VEDA | CAPITAL
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10 July 2025

To: the Independent Board Committee and the Independent Shareholders of

Dear Sirs and Madams,

CONNECTED TRANSACTION
PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE FOR
CAPITALISATION OF THE SHAREHOLDER LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company dated 10 July 2025 (the "**Circular**"), of which this letter forms part. Terms used herein shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 18 June 2025 (after trading hours), the Company and the Subscriber entered into the Agreement pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, 31,334,841 new Shares at the Issue Price of HK$0.442 per Share for the capitalisation of the Shareholder's Loan at Completion.

As at the Latest Practicable Date, the Subscriber and Junyi Investments, a company solely owned by him, collectively holds 70,255,009 Shares, representing approximately 50.82% of the issued share capital of the Company. The Subscriber is therefore a connected person of the Company. Accordingly, the Capitalisation constitutes a non-exempt connected transaction for the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors (i.e. Mr. Chan Yiu Tung, Anthony, Dr. Ouyang Qingru, Mr. Zhang Jing, Mr. Leung Kwai Wah, Alex and Mr. Luo Zhen) has been formed to advise the Independent Shareholders on the Agreement. We, Veda Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we do not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. Save for this appointment as the Independent Financial Adviser, there were no other engagements between us and the Group in the past two years that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Directors and the management of the Company (collectively, the "**Management**"). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

As set out in the Circular, the Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. As the Independent Financial Adviser, we take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. In rendering our opinion in the Circular, we have also researched, analysed and relied on (i) the Circular and information provided by the Company; (ii) information of the Group, including but not limited to, the published annual financial reports of the Company for the financial years ended 31 December 2023 and 31 December 2024; and (iii) market information obtained from the website of the Stock Exchange.

In light of the above, we consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration the following principal factors and reasons. Our conclusions are based on the results of all analyses taken as a whole.

1. Background and financial information of the Group

The Company is an investment holding company. The Group are principally engaged in (i) property development and investment in the PRC ("**Property Development**"); and (ii) operation of supermarket retail ("**Supermarket Retail**").

Financial information of the Group

Set out below is a summary of the audited consolidated financial information of the Group for each of the financial years ended 31 December 2022 ("**FY2022**"), 2023 ("**FY2023**") and 2024 ("**FY2024**") respectively, as extracted from the annual reports of the Company.

	FY2022	**FY2023**	**FY2024**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**180,190**	**172,926**	**98,607**
– Property Development	*59,318*	*56,051*	*54,587*
– Supermarket Retail	*120,872*	*116,875*	*44,020*
Loss from operations	91,192	177,273	132,771
(Loss) attributable to the Shareholders	**76,228**	**125,946**	**127,649**

Financial performances of the Group

As illustrated in the table above, the Group's revenue dropped slightly from approximately HK$180.19 million for the FY2022 to approximately HK$172.93 million for the FY2023. However, the Group's revenue dropped further to approximately HK$98.61 million for the FY2024, representing a decrease in revenue of approximately 42.98% as compared to that for the FY2023.

We noted the decrease in the Group's revenue in each of the FY2023 and FY2024 was mainly driven by the drop in the revenue generated from the Supermarket Retail which illustrated a decreasing trend since the FY2022, decreasing from approximately HK$120.87 million for the FY2022 to approximately HK$116.88 million for the FY2023 and ultimately to approximately HK$44.02 million for the FY2024. As advised by the Management, in the past two years during the recovery of the economy in the PRC, the Supermarket Retail was adversely affected due to the adjustment of the macro-economic conditions while the general economy and that the Group has reduced the resources it allocated in the development of the supermarket business in the PRC.

The Group's loss attributable to the Shareholders increased notably from approximately HK$72.23 million for the FY2022 to approximately HK$125.95 million for the FY2023 and such loss was primarily resulted from (i) the drop in revenue generated from the Supermarket Retail; (ii) a fair value loss on investment properties of the Group; and (iii) increase in impairment losses on intangible assets, deposits and other receivables of the Group for the FY2023.

