest, will be settled by using the net proceeds from the Rights Issue.

Assuming full subscription under the Rights Issue, the gross proceeds from the Rights Issue will be approximately HK$155.7 million and the estimated net proceeds of the Rights Issue will be approximately HK$154.5 million. The Company intends to use the net proceeds from the Rights Issue for the following purposes:

(i) approximately HK$72.0 million, representing approximately 46.6% of net proceeds, will be utilised by August 2026 for repayment of the Group's bonds principal amount and accrued interests. Nevertheless, in the event there is any shortfall in the net proceeds from the Rights Issue, the Group will evaluate the options available and may consider to realise investments on hands, which amounted to 397.6 million as at 28 February 2025, to fulfill the bond repayment obligation;

(ii) approximately HK$68.1 million, representing approximately 44.1% of net proceeds, will be utilised by August 2026 for future investments pursuant to the investment objectives of the Company for the upcoming twelve (12) months. The Group plans to invest in, including but not limited to, (i) trust products that, in turn, invest in unlisted companies across various industries, (ii) unlisted companies operating in industries primarily related to digital technology and information technology and/or (iii) equity securities of listed companies across various industries. Such investments are in line with the Group's investment policies. The Group will seek to identify companies established in, or with their operations principally located within, Greater China or the Asia-Pacific region, with a record of profits growth, strong management, high levels of technical expertise and research and development capabilities as well as management commitment to the long term growth. As at the Latest Practicable Date, no target companies have been identified; and

(iii) approximately HK$14.4 million, representing approximately 9.3% of net proceeds, will be utilised by August 2026 as general working capital of the Group which mainly includes directors' emoluments, salaries, legal and professional fees and rental expenses.

As stated in the Letter from the Board, based on the unaudited management accounts for the eleven months ended 28 February 2025, the Group's bonds and interest payables amounted to approximately HK$79.9 million, due on or before 31 December 2025, while cash and cash equivalents amounted to only HK$4.2 million as at that date. In assessing the fairness and reasonableness of the proposed use of proceeds for bond repayment, we have reviewed the Group's bond maturity profile and repayment schedule prepared by the Company, along with the unaudited management accounts as at 28 February 2025. Taking into account the Group's limited cash position and its imminent repayment obligations, we consider that the proposed utilisation of approximately HK$72.0 million, representing approximately 46.6% of net proceeds, for repayment of the Group's bonds principal amount and accrued interests, to be reasonable and necessary to address the Group's imminent funding need.

In relation to the proposed use of approximately HK$68.1 million, representing approximately 44.1% of net proceeds, for future investments, we have reviewed the Annual Reports and Interim Reports as well as the Group's disclosed principal activities. We note from the Annual Report for FY2024 and Interim Report for HY2025 that the Group has adopted a strategy of diversification in its investment activities and consider the proposed allocation to be consistent with the Group's stated strategy. Having regard to the Group's strategic focus on broadening its investment base and the potential long-term benefits of diversification, we are of the view that the proposed use of proceeds is reasonable.

In relation to the proposed use of approximately HK$14.4 million, representing approximately 9.3% of net proceeds, as general working capital of the Group, with reference to the Interim Report for HY2025, we noted that the administrative expenses in aggregate amounted to approximately HK$8.3 million for HY2025. Thus, it is estimated that the related expenses would be generally approximately HK$1.4 million per month. In view of the above and the Group's low cash balance of approximately HK$4.2 million as at 28 February 2025 and its repayment obligation as mentioned above, we consider the use of proceeds of the Group for general working capital to be reasonable and conducive to enhancing the liquidity of the Group.

Having taken into account the Group's financial position, including its limited cash balance and repayment obligations of approximately HK$79.9 million due on or before 31 December 2025, we consider the Rights Issue to be justified in light of the Company's imminent funding needs. We are of the view that the proposed use of proceeds, comprising allocations for bond repayment, future investments and general working capital, is fair and reasonable. Such allocations are consistent with the Group's financial needs and stated business strategy under the current circumstances.

Consideration of financing alternatives

In respect of alternative financing methods as opposed to the Rights Issue, the Directors have considered other fundraising methods available to the Group, including debt financing such as bank borrowings, and other equity financing such as placing or subscription of new Shares or open offer. In respect of debt financing, the Directors are of the view that it is unfavorable for the Company to borrow funding as the Company does not have assets to be pledged and has net loss financial position in the past few years. In respect of equity financing, the Directors are of the view that placing or subscription of new Shares would dilute the shareholding of the existing Shareholders without giving the chance to the existing Shareholders to participate. In addition, the Company conducted placing of new Shares under general mandate on 23 October 2024 and such placing was completed on 14 November 2024, hence, the Company has utilised the entire general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 30 September 2024 to allot and issue new Shares. As for open offer, although it is similar to a rights issue in offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market unlike a rights issue, which would allow Shareholders to have more flexibility in dealing with the Shares and the nil-paid rights attaching thereto. On the other hand, the Rights Issue is an offer to existing Shareholders to participate in the enlargement of the capital base of the Company and enables the Shareholders to maintain their proportionate interests in the Company and continue to participate in development of the Company in the future should they wish to do so. However, those Shareholders who do not participate in the Rights Issue to which they are entitled should note that their shareholding interest in the Company will be diluted.

