

16 October 2025

To: The Independent Board Committee and the Independent Shareholders of CIFI Holdings (Group) Co. Ltd.

Dear Sir or Madam,

**POSSIBLE TRANSACTIONS IN CONNECTION WITH THE
RESTRUCTURING INVOLVING, AMONG OTHERS:
(A) ISSUE OF MANDATORY CONVERTIBLE BONDS UNDER
SPECIFIC MANDATE (INCLUDING CONNECTED TRANSACTIONS
IN RELATION TO THE ISSUE OF MANDATORY CONVERTIBLE
BONDS TO ROSY FORTUNE AND RAIN-MOUNTAIN);
AND
(B) CONNECTED TRANSACTION IN RELATION TO THE ISSUE
OF SHAREHOLDER LOAN CONVERSION SHARES UNDER
SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the issues of MCB (the “**MCB Issue**”) to Rosy Fortune and Rain-Mountain (collectively the “**Connected Persons**”); and (ii) the Shareholder Loan Conversion (together with the MCB Issue are collectively the “**Controlling Shareholder Proposal**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 16 October 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 otherwise defined or the context requires otherwise.

As set out in the Circular, reference is made to the Announcements in relation to the proposed restructuring of certain offshore indebtedness of the Group. The Group proposed to implement the Restructuring through the Scheme.

The Restructuring is effected by way of:

- (i) in the case of the Existing Convertible Bonds, a consent solicitation exercise to change the governing law so that the Scheme will be effective to restructure these instruments;
- (ii) in the case of the Existing Perpetual Securities, a consent solicitation exercise to change the governing law so that the Scheme will be effective to restructure these instruments; and
- (iii) the Scheme.

Under the Scheme, the Scheme Creditors were offered, at their election, various options, ranging from options 1A to 5B, the details of which were set out in the section headed “The Restructuring” in the Letter from the Board.

The Existing Convertible Bonds Consent Solicitation and the Existing Perpetual Securities Consent Solicitation were duly passed on 3 June 2025 and the changes of governing law of the Existing Convertible Bonds and the Existing Perpetual Securities will take place one hour before the occurrence of the Restructuring Effective Date. The Scheme became effective in accordance with its terms and binding on all Scheme Creditors subject to it on 27 June 2025.

The terms of the Restructuring and the Scheme provide for, amongst others, the issuance of the MCB and the Shareholder Loan Conversion. The Restructuring will therefore not be effective until the conditions as stated in the Letter from the Board are satisfied in accordance with the Scheme.

Both Rosy Fortune and Rain-Mountain are Scheme Creditors which held US\$3,000,000 and US\$1,000,000 of existing notes of the Company respectively. The Connected Persons had elected option 2A under the Scheme (i.e. cash payment and MCB). Rosy Fortune will be issued MCB with a principal amount of US\$2,939,006 on the Restructuring Effective Date, which is convertible into 14,327,654 Shares, whilst Rain-Mountain will be issued MCB with a principal amount of US\$1,082,400, which is convertible into 5,276,700 Shares. In addition, the Shareholder Loan extended by Rosy Fortune to Spectron with a principal amount of US\$67,418,205 remain outstanding. On 15 October 2025, Rosy Fortune, Spectron and the Company entered into the Shareholder Loan Equitisation Agreement in respect of the Shareholder Loan Conversion.

The MCB Conversion Shares will be issued under the MCB Specific Mandate to be sought from the Shareholders at the EGM. The issue of the MCB and the transactions contemplated thereunder are subject to the passing of necessary resolution by the Shareholders at the EGM.

Rosy Fortune, being a substantial shareholder of the Company, and Rain-Mountain, being an associate of Mr. LIN Feng (a substantial shareholder of the Company) and therefore a connected person of the Company, holding 2,737,372,105 Shares and 239,487,089 Shares respectively, representing approximately 26.05% and 2.28% of the total issued Shares. Therefore, both Rosy Fortune and Rain-Mountain are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the subscription of the MCB by Rosy Fortune and Rain-Mountain as Scheme Creditors and the issue of the Shareholder Loan Conversion Shares to Rosy Fortune constitute connected transactions for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The EGM will be convened and held to approve the ordinary resolutions on, inter-alia, (i) the issue of the MCB (including the issue of the MCB to the Connected Persons) and the MCB Specific Mandate; and (ii) the issue of the Shareholder Loan Conversion Shares and the Shareholder Loan Specific Mandate.