For the FY2024, the Group recorded a similar amount of loss attributable to the Shareholders with approximately HK$127.65 million as compared to that for the FY2023 despite of a drop in revenue recorded from the Supermarket Retail as such drop in revenue was offset by, among other things, the turnaround from a fair value loss in the amount of approximately HK$166.75 million for the FY2023 to a fair value gain in the amount of approximately HK$1.18 million for the FY2024 on the investment properties of the Group.

Financial positions of the Group

	As at 31 December		
	2022	**2023**	**2024**
	HK$'000	*HK$'000*	*HK$'000*
Current assets	949,410	943,434	886,103
– *Properties under development*	*456,399*	*478,088*	*448,483*
– *Prepayments, deposits and other receivables*	*452,756*	*426,080*	*367,101*
– *Cash and bank balances*	*8,608*	*9,541*	*8,459*
Non-current assets	1,015,870	784,719	723,694
– *Investment properties*	*856,025*	*661,819*	*651,809*
– *Property, plant and equipment*	*89,478*	*79,890*	*28,707*
Total Assets	**1,965,280**	**1,728,153**	**1,609,797**
Current liabilities	186,576	395,741	666,974
– *Borrowings*	*65,768*	*255,953*	*420,878*
– *Accruals and other payables*	*41,594*	*56,840*	*145,865*
– *Due to related parties*	*37,638*	*53,872*	*59,779*
– *Cash and bank balance*	*8,608*	*9,541*	*8,459*
Non-current liabilities	1,255,492	960,686	669,415
– *Borrowings*	*664,571*	*444,461*	*253,173*
– *Accruals and other payables*	*372,735*	*363,957*	*264,708*
Total Liabilities	**1,442,068**	**1,356,427**	**1,336,389**
Gearing Ratio *(note)*	69%	74%	78%
Net current assets	**762,834**	**547,693**	**219,129**
Net assets	**523,212**	**371,726**	**273,408**

Note: with reference to the Company's annual reports, the gearing ratio of the Group was calculated by dividing its net debt over the sum of its capital and net debt

We noted that the current assets of the Group are mainly (i) properties under development; and (ii) prepayments, deposits and other receivables while the non-current assets of the Group are mainly (i) investment properties; and (ii) property, plants and equipment (the figures are extracted and illustrated in the table above). The Group's total assets decreased from approximately HK$1,728.15 million as at 31 December 2023 to approximately HK$1,609.80 million as at 31 December 2024 as a result of, including but not limited to, the decreased in values of its investment properties and property, plant and equipment.

The liabilities of the Group are mainly (i) borrowings; (ii) accruals and other payables; and (iii) current dues to related parties (the figures are extracted and illustrated in the table above). The current liabilities of the Group increased from approximately HK$396.74 million as at 31 December 2023 to approximately HK$666.97 million as at 31 December 2024 while the non-current liabilities of the Group decreased from approximately HK$960.69 million as at 31 December 2023 to approximately HK$669.42 million as at 31 December 2024. Combining the above-results, the Group's total liabilities maintained at around HK$1,356.43 million as at 31 December 2023 to around HK$1,336.39 million as at 31 December 2024.

Accordingly, as the total assets decreased over time and total liabilities maintained similar extent, the Group's net assets decreased from approximately HK$371.73 million as at 31 December 2023 to approximately HK$273.41 million as at 31 December 2024.

2. Information of the Subscriber

The Subscriber is a controlling Shareholder. He joined the Group in December 1999 as the Group's general manager and was appointed as an executive Director and the Chairman of the Board in December 1999 and December 2022 respectively.

As at the Latest Practicable Date, the Subscriber and Junyi Investments, a company solely owned by the Subscriber, collectively holds 70,255,009 Shares, representing approximately 50.82% of the issued share capital of the Company.