We have reviewed the Group's financial position, the aforesaid Directors' assessment of available fundraising options, and relevant recent placing conducted by the Group as set out in the Letter from the Board and the Group's financial reports. Based on our review, the Group's consecutive net losses and limited unpledged assets would likely restrict its ability to secure additional debt financing on commercially favourable terms. In terms of equity fundraising, we note the general mandate has been fully utilised following the recent placing, meaning further equity placement would require additional shareholder approval and could dilute the interests of existing shareholders without participation rights. While both open offer and rights issue can enable shareholder participation, we agree with the Directors that a rights issue is preferable as it allows shareholders to trade nil-paid rights, offering added flexibility.

Having considered (i) the Group's financial position as at 28 February 2025; (ii) its net loss making performance in FY2024 and HY2025; (iii) its imminent repayment obligations; and (iv) the feasibility and limitations of the alternative fund raising methods mentioned above, we are of the view that the Rights Issue is a more preferential options as compared to other alternatives under current circumstances of the Group and it offers relatively more flexibility and the opportunity to participate in the future of the Company. As such, we concur with the Director's view that the Rights Issue is the appropriate fundraising method.

C. Previous equity fund-raising exercise

The table below sets out the equity fund-raising exercise conducted by the Company in the past 12 months immediately prior to the Latest Practicable Date:

Date of announcement	Completion date	Fund-raising	Net proceeds raised	Intended use of proceeds	Actual use of the proceeds
23 October 2024	14 November 2024	Placing of new Shares under general mandate	HK$39.8 million	(i) approximately HK$5.0 million repayment of borrowings; (ii) approximately HK$4.8 million for general working capital; and (iii) approximately HK$30.0 million for future investment opportunities as identified by the Group from time to time	Fully utilised as intended

D. Principal terms of the Rights Issue

(i) Statistics of the Rights Issue

Basis of the Rights Issue	:	Three (3) Rights Shares for every one (1) Adjusted Share held by the Qualifying Shareholders at the close of business on the Record Date
Subscription price	:	HK$1.00 per Rights Share
Net price per Rights Shares (i.e. Subscription Price less cost and expenses incurred in the Rights Issue)	:	Approximately HK$0.99 per Rights Share (on the basis that all the Rights Shares will be taken up)
Number of Shares in issue as at the Latest Practicable Date	:	1,037,729,718 Existing Shares
Number of Adjusted Shares in issue upon the Capital Reorganisation becoming effective	:	51,886,485 Adjusted Shares (assuming there is no change in number of Shares in issue up to the effective date of the Capital Reorganisation)
Number of Rights Shares (Shares to be issued pursuant to the Rights Issue)	:	Up to 155,659,455 Rights Shares (assuming there is no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation) with an aggregate nominal value of HK$1,556,594.55
Total number of Adjusted Shares in issue upon completion of the Rights Issue	:	Up to 207,545,940 Adjusted Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)
Gross proceeds from the Rights Issue	:	Up to approximately HK$155.7 million before expenses (assuming no change in the number of Shares in issue on or before the Record Date other than the Capital Reorganisation)

As set out in the Letter from the Board, as at the Latest Practicable Date, Company has no outstanding derivatives, convertible securities, options, warrants or other similar securities in issue which would otherwise confer any right to subscribe for, convert or exchange into Shares. The Company has no intention to issue or grant any Shares, convertible securities and/or options on or before the Record Date.

Subject to the fulfilment of the conditions of the Rights Issue, the Rights Issue will proceed on a non-underwritten basis irrespective of the level of acceptances of the provisionally allotted Rights Shares. In the event of an undersubscription of the Rights Issue, any Unsubscribed Rights Shares together with the ES Unsold Rights Shares will be placed on a best effort basis by the Placing Agents to independent placees under the Placing. Any Unsubscribed Rights Shares or ES Unsold Rights Shares remain not placed under the Placing will not be issued by the Company and the size of the Rights Issue will be reduced accordingly. There are no applicable statutory requirements under the laws of the Bermuda regarding minimum subscription levels in respect of the Rights Issue.

The Board understands that in the event the Unsubscribed Rights Shares and the ES Unsold Rights Shares are fully-underwritten, the underwriting commission charged by independent underwriters is generally much higher than the commission charged for placing on a best effort basis. Despite the fact that there is no guarantee for the minimum amount to be raised by the Rights Issue under the non-underwritten basis, the Placing Agent will place any Unsubscribed Rights Shares together with the ES Unsold Rights Shares on a best effort basis to independent placees. In view of the above and having considered (i) the cost-effectiveness of the Rights Issue; and (ii) the Placing arrangement in place, the Board considers that the Rights Issue on a non-underwritten basis is in the interest of the Company and its Shareholders as a whole.