As at the Latest Practicable Date, Prosperity Fountain (as defined in the Letter from the Board) as trustee held a total of 19,178 Shares which have not been vested with the selected participants in accordance with the share award scheme of the Company adopted on 18 December 2017, representing approximately 0.0002% of the issued Shares. Pursuant to Rule 17.05A of the Listing Rules, Prosperity Fountain will abstain from voting on all resolutions at the EGM.

Each of Mr. LIN Zhong, Mr. LIN Wei, Mr. LIN Feng and their respective associates (namely Ms. ZENG Yirong (being the spouse of Mr. LIN Zhong), Rosy Fortune, Ding Chang Limited, Eminent Talent Limited, Rain-Mountain and Towin Resources Limited (being a controlled corporation of Mr. LIN Feng)) held a total of 4,873,743,385 Shares, representing approximately 46.38% of the issued Shares. As each of them are considered to have material interests in the MCB Specific Mandate and Shareholder Loan Conversion, each of them will abstain from voting on resolutions 1 and 2 approving the MCB Specific Mandate and Shareholder Loan Conversion at the EGM. Furthermore, Mr. LIN Zhong and Mr. LIN Wei has also abstained from voting at the relevant Board meeting for approving such resolutions to be proposed at the EGM.

Save for the Shareholders disclosed above, to the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolutions 1 and 2 approving the MCB Specific Mandate and Shareholder Loan Conversion to be proposed at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. ZHANG Yongyue, Mr. TAN Wee Seng and Ms. LIN Caiyi, has been formed to advise the Independent Shareholders on whether (a) the MCB Issue and the Shareholder Loan Conversion (i) are conducted in the ordinary and usual course of business of the Group; (ii) are in the interests of the Company and the Shareholders as a whole; and (iii) whose terms are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; and (b) how to vote on the resolutions at the EGM.

Our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders has been approved by the Independent Board Committee in this respect.

OUR INDEPENDENCE

We do not have any relationship with, or interest in, the Group, Rosy Fortune, Rain-Mountain or other parties that could reasonably be regarded as relevant to our independence. During the two years immediately prior to this appointment, we have not (i) acted in the capacity as financial adviser or independent financial adviser to the Company; (ii) provided any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with this appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Rosy Fortune, Rain-Mountain or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the MCB Issue and the Shareholder Loan Conversion pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

- (i) the Company's annual reports for the year ended 31 December (“FY”) 2023 (the “**2023 Annual Report**”) and 2024 (the “**2024 Annual Report**”);
- (ii) the Company's interim report for the six months ended 30 June (“HY”) 2025 (the “**2025 Interim Report**”);
- (iii) Restructuring Documents and Restructuring Support Agreement;
- (iv) Shareholder Loan Equitisation Agreement; and
- (v) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the “**Management**”). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. 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.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the Controlling Shareholder Proposal and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Controlling Shareholder Proposal, we have taken into consideration the following principal factors and reasons:

1. Background information of the Group

Business profile

The Company is a company incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the property development, property investment business and provision of property management service in the PRC. It primarily focuses in mature segments in first- and second-tier cities as well as core cities in the PRC. Development projects cover various property types such as residential, office and commercial complexes.