3. Reasons for and benefits of the Capitalisation and Use of Proceeds

As the Capitalisation will be fully satisfied by way of offsetting the outstanding principal amount of the Shareholder's Loan, there will be no proceeds from the Capitalisation available to be utilised by the Company.

As set out in the Board Letter, the Capitalisation shall alleviate some of the debts of the Company and improve the Company's financial position and gearing ratio. According to the Company's latest published annual results for the year ended 31 December 2024, it recorded the total liabilities to total assets ratio of 83%. The proposed Capitalisation of the Shareholder's Loan enables the Group to settle its existing liabilities and to avoid cash outflows, which shall improve the Group's financial position by reducing its gearing level and broadening the capital base. It also demonstrates the support and confidence by the Subscriber towards the Company as a controlling shareholder of the Company. Apart, the management of the Company also considers that, being a property developer, it has to maintain sufficient level of liquidity in order to capture future project development and investment.

It is noted that the Shareholder's Loan is unsecured, non-interest bearing with no maturity date but it is immediately payable on demand. The Group's cash and bank balance, with reference to the financial information set out in the section headed "1. Background and financial information of the Group", recorded ranging around HK$8.5 million to HK$9.5 million and would not be sufficient to repay the Shareholder's Loan without obtaining additional funds. Yet, the Group's gearing ratio were recorded as 74% and 78% as at the FY2023 and the FY2024 respectively, which are considerably high and thus may not be as easy and timely for the Company to obtain additional financial loans from commercial banks.

We also consider that it will be in the interests of the Group to retain its cash and improve its financial position which affects its financial flexibility given that properties development and investment is one of its principal businesses as it generally requires more upfront capitals in nature and often have longer payback periods. The Capitalisation, therefore, will not only improve the gearing ratio and strengthen the financial position of the Group, but will also allow the Company to retain its capital and existing financial resources for its business development given that properties development and investment may be capital intensive.

Alternative fundraising and repayment methods considered

The Company has explored other fund-raising methods including placing of new shares and rights issue. Given the current market conditions, there is no certainty that the Company shall be able to raise sufficient funds using such fund-raising methods at the Issue Price to settle the Shareholder's Loan.

We were given to understand that the Company had reached out to two financial institutions, which are licensed by the SFC to carry out type 1 (dealing in securities) and/or type 6 (advising on corporate finance) regulated activities to inquire about the feasibility of equity fund raisings and other capital market activities other than the proposed Capitalisation. Those financial institutions had shown little interest in the Company's invitation of equity fund raising exercise in view of the Group's historical financial performance and current market situation of a property development and investment in the PRC. Even if such fund-raising methods have eventually been materialized, they would also incur significant costs including commissions payable to the placing agents and/or underwriters. The borrowings from other financial institutions or third party to repay the Shareholder's Loan is not feasible as such loans would be interest bearing (versus the Shareholder's Loan which is non-interest bearing) and would cause extra outlay of the Company and also further worsen the gearing ratio of the Company. In view of these, the Company considers that the issue and allotment of the Subscription Shares to the Subscriber would be a desirable means for the Company to lower its debt and to improve its financial position in view of the current market situation and the circumstances of the Company.

In light of the above, we have obtained and reviewed the communication records provided by the Management between the Group and the two financial institutions mentioned above, and noted that they showed little interest in the Group's invitation taking into account the Group's fund-raising amount, historical financial performance and the trading volumes are considerably thin.

Regarding the Issue Price, it represents only a slight discount of 4.95% to the closing price of the Shares as at the date of entering into the Agreement and 7.53% over the average closing price of approximately HK$0.478 per Share for the last five consecutive trading days preceding the date of the Agreement.

Our analysis on the Issue Price and the trading volumes of the Shares will be discussed in the section headed "4. Principal terms of the Agreement" below.