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

As disclosed in the Letter from the Board, taking into account (i) the proceeds from the Rights Issue, and (ii) investments on hands, the Group will have sufficient working capital for the next twelve months to finance its operations and meet its financial obligations after the completion of the Rights Issue.

*(ii) **Subscription Price***

The Subscription Price is HK$1.00 per Rights Share, which shall be payable in full by Qualifying Shareholder upon acceptance of the relevant 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 Subscription Price of HK$1.00 per Rights Share represents:

(i) a premium of approximately 6.38% to the adjusted closing price of HK$0.94 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.047 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 4.17% to the adjusted closing price of HK$0.96 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the closing price of HK$0.048 per Existing Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 21.36% to the adjusted average closing price of HK$0.824 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of HK$0.0412 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 29.53% to the adjusted average closing price of HK$0.772 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of approximately HK$0.0386 per Existing Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(v) no theoretical dilution effect (as defined under Rule 7.27B of the Listing Rules) given the Subscription Price is at the premium to the benchmarked price of approximately HK$0.96 per Adjusted share (as defined under Rule 7.27B of the Listing Rules, taking into account the higher of (i) the closing price of the Adjusted Shares as quoted on the Stock Exchange on the Last Trading Day and (ii) the average closing price of the five (5) previous consecutive trading days prior to the Last Trading Date and taking into account the effect of the Capital Reorganisation); and

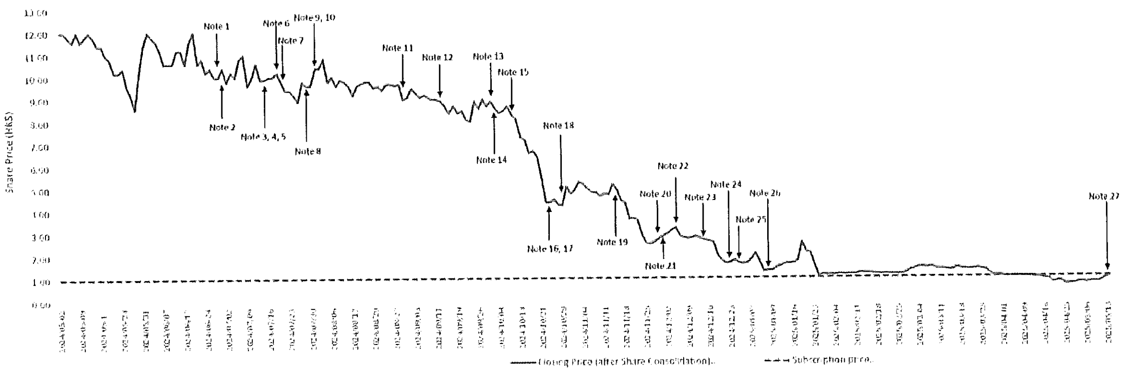
(vi) a discount of approximately 86.28% to the net asset value of the Company of approximately HK$7.29 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the net asset value attributable to owners of the Company of approximately HK$378,125,000 as at 31 March 2024 and 51,886,485 Adjusted Shares assuming the Capital Reorganisation has become effective.

As stated in the Letter from the Board, the Subscription Price was determined with reference to, among others, (i) the market price of the Existing Shares under the prevailing market conditions; (ii) the current business performance and financial position of the Group; and (iii) the reasons for and benefits of proposed Rights Issue as discussed in the section head "Reasons for the Rights Issue and Use of Proceeds" in the Letter from the Board, and the amount of funds the Company intends to raise under the Rights Issue.

As disclosed in the Letter from the Board, in determining the Subscription Price, the Directors have considered, among other thing as mentioned above, the closing prices in the past three months prior to and including the Last Trading Day (the "**Relevant Period**"), as a benchmark to reflect the prevailing market conditions and recent market sentiment. During the Relevant Period, the Shares were traded on the Stock Exchange with an average closing price of approximately HK$0.0553 per Existing Share. The Subscription Price represents a discount of approximately 9.58% to the closing price of HK$1.106 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the average closing price of the Shares of HK$0.0553 per Existing Share under the Relevant Period. In addition, the average daily trading volume was approximately 8,595,875 Shares, representing approximately 0.83% of the total number of issued Shares as at the Last Trading Day. Such relatively low average daily trading volume indicating a lack of liquidity and demand for the Shares. The Directors have noted the relatively large discount mentioned in (vi) above and are of the view that the prevailing market price of the Shares is the fundamental reference for the Qualifying Shareholders to consider whether to subscribe Rights Shares. During the Relevant Period, Shares traded at the theoretical closing prices between HK$0.66 and HK$1.48 per Adjusted Share based on the closing prices of Existing Shares which ranged from HK$0.033 to HK$0.074. Such theoretical closing prices are much lower than its net asset value attributable to the owners of the Company of approximately HK$7.29 per Adjusted Share as at 31 March 2024 (after taking into account the effect of the Capital Reorganisation). If the subscription price is set at a level close to the Company's audited net asset value per Adjusted Share as at 31 March 2024 (i.e. approximately HK$7.29), it will represent a very large premium of approximately 7.59 times as compared to the theoretical closing price of HK$0.96 per Adjusted Share based on the closing price of HK$0.048 per Existing Share on the Last Trading Day. The Directors consider that, if the subscription price was made with reference to the net asset value per Adjusted Share, the willingness of the Shareholders to participate in the Rights Issue would be significantly reduced, which would not be favourable to the Company and the Shareholders as a whole. As such, the Directors are of the view that the net asset value per Adjusted Share may not be a meaningful reference to determine the Subscription Price.