Financial information

The following is a summary of the audited financial results of the Group for FY2022, FY2023, FY2024, as extracted from the 2025 Interim Report, the 2024 Annual Report and the 2023 Annual Report:

Table 1: Highlights of the financial results of the Group

	HY2025	HY2024	FY2024	FY2023	FY2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	12,281,324	20,206,011	47,788,740	71,832,556	47,440,141
— Sales of properties and other property related services	8,119,887	16,208,285	39,391,258	64,171,369	40,620,476
— Property investment	786,050	788,703	1,758,017	1,591,731	1,239,564
— Property management and other services	3,375,387	3,209,023	6,639,465	6,069,456	5,580,101
Cost of sales and services	(11,298,172)	(17,497,903)	(40,426,316)	(60,599,882)	(40,820,412)
Gross profit	983,152	2,708,108	7,362,424	11,232,674	6,619,729
Loss for the period/year attributable to equity owners of the Company	(6,357,763)	(4,939,432)	(7,075,859)	(8,983,274)	(13,049,088)

Source: 2025 Interim Report, 2024 Annual Report and 2023 Annual Report

HY2025 vs HY2024

During HY2025, the Group recorded revenue of approximately RMB12.3 billion, representing a decrease of approximately 39.22% from approximately RMB20.2 billion in HY2024. Revenue from the sales of properties and other property related services, constituting the majority of the total revenue at approximately 66.1%, decreased by approximately 49.9% to approximately RMB8.1 billion in HY2025. The revenue from the property investment segment decreased approximately 0.3% and the revenue from the property management and other services segment, on the other hand, experienced moderate increases of approximately 5.2% as compared to HY2024.

Revenue recognised from sales of properties alone in HY2025 was approximately RMB7.9 billion, down by approximately 50.4% compared to HY2024 year-on-year, accounting for approximately 64.0% of total recognised revenue. The Group delivered approximately 714,522 square metre (“**sq.m.**”) of properties in gross floor area (“**GFA**”) in HY2025, dropped by approximately 42.7% compared to HY2024 year-on-year. The Group’s recognised average selling price (“**ASP**”) from sales of properties was approximately RMB11,004 per sq.m. in HY2025, representing a decline of approximately 13.4% from RMB12,705 per sq.m. in HY2024. The decrease in the Group’s revenue recognised from sales of properties in HY2025 was mainly attributable to the decrease in GFA delivered and the decrease in ASP.

In line with the revenue decline of the Group, its cost of sales and services for HY2025 dropped by approximately 35.4% to RMB11.3 billion in HY2025. The Group still recorded gross profit of approximately RMB983.2 million for HY2025, albeit a decrease of approximately 63.7% as compared to HY2024. Gross profit margin of the Group was 8.0% for HY2025 when compared to approximately 13.4% for HY2024.

The Group recorded loss attributable to equity owners of the Company at approximately RMB6.4 billion for HY2025, with its loss position further deteriorated by approximate 28.7% compared to HY2024. The major factors, amongst others, contributing to the increased loss in HY2025 include: (a) an approximately 82.1% increase in the fair value loss of investment properties, from approximately RMB371.0 million for HY2024 to approximately RMB675.5 million for HY2025; (b) an approximately 234.3% increase in shares of results of joint ventures and associates from a loss of approximately RMB80.7 million for HY2024 to approximately RMB269.8 million for HY2025; (c) an approximately 243.3% increase in allowance for expected credit losses from approximately RMB257.2 million for HY2024 to approximately RMB883.1 million for HY2025; and (d) an approximately 41.0% increase in other expenses (net), from approximately RMB371.5 million for HY2024 to approximately RMB523.8 million for HY2025.

FY2024 vs FY2023

During FY2024, the Group recorded revenue of approximately RMB47.8 billion, representing a decrease of approximately 33.5% from approximately RMB71.8 billion in FY2023. Revenue from the sales of properties and other property related services, constituting the majority of the total revenue at approximately 82.4%, decreased by approximately 38.6% from approximately RMB64.2 billion in FY2023 to approximately RMB39.4 billion in FY2024. The other two segments, namely property investment and property management and other services, on the other hand, experienced moderate increases of approximately 9.4% and 10.4% respectively as compared to FY2023.