Furthermore, based on our discussions with the Management, we were given to understand that the Management does not consider sale/realisation of its assets for repayment of the Shareholder's Loan to be as appropriate and are not in the interests of the Shareholders and the Company as a whole considering that, among other factors, (i) investment properties is one of its principal businesses, the sale of its properties for repayment of the Shareholder's Loan would affect the profitability of the Group; (ii) some of the properties of the Group are currently under construction and/or pledged to secure bank borrowings and that may not be sold within a short period of time; and (iii) majority of the Group's prepayments are paid by the Group for the due diligence exercise on the exploration of project investment opportunity in the near future which are less likely to be recovered within a short period of time.

Having considered, in particular the financial performance and positions of the Group and the time and costs incurred and potential uncertainties involved in alternative fundraising methods, we have the following view, in comparing against the Capitalisation,

- other debt-financing solutions such as bank financing or the issue of bonds, (i) will incur additional finance costs on the Company; (ii) will be more difficult for the Company to attract potential lenders/investors considering its relatively high gearing ratio and financial position and the Company may have to offer more favorable terms than the market (higher interests to potential investors) to obtain funds; and (iii) more pledge of assets may be required to secure for loans and more pledging of the Group's assets will affect its flexibility in managing its assets, debt-financing and/or bank borrowings are less favorable alternatives for the Group.

- other equity-financing solutions such as placing, rights issue or open offer, (i) may require lengthy discussions with potential commercial underwriters and placing agents; (ii) may require additional costs, including but not limited to underwriting commission and other professional fees; (iii) the Company, in light of the latest published financial performance and position of the Group, may require to offer higher discounts in issue/offer price as compared to its Share price to attract potential subscribers/investors and obtain funds; and (iv) may subject to underwriting uncertainty and market risks, equity financing are less favorable financing alternative for the Group.

In view of the foregoing, we are of the view that the Capitalisation is comparatively a more appropriate and viable means of settlement in light of the Group's circumstances. Having considered (i) the Subscriber is willing to capitalise the Shareholder's Loan and increase his equity investment in the Company given his confidence in the Group's future business performance; (ii) debt financing and bank borrowings would increase the finance costs of the Group, rather than lowering the gearing level of the Group; (iii) other equity financings may require attractive discount to the current market price of the Shares and are relatively less cost effective as compared to the Capitalisation; (iv) the Capitalisation allows the Group to maintain its existing financial resources; and (v) the analysis of the Issue Price as discussed in the section below headed "4. Principal terms of the Agreement", we are of the view and concur with the Directors' view that, although the Capitalisation is not in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Agreement

The principal terms of the Agreement are as follow:

Date	18 June 2025 (after trading hours)
Parties	(i) the Company; and
	(ii) the Subscriber
Issue Price	HK$0.442 per Share
Subscription Shares	31,334,841 Subscription Shares

The Subscription Shares shall be issued and allotted under the Specific Mandate to be sought from the Independent Shareholders at the EGM. The 31,334,841 Subscription Shares, represent (i) approximately 22.67% of the issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 18.48% of the issued share capital of the Company as enlarged by the issue and allotment of the Subscription Shares, assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and up until the Completion.

The Subscription Shares when issued and allotted, shall rank pari passu in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of issue and allotment o the Subscription Shares including all dividends declared or payable or distribution made or proposed on or after the Completion Date.

The aggregate consideration for the issue and allotment of the Subscription Shares of HK$13.85 million shall be settled by way of setting off against the Shareholders' Loan at Completion.

The Issue Price

The Issue Price of HK$0.442 per Share represents:

(i) a discount of approximately 4.95% to the closing price of HK$0.465 per Share as quoted on the Stock Exchange as at the date of the Agreement;

(ii) a discount of approximately 7.53% over the average closing price of approximately HK$0.478 per Share as quoted on the Stock Exchange for the last five consecutive trading days preceding the date of the Agreement.