Historical Share Price Performance

In order to assess the fairness and reasonableness of the Subscription Price, we have taken into account (i) the theoretical closing price per Adjusted Share during the period from 1 May 2024, being 12 months immediately preceding the date of the Last Trading Day (the "**Review Period**"), with a view to provide a meaningful comparison to the Subscription Price under the Rights Issue, assuming the Capital Reorganisation having become effective (the "**Closing Price**"); and (ii) the average daily trading volumes of the Existing Shares for each of the months/periods during the Review Period.



Source: the Stock Exchange

Notes:

1. The Company published the profit alert announcement on 27 June 2024.

2. The Company announced the annual results announcement for the year ended 31 March 2024 on 28 June 2024.

3. The Company announced trading halt on 15 July 2024.

4. The Company published the voluntary announcement on intent of strategic cooperation on 15 July 2024.

5. The Company announced the inside information regarding the winding up petition and resumption of trading on 15 July 2024.

6. The Company published the voluntary announcement on update on business development on 18 July 2024.

7. The Company announced the supplemental announcement in relation to winding up petition on 19 July 2024.

8. The Company published the annual report for the year ended 31 March 2024 on 29 July 2024.

9. The Company published the voluntary announcement on memorandum of understanding in respect of a possible strategic cooperation on 31 July 2024.

10. The Company announced the issue of consideration shares under specific mandate on 31 July 2024.

11. The Company published the voluntary announcement on intent of strategic cooperation on 29 August 2024.

12. The Company published the supplemental circular to the circular to shareholders dated 27 August 2024 relating to proposed general mandates to repurchase and issue shares, proposed adoption of new share scheme and revised notice of annual general meeting on 12 September 2024.

13. The Company announced the placing of new shares under general mandate on 2 October 2024.

14. The Company announced the termination of investment management agreement on 3 October 2024.

15. The Company announced the inside information regarding the withdrawal of winding up petition on 9 October 2024.

16. The Company announced the lapse of placing of new shares under general mandate on 23 October 2024.

17. The Company announced the placing of new shares under general mandate on 23 October 2024.

18. The Company published the voluntary announcement on intent of strategic cooperation on 28 October 2024.

19. The Company announced the completion of the placing of new shares under general mandate on 14 November 2024.

20. The Company published the profit warning announcement on 28 November 2024.

21. The Company announced the interim results for the six months ended 30 September 2024 on 29 November 2024.

22. The Company published the voluntary announcement on intent of strategic cooperation on 4 December 2024.

23. The Company published the voluntary announcement on intent of strategic cooperation on 13 December 2024.

24. The Company published the voluntary announcement on launch of new business activities on 23 December 2024.

25. The Company published the interim report for the six months ended 30 September 2024 on 27 December 2024.

26. The Company published the voluntary announcement on launch of new business activities on 8 January 2025.

27. The Company published the Announcement.

During the Review Period, the highest Closing Price was HK$12.00 on 2 May 2024, 3 May 2024, 8 May 2024, 13 May 2024, 3 June 2024 and 19 June 2024 respectively. The lowest Closing Price during the Review Period was HK$0.66 on 25 April 2025.

As shown in the chart, the Closing Price fluctuated between HK$8.00 and HK$12.00 from the beginning of the Review Period until 8 October 2024. Thereafter, the Closing Price showed a downward trend and reached its lowest at HK$0.66 on 25 April 2025. We noted that the Subscription Price represents a discount to the Closing Price from the beginning of the Review Period until 8 April 2025. In other words, the Subscription Price only became a premium to the Closing Price during the last 21 trading days of the Review Period. We have discussed and understand from the Management that they were not aware of any reason contributing to the Share closing price movement during such period.

We note that whilst the Subscription Price represents a premium over the Closing Price for the last 21 trading days, it has represented a discount or was equivalent to the Closing Price for the remainder of, and the vast majority of, the Review Period. The Subscription Price also represents a discount of around approximately 86.28% to the net asset value of the Company of approximately HK$7.29 per Adjusted Share (after taking into account the effect of the Capital Reorganisation) based on the net asset value attributable to owners of the Company of approximately HK$378,125,000 as at 31 March 2024 and 51,886,485 Adjusted Shares, assuming the Capital Reorganisation had become effective.

Based on our review of the historical Closing Prices during the Review Period, we noted that the Shares have been trading below the net asset value per Adjusted Share since 15 October 2024, and at no point during the remainder of the Review Period have the Shares traded at or above the net asset value per Adjusted Share. In view of this, we consider that the market trading price of the Shares provides a more relevant reference point than the net asset value per Adjusted Share for assessing the fairness of the Subscription Price.