The Issue Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares. The Directors (excluding the Subscriber who has abstained from voting due to his interest in the Capitalisation) consider that the Issue Price and the terms of the Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Historical closing price of the Shares

To assess the fairness and reasonableness of the Issue Price, we have performed a review on the daily closing price and trading volume of the Shares from 19 June 2024 to 18 June 2025 (being a period of approximately 12 months prior to and including the date of the Agreement, the "**Review Period**") and compared with the Issue Price. We consider the Review Period to be adequate, fair and representative to reflect the prevailing market sentiment primarily and illustrate the general trend and level of movement of the daily closing price of the Shares.

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

The Stock Exchange

As shown in the chart above, during the Review Period, the daily closing price of the Shares ranged from HK$0.300 per Share (the "**Lowest Closing Price**") to HK$0.700 per Share, with the average closing price of the Shares amounted to approximately HK$0.467 per Share (the "**Average Closing Price**").

Accordingly, the Issue Price of HK$0.442 per Share represents (i) a premium of approximately 47.33% over the Lowest Closing Price; (ii) a discount of approximately 36.86% to the Highest Closing Price; and (iii) a discount of approximately 5.35% to the Average Closing Price.

We are of the view that the slight discount of approximately 5.35% represented by the Issue Price as compared to the Average Closing Price is acceptable in a sense that such slight discount will compensate the Subscriber from demanding a recovery of the Shareholder's Loan from the Company for other further lending to other parties that may provide him interest income.

Historical trading liquidity of the Shares

We have also performed a review on the average daily trading volume (the "**Average Trading Volume**") per month of the Shares during the Review Period, which is commonly used for analysis purpose to illustrate the liquidity of the Shares and is considered sufficient and appropriate for our assessment of the historical trading liquidity of the Shares.

Period	**Trading Days**	**Average Trading Volume of Shares**	**Number of issued Shares as at the end of the period**	**Average Trading Volume during the period as a percentage of the total number of Shares**
	Days	*Shares*	*Shares*	*%*
2024				
19 June – 30 June	8	80,750	117,245,044	0.0689
July	22	32,182	117,245,044	0.0274
August	22	17,091	117,245,044	0.0146
September	19	70,947	117,245,044	0.0605
October	21	315,716	117,245,044	0.2693
November	21	32,134	117,245,044	0.0274
December	20	7,660	117,245,044	0.0065
2025				
January	19	27,312	117,245,044	0.0233
February	20	30,620	117,245,044	0.0261
March	21	18,362	138,245,044	0.0133
April	19	13,158	138,245,044	0.0095
May	20	4,268	138,245,044	0.0031
1 June – 18 June	14	29,747	138,245,044	0.0215

The Stock Exchange

As illustrated above, the Average Trading Volume of the Shares was low, with a range from 4,268 Shares to 80,750 Shares (excluding October 2025 with 315,716 Shares due to irregular results) during the Review Period, representing approximately 0.0031% to 0.0689% of the total number of Shares in issue as at the end of the relevant period. We are of the view that such low and relatively thin trading liquidity may hinder independent placing agent(s) or underwriter(s) to participate when the Company pursues equity fundraising exercises, and further, the Company may require to apply a higher discount of the prevailing market price of the Shares in order to attract investors to participate in such exercise.

Market comparables

As part of our analysis, we have selected and identified, to the best of our knowledge, effort and endeavor, an exhaustive list of 19 comparable transactions (the "**Comparables**") based on the following criteria:

(i) companies listed on the Stock Exchange;

(ii) companies that had published announcements in relation to subscription of new shares under specific mandate by connected persons during the Review Period and that the relevant proceeds, whether partly and wholly, were intended for loan/debt capitalisations and/or the repayment of indebtedness related purposes;

(iii) excluding issues of new shares under share award plan or for emolument, restructuring scheme or acquisition purposes; and

(iv) excluding issues of A shares or PRC domestic shares

We have restricted our comparison to subscriptions by connected persons as we consider transactions such as placing to independent third parties, rights issue and open offer in the market trend to be conducted at a discount to their respective last trading days in order to attract new investors and existing shareholders to subscribe, and may therefore distort our comparable analysis. Also, the approximate 12-month timeframe was adopted to demonstrate the recent market trends with sufficient and representative number of Comparables and thus, we consider the timeframe is reasonable and representative.

We set out our findings in the table below:

Date	Company (stock code)	Premium/ (Discount) of the issue price over/to the closing price on/prior to the date of the corresponding agreement %	Premium/ (Discount) of the issue price over/to the average closing price for the last five consecutive trading days prior to/up to and including the date of the corresponding agreement %	Gross proceeds *(HK$ million)*	Intended use of proceeds *(note 1)*
27/5/2025	Dowway Holdings Limited (8403)	(18.57)	(19.61)	13.68	repayment of promissory note and general working capital
7/5/2025	SuperRobotics Holdings Limited (8176)	0.00	(1.80)	7.50	debt capitalisation
29/4/2025	GoFintech Quantum Innovation Limited (290)	4.92	2.56	587.23	loan capitalisation
17/4/2025	China HK Power Smart Energy Group Limited (931)	0.00	(0.51)	140.00	loan capitalisation
16/4/2025	Zhonghua Gas Holdings Limited (8246)	0.00	0.00	27.37	loan capitalisation
11/4/2025	Zo Future Group (2309)	(19.83)	(18.10)	up to 130.00	repayment of liabilities and general working capital
7/4/2025	Regent Pacific Group Limited (575)	0.00	16.00	30.74	loan capitalisation
27/1/2025	Zall Smart Commerce Group Ltd. (2098)	(10.34)	(9.72)	312.00	repayment of debt
21/1/2025	Cornerstone Technologies Holdings Limited (8391)	0.00	0.00	16.02	loan capitalisation
17/1/2025	CHK Oil Limited (632)	5.06	(5.03)	5.00	loan capitalisation

Date	Company (stock code)	Premium/ (Discount) of the issue price over/to the closing price on/prior to the date of the corresponding agreement %	Premium/ (Discount) of the issue price over/to the average closing price for the last five consecutive trading days prior to/up to and including the date of the corresponding agreement %	Gross proceeds *(HK$ million)*	Intended use of proceeds *(note 1)*
27/12/2024	Kidsland International Holdings Limited (2122) *(note 2)*	94.00	101.15	21.41	loan capitalisation
28/11/2024	China NT Pharma Group (1011)	6.45	13.79	135.35	loan capitalisation
12/11/2024	Bonjour Holdings Limited (653)	0.00	(1.00)	33.18	loan capitalisation
24/10/2024	Directel Holdings Limited (8337) *(note 2)*	138.10	138.10	12.00	loan capitalisation
23/10/2024	China Resources Power Holdings Company Limited (836)	(5.06)	(3.48)	3,311.85	repayment of financial liabilities and increase cash reserves
21/10/2024	Zhi Sheng Group Holdings Limited (8370)	(60.53)	(60.63)	9.90	repayment of bonds and general working capital
4/9/2024	China Hongguang Holdings Limited (8646)	(42.80)	(34.40)	42.90	repayment of bank borrowings, business development and general working capital
2/9/2024	Well Link Securities Holdings Limited (8350)	65.60	66.90	40.00	Repayment of outstanding indebtedness

Date	Company (stock code)	Premium/ (Discount) of the issue price over/to the closing price on/prior to the date of the corresponding agreement %	Premium/ (Discount) of the issue price over/to the average closing price for the last five consecutive trading days prior to/up to and including the date of the corresponding agreement %	Gross proceeds *(HK$ million)*	Intended use of proceeds *(note 1)*
21/6/2024	China Ruifeng Renewable Energy Holdings Limited (527)	(21.28)	(21.28)	139.21	Repayment of borrowings and other payables, business development and general working capital
18/6/2025	**The Company**	**(4.95)**	**(7.53)**	**13.85**	**Capitalisation**
	Minimum	**(60.83)**	**(60.63)**		
	Maximum	**65.50**	**66.90**		
	Average	**(5.67)**	**(4.49)**		
	Median	**0.00**	**(1.80)**		