Given the recent low level of Closing Price relative to the net asset value per Adjusted Share, the Closing Price throughout the Review Period, we concur with the Directors that although the Subscription Price is set at a premium to the Closing Price on the Last Trading Day, the 5-day average Closing Price and the 10-day average Closing Price, it remains below the Closing Prices at the most of the time during the Review Period. Furthermore, setting the Subscription Price at a premium to the prevailing market price will reduce value dilution to those shareholders who choose not to subscribe to the Rights Issue, compared to setting the Subscription Price at a discount to the prevailing market price. Nevertheless, the premiums represented by the Subscription Price over the prevailing Share market prices are, as further discussed in the section headed "4.3 Comparable issuances" below, within the range, of the premium/discount represented by the subscription price under the Comparables (as defined below) over/to their respective prevailing market prices and therefore, the Subscription Price is considered be in line with the market practice.

Historical trading volume and liquidity analysis

We have also reviewed the historical trading volume of the Shares during the Review Period. The results are summarised in the table below:

	Number of trading days	Average daily trading volume of the Shares	Percentage of the average daily trading volume to the total number of Shares as at the end of the month
2024			
May	21	454,361	0.05%
June	19	261,442	0.03%
July	22	578,227	0.07%
August	22	1,375,018	0.16%
September	19	4,291,674	0.50%
October	21	5,005,005	0.58%
November	21	11,051,905	1.28%
December	20	6,470,985	0.62%
2025			
January	19	22,749,663	2.19%
February	20	3,843,544	0.37%
March	21	13,240,348	1.28%
April	19	6,876,821	0.66%
May *(Note 1)*	7	5,809,800	0.56%
Maximum		22,749,663	2.19%
Minimum		261,442	0.03%
Average		6,308,369	0.64%

Source: the Stock Exchange

Note:

1. Represents trading volume for the period from 1 May 2024 to the 13 May 2024, the Last Trading Day, both days inclusive.

During the Review Period, the average daily trading volume of the Shares ranged from a low of approximately 0.03% and up to a high of 2.19% to the total number of issued Shares as at the end of relevant month. In light of the thin trading volume of the Shares as illustrated above as well as the generally decreasing trend of the Closing Price of the Shares during the second half of the Review Period, as well as the Group's bond repayment obligation as discussed above which would hinder the Group from obtaining further funding from financial institutions, we are of the view that the Rights Issue is an appropriate and reasonable equity financing method for the Group.

Rights Issue comparable analysis

In order to further assess the fairness and reasonableness of the terms of the Rights Issue, we have reviewed 37 comparable transactions (the "**Comparables**") which involve issuance of rights shares by companies listed on the Stock Exchange, with initial announcements dated within the 6-month period from 1 November 2024 up to and including the Last Trading Day, and which were not terminated as at the Latest Practicable Date.

To the best of our knowledge and based on our review of published announcements, the Comparables represent an exhaustive set of rights issue transactions announced during the above period which met our selection criteria. We consider the 6-month review period to be fair and reasonable, as it reflects recent market conditions and investor sentiment surrounding rights issue transactions on the Stock Exchange.

Shareholders should note that the business activities of the companies of the Comparables vary from company to company with their financial positions, business performances and future prospects. Although the circumstances surrounding such Comparables may be different from those relating to the Company, we consider that the Comparables provide a fair indicator of the prevailing market practices in relation to rights issue transactions conducted by the companies listed on the Stock Exchange. We noted that the discount or premium of the subscription price to the benchmarked prices across the Comparables exhibits a wide range. We consider that this variation reflects the differences in individual company fundamentals, financial positions, share liquidity, market sentiment, and transaction structures. Notwithstanding such variation, we consider the Comparables to be fair and representative for assessing the Subscription Price, as they share key structural characteristics with the Rights Issue, including being announced by issuers listed on the Stock Exchange and involving pro-rata rights entitlements to existing shareholders. As such, no Comparable has been excluded from the analysis. We consider that the full set of Comparables collectively provides a meaningful reference to prevailing market practices. Based on our review of the announcements published on the Stock Exchange, all of the Comparables had either been completed or remained in progress as at the Latest Practicable Date, and none had been terminated.