The Stock Exchange

Notes:

1. *The intended uses of proceeds were extracted from their corresponding announcements.*

2. *Kidsland International Holdings Limited (stock code: 2122) and Directel Holdings Limited (stock code: 8337) are considered as outliers due to the fact that their significantly high premiums of the issue price over (i) the closing price on/prior to the date of the corresponding agreement and (ii) the average closing price for the last five consecutive trading days prior to/up to and including the date of corresponding agreement, which may provide an abnormal average value and hence it has been excluded from the above analysis.*

Based on the above table, we noted that the issue prices of the Comparables:

(i) ranged from a discount of approximately 60.53% to a premium of 65.60% over their respective closing prices on or immediately prior to the date of the relevant agreement, with an average of approximately 5.67% discount and a median of no premium or discount. The discount of the Issue Price to the closing price per Share on the date of the Last Trading Day of approximately 4.95% is within the range of the Comparables; and

(ii) ranged from a discount of approximately 19.61% to a premium of approximately 25.79% over the average closing price per share for the five consecutive trading days up to and including the date of the relevant agreement, with an average of approximately 4.49% discount and a median of approximately 1.80% discount. The discount of Issue Price to the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day of approximately 7.53% is within the range of the Comparables.

In light of the results of the Comparables as set out above, and the Comparables were selected with similar intentions to the Capitalisation within a reasonable and representative time period, we have further confirmed our view that the Issue Price is fair and reasonable so far as the Independent Shareholders are concerned, and that the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

5. Potential dilution effects of the Capitalisation

As shown in the shareholding structure table in the Board Letter, the public shareholders' shareholding in the Company would be diluted from approximately 49.18% as at the Latest Practicable Date to approximately 40.09% immediately upon Completion.

Having considered that (i) the Capitalisation will benefit the financial position and enhance the net assets position of the Group without causing cash outflows; (ii) the terms of the Agreement being fair and reasonable so far as the Independent Shareholders are concerned; (iii) the subscription of the Subscriber, who is a controlling shareholder, demonstrated the controlling shareholders' confidence and faith in the Group's business performance and prospects; (iv) the discount of the Issue Price to the closing price per Share is within the range of the Comparables, which is considered to be fair and reasonable; and (v) the reasons as mentioned under the section "Reasons for and benefits of the Capitalisation and Use of Proceeds", we are of the view that the potential dilution effect on the shareholding interests of the public Shareholders to be acceptable, and the Capitalisation would be in the interests of the Company and the Shareholders as a whole.

6. Financial effects of the Capitalisation

Net Assets, Liquidity and Working Capital of the Group

Upon Completion, the Subscription Shares as recognised as the equity of the Company will offset the Shareholder's Loan, which in turn will enlarge the capital base and enhance the net assets position of the Company.

Upon Completion, approximately HK$13.85 million of the Shareholder's Loan will be settled. With less liabilities, the liquidity of the Group will be improved and the working capital position of the Group will also be benefited.

The above analysis is for illustrative purposes only.

RECOMMENDATION

Having taken into consideration the factors and reasons stated above, we are of the opinion that although the Capitalisation is not in the ordinary and usual course of business of the Company, the terms of the Capitalisation under the Agreement are on normal commercial terms, are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution(s) to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate at the EGM.

Yours Faithfully,
For and on behalf of
Veda Capital Limited

Julisa Fong
Managing Director

Ms. Julisa Fong is a licensed person registered with the SFC and a responsible officer of Veda Capital Limited which is licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity and has over 28 years of experience in corporate finance industry.