The table below summarises our findings:

Announcement date	Company name	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the share price on the last trading day (%)	Premium/(Discount) of the subscription price over the average share price for the five previous consecutive trading days up to and including the last trading day (%)	Premium/(Discount) of the subscription price over the average share price for the ten previous consecutive trading days up to and including the last trading day (%)	Maximum dilution effect (%) (Note 1)	Theoretical dilution effect (%)	Underwriting arrangement Yes/No	Placing commission, as the case may be (%)	Excess application Yes/No
13 May 2025	Shougang Century Holdings Limited	103	3 for 20	12.30%	14.30%	13.20%	13.04%	0.00%	No	N/A	Yes
9 May 2025	China Sci-Tech Industrial Investment Group Limited	339	1 for 2	(43.10%)	(47.40%)	(48.10%)	33.33%	(16.20%)	No	1.50%	No
7 May 2025	SEEC Media Group Limited	205	1 for 2	(23.61%)	(26.17%)	(26.67%)	33.33%	0.00%	No	3.00%	No
29 Apr 2025	C Cheng Holdings Limited	1486	1 for 2	(67.21%)	(66.44%)	(66.16%)	33.33%	(22.40%)	No	3.00%	No
25 Apr 2025	Melco International Development Limited	200	1 for 2	(72.93%)	(71.03%)	(70.86%)	33.33%	(24.31%)	No	N/A	Yes
16 Apr 2025	Bonjour Holdings Limited	653	3 for 1	(25.93%)	(27.93%)	(27.70%)	75.00%	(20.95%)	No	2.00%	Yes
16 Apr 2025	AustAsia Group Ltd.	2425	2 for 5	(29.11%)	(29.11%)	(27.27%)	28.57%	(8.23%)	No	N/A	Yes
11 Apr 2025	ISP Holdings Limited	2340	1 for 2	(74.50%)	(73.38%)	(75.05%)	33.33%	(24.85%)	No	N/A	Yes
19 Mar 2025	Pacific Legend Group Limited	8547	1 for 2	(13.79%)	(13.79%)	(11.50%)	33.33%	(4.60%)	No	1.25%	No
14 Mar 2025	Good Fellow Healthcare Holdings Limited	8143	1 for 1	(12.28%)	(19.35%)	(19.35%)	50.00%	(10.94%)	No	1.00%	No
7 Mar 2025	Volcano Spring International Holdings Limited	1715	3 for 1	47.06%	47.06%	47.06%	75.00%	0.00%	No	1.00%	No
3 Mar 2025	China Zenith Chemical Group Limited	362	2 for 1	(17.90%)	(18.40%)	(43.50%)	66.67%	(13.05%)	Yes	N/A	Yes
27 Feb 2025	Timeless Resources Holdings Limited	8028	1 for 2	(9.64%)	(8.72%)	(9.18%)	33.33%	(3.21%)	No	N/A	Yes
18 Feb 2025	China Baoli Technologies Holdings Limited	164	4 for 1	6.67%	2.30%	2.17%	80.00%	0.00%	No	1.00%	Yes
14 Feb 2025	Yues International Holdings Group Limited	1529	4 for 1	(7.14%)	(20.25%)	(34.67%)	80.00%	(21.47%)	No	1.00%	No

Announcement date	Company name	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the share price on the last trading day *(%)*	Premium/(Discount) of the subscription price over the average share price for the five previous consecutive trading days up to and including the last trading day *(%)*	Premium/(Discount) of the subscription price over the average share price for the ten previous consecutive trading days up to and including the last trading day *(%)*	Maximum dilution effect *(%)* *(Note 1)*	Theoretical dilution effect *(%)*	Underwriting arrangement *Yes/No*	Placing commission, as the case may be *(%)*	Excess application *Yes/No*
14 Feb 2025	China Saftower International Holding Group Limited	8623	1 for 2	(6.78%)	(2.83%)	(0.09%)	33.33%	(2.26%)	No	1.00%	No
7 Feb 2025	Stream Ideas Group Limited	8401	2 for 1	(15.00%)	(16.50%)	(16.50%)	66.67%	(11.58%)	No	3.00%	No
2 Feb 2025	CSI Properties Limited	497	18 for 10	5.88%	5.14%	5.26%	64.29%	0.00%	Yes	N/A	Yes
27 Jan 2025	Colour Life Services Group Co., Limited	1778	1 for 4	0.00%	(2.14%)	(1.79%)	20.00%	(0.43%)	No	N/A	Yes
17 Jan 2025	Wan Kei Group Holdings Limited	1718	1 for 1	(29.82%)	(31.97%)	(36.31%)	50.00%	(17.64%)	No	3.00%	No
31 Dec 2024	China Demeter Financial Investments Limited	8120	1 for 2	(25.00%)	(25.32%)	(26.98%)	33.33%	(8.55%)	No	2.50%	No
27 Dec 2024	China Kingstone Mining Holdings Limited	1380	2 for 5	16.28%	19.62%	24.22%	28.57%	0.00%	No	2.25%	No
20 Dec 2024	Mansion International Holdings Limited	8456	4 for 1	(22.90%)	(23.50%)	(23.00%)	80.00%	(18.80%)	No	1.50%	No
19 Dec 2024	HSC Resources Group Limited	1850	4 for 1	(24.29%)	(23.19%)	(23.36%)	80.00%	(19.43%)	No	1.50%	No
13 Dec 2024	China Energy Storage Technology Development Limited	1143	2 for 1	(36.36%)	(35.78%)	(36.36%)	66.67%	(24.24%)	No	1.50%	No
13 Dec 2024	China New Holdings Limited	8125	3 for 1	(23.95%)	(22.10%)	(21.25%)	75.00%	(17.96%)	No	2.00%	No
10 Dec 2024	KNT Holdings Limited	1025	3 for 1	(9.38%)	(10.22%)	(12.78%)	75.00%	(8.08%)	No	3.00%	No
6 Dec 2024	Xinming China Holdings Limited	2699	4 for 1	(13.80%)	(18.80%)	(20.60%)	80.00%	(16.90%)	No	3.00%	No
3 Dec 2024	Graphex Group Limited	6128	3 for 1	(32.00%)	(28.27%)	(32.27%)	75.00%	(24.00%)	No	1.50%	No
2 Dec 2024	Luxxu Group Limited	1327	1 for 1	(44.44%)	(44.44%)	(45.45%)	50.00%	(22.22%)	No	1.50%	No

Announcement date	Company name	Stock code	Basis of entitlement	Premium/(Discount) of the subscription price over the share price on the last trading day (%)	Premium/(Discount) of the subscription price over the average share price for the five previous consecutive trading days up to and including the last trading day (%)	Premium/(Discount) of the subscription price over the average share price for the ten previous consecutive trading days up to and including the last trading day (%)	Maximum dilution effect (%) (Note 1)	Theoretical dilution effect (%)	Underwriting arrangement Yes/No	Placing commission, as the case may be (%)	Excess application Yes/No
21 Nov 2024	Legend Strategy International Holdings Group Company Limited	1355	1 for 1	(49.71%)	(49.60%)	(50.87%)	50.00%	(24.86%)	No	N/A	Yes
21 Nov 2024	Elife Holdings Limited	223	1 for 5	(6.54%)	(9.91%)	(12.20%)	16.67%	(0.61%)	No	N/A	Yes
19 Nov 2024	China Wood International Holding Co., Limited	1822	1 for 1	(45.00%)	(48.60%)	(54.30%)	50.00%	(24.90%)	No	N/A	Yes
15 Nov 2024	Global Strategic Group Limited	8007	4 for 1	(12.50%)	(14.10%)	(11.40%)	80.00%	(11.30%)	Yes	N/A	Yes
12 Nov 2024	HG Semiconductor Limited	6908	1 for 4	(36.00%)	(41.50%)	(40.50%)	20.00%	(8.30%)	No	1.00%	No
11 Nov 2024	Far East Holdings International Limited	36	2 for 1	(35.77%)	(35.27%)	(36.38%)	66.67%	(23.85%)	No	2.50%	No
6 Nov 2024	China Water Industry Group Limited	1129	1 for 1	(49.85%)	(49.54%)	(49.54%)	50.00%	(24.92%)	No	2.00%	No
			Min	(74.50%)	(73.38%)	(75.05%)	13.04%	0.00%		1.00%	
			Max	47.06%	47.06%	47.06%	80.00%	(24.92%)		3.00%	
			Median	(23.61%)	(23.19%)	(26.67%)	50.00%	(13.05%)		1.50%	
			Average	(22.38%)	(23.44%)	(24.87%)	51.70%	(13.00%)		1.90%	
	The Company		3 for 1	4.17%	21.36%	29.53%	75.00%	0.00%	No	3.00%	No

Source: the Stock Exchange

Notes:

1. The potential maximum dilution effect of each rights issue is calculated as number of rights shares issued or to be issued under the basis of entitlement divided by the total number of shares as enlarged by the rights issue according to their respective basis of entitlements and assuming all rights shares have been/will be allotted and issued times 100%.

2. In order to calculate the average, minimum and maximum percentage of the underwriting/placing commission of the Comparables, we have excluded absolute underwriting/placing commissions which serves as the minimum underwriting/placing commissions.

As set out in the table above, we note that the premiums as represented by the Subscription Price over the Closing Price on the Last Trading Day, as well as the average Closing prices over the five and ten consecutive trading days prior to the Last Trading Day are all within the range of the Comparables and are less discounted than the respective averages. Furthermore, the theoretical dilution effect of the Rights Issue is within the range of the Comparable and better than the average as represented by the Comparable. Therefore, we are of the view that the Subscription Price is acceptable and in line with recent market transactions. Furthermore, we noted that the Rights Issue is available to all Qualifying Shareholders by providing them with an equal opportunity to participate in the Rights Issue; and those Qualifying Shareholders who do not wish to subscribe for their pro-rata entitlement of the Rights Shares can receive economic benefits from selling their nil-paid Rights Shares in the market. Taking into account the aforesaid factors, we consider that the Subscription Price is on normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned.

Furthermore, according to the Letter from the Board that the Qualifying Shareholders will not be entitled to subscribe for any Rights Shares in excess of their respective entitlements. Based on our analysis on the Comparables, we noted that 23 out of 37 Comparables did not offer excess application as part of their rights issues. On this basis, we considered that it is a common market practice not to have excess application as part of the rights issue. Furthermore, the Rights Issue will give the Qualifying Shareholders an equal and fair opportunity to maintain their respective pro rata shareholding interests in the Company. For Qualifying Shareholders who accept their respective entitlements under the Rights Issue in full, they would be able to maintain their respective existing shareholdings in the Company after completion of the Rights Issue. As such, we considered that the absence of excess application arrangement to be acceptable as far as the Independent Shareholders are concerned.

E. The Placing Agreement

As set out in the Letter from the Board, pursuant to the Placing Agreement, the Placing Agents conditionally agreed as agents of the Company (either by themselves or through their sub-placing agents) to procure independent Placees, on a best effort basis, to subscribe for the

Unsubscribed Rights Shares and the ES Unsold Rights Shares. To the best of the Company's knowledge, information and belief, the Placing Agents and their ultimate beneficial owners are Independent Third Parties. The Placing Agents shall ensure that the Unsubscribed Rights Shares and ES Unsold Rights Shares are placed (i) only to institutional, corporate or individual investors who are professional investors as defined under the SFO (Cap 571) and who and whose ultimate beneficial owners shall be Independent Third Parties; and (ii) such that the Placing will not have any implication under the Takeovers Code and no Shareholder will be under any obligation to make a general offer under the Takeovers Code as a result of the Placing.

As set out in the Letter from the Board, the engagement between the Company and the Placing Agents for the placing of the Placing Shares was determined after arm's length negotiations between the Placing Agents and the Company and is on normal commercial terms with reference to the market comparables, the existing financial position of the Group, the size of the Rights Issue, and the market conditions. The Board considers the terms of the Placing Agreement (including the commission and expenses payable) are on normal commercial terms.

Pursuant to the Placing Agreement, the Company shall pay the Placing Agents a placing commission of 3.0% of the amount which is equal to the placing price multiplied by the Unsubscribed Rights Shares and the ES Unsold Rights Share that are successfully placed by the Placing Agents and reimbursed for the expenses in relation to the Placing. As illustrated in the table of Comparables above, the placing commission of 3.0% to be charged by the Placing Agents under the Placing Agreement falls within the range of the commission rates of the Comparables of 1.00% to 3.00%. Based on the above, we are of the view that the placing commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Details of the provisions granting the Placing Agents such termination rights are set out in the section headed "The Placing Agreement" in the Letter from the Board. In view that it is common to have a termination clause incorporated in the placing agreement and the termination events are customary in nature, we consider such provisions are normal commercial terms and in line with the normal market practice. We have also reviewed other major terms of the Placing Agreement and are not aware of any terms being unusual. Accordingly, we are of the view that the terms of the Placing Agreement are customary in nature, on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

F. Dilution effect of the Rights Issue on shareholding interests

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. Qualifying Shareholders who do not accept the Rights Issue are able to sell their nil-paid rights to subscribe for the Rights Shares in the market. Where all Qualifying Shareholders do not accept the Rights

Issue and thus the Placing Agents subscribe for the Unsubscribed Rights Shares and the ES Unsold Rights Shares pursuant to the Placing Agreement, the maximum dilution effect on the Qualifying Shareholders' shareholding interests will be 25%. Details of such dilution effect are presented in the section headed "Effects on Shareholding Structure" of the Letter from the Board.

Notwithstanding the aforesaid potential dilution in Shareholders' interest in the Company as a result of the Rights Issue, having considered (i) the Rights Issue offers the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company; (ii) the Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market, subject to availability; (iii) the inherent potential dilutive nature of the Rights Issue in general; (iv) the net proceeds from the Rights Issue are intended to be mainly used to fulfill the Group's repayment obligation and investment needs as discussed in the section above headed "B. Reasons for the Rights Issue and proposed use of net proceeds", we are of the view that the potential dilution effect on the shareholding interests of the Shareholders (who decide not to accept their assured entitlements in full as a result of the Rights Shares) is justifiable.

G. Financial effects

It should be noted that the Rights Issue is subject to the conditions as set out in the Letter from the Board and on a non-underwritten basis, the analysis below is for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

(i) Net tangible assets

As noted from the unaudited pro forma financial information of the Group as set out in Appendix II to the Circular, assuming the completion of the Rights Issue had taken place on 30 September 2024, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the Shareholders would have been approximately HK$524.6 million immediately after the completion of the Rights Issue, as compared to the unaudited consolidated net tangible assets of HK$370.1 million as at 30 September 2024. Such increase is attributable to the effect of the net proceeds from the Rights Issue.

The unaudited consolidated net tangible assets of the Group attributable to owners of the Company per Share before the Rights Issue and prior to the Capital Reorganisation is approximately HK$0.36. Immediately after the completion of the Capital Reorganisation and the Rights Issue, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would be approximately HK$2.53.

(ii) Gearing and liquidity

As at 30 September 2024, the Group recorded unaudited consolidated net tangible assets of approximately HK$370.1 million. Immediately upon completion of the Rights Issue, there would be an increase in the cash level of the Group. Based on the enhanced cash position and enlarged capital base of the Group upon completion of the Rights Issue, the Group's gearing ratio and liquidity position is expected to be improved.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Rights Issue are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned and the Rights Issue is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau	**Cathy Leung**
Managing Director	*Director*

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.