Revenue recognised from sales of properties alone in FY2024 was approximately RMB38.4 billion, down by approximately 39.2% year-on-year, accounting for approximately 80.4% of total recognised revenue. The Group delivered approximately 3,494,125 sq.m. of properties in GFA in FY2024, dropped by approximately 21.1% year-on-year. The Group's recognised ASP from sales of properties was approximately RMB11,001 per sq.m. in FY2024, representing a decline of approximately 23.0% from RMB14,283 per sq.m. in FY2023. The decrease in the Group's revenue recognised from sales of properties in FY2024 was mainly attributable to the decrease in GFA delivered, which aligned with deep adjustment in the real estate market in the PRC that saw significant year-on-year decline in transactions and continued weak market momentum.

In line with the revenue decline of the Group, its cost of sales and services for FY2024 dropped by approximately 33.3% to RMB40.4 billion in FY2024. The Group still recorded gross profit of approximately RMB7.4 billion for FY2024, albeit a decrease of approximately 34.5% as compared to FY2023. Gross profit margin of the Group remained stable at 15.4% for FY2024 when compared to approximately 15.6% for FY2023.

The Group recorded loss attributable to equity owners of the Company at approximately RMB7.1 billion for FY2024, registering an approximate 21.2% improvement from the loss position of approximately RMB9.0 billion registered for FY2023. A major factor contributing to the smaller loss in FY2024 was due to a significant 83.8% reduction in the write-down of properties held for sale and properties under development for sale, from approximately RMB8.7 billion to RMB1.4 billion in 2024.

FY2023 vs FY2022

The Group recorded an increase of approximately 51.4% in revenue, from approximately RMB47.4 billion in FY2022 to RMB71.8 billion in FY2023. Revenue segment from sales of properties and other property related services which domineered a significant 89.3% of total revenue witnessed a rise of approximately 58.0% to RMB64.2 billion in FY2023. Property investment and property management and other services segments continued to record moderate growth of approximately 28.4% and 8.8% respectively.

Revenue recognised from sales of properties in FY2023 was approximately RMB63.2 billion, up by approximately 61.6% year-on-year, representing approximately 88.0% of total recognised revenue. This was mainly attributable to the Group delivering approximately 4,427,220 sq.m. of properties in GFA in FY2023, a rise by 49.0% year-on-year. The Group's recognised ASP from sales of properties also improved at approximately RMB14,283 per sq.m. in FY2023, representing an increase of approximately 8.4% from RMB13,172 per sq.m. in FY2022. The PRC real estate industry experienced a brief period of recovery in 2023 with central government continuously introducing easing policies that indirectly benefited the Group which focused on first- and second-tier cities while favourable policies in the third- and fourth-tier cities have basically been exhausted.

The Group's cost of sales and services for FY2023 increased by approximately 48.5% to RMB60.6 billion, which was generally in line with the revenue increase of the Group during the same period. The Group saw a slight improvement in the gross profit margin at approximately 15.6% for FY2023, as compared to 14.0% for FY2022. Accordingly the Group recorded an impressive 69.7% increase in gross profit of approximately RMB11.2 billion for FY2023.

The Group continued to see improvement in the loss attributable to equity owners of the Company at approximately RMB9.0 billion for FY2023, representing a reduction in the loss position of approximately 31.2% as compared to FY2022. Despite a 102.8% increase in the write-down of properties held for sale and properties under development for sale to RMB8.7 billion FY2023 from RMB4.3 billion in FY2022, this was mitigated by, among others, (i) decrease in administrative, selling and marketing expenses; (ii) decrease in fair value loss of investment properties; (iii) decrease in allowance for expected credit losses; and (v) a turnaround on the share of results of joint ventures and associates from a loss position in FY2022 to registering a profit in FY2023.

The following is a summary of the audited financial positions of the Group as at 31 December 2024 and 31 December 2023 respectively, as extracted from the 2024 Annual Report and as at 30 June 2025 as extracted from the 2025 Interim Report:

Table 2: Highlights of the financial positions of the Group

	As at 30 June 2025 RMB'000 unaudited	As at 31 December 2024 RMB'000 audited	2023 RMB'000 audited
Non-current assets	78,453,990	78,912,643	83,262,672
Current assets	162,865,860	177,255,842	217,818,220
Non-current liabilities	25,219,739	27,950,040	27,991,290
Current liabilities	171,694,418	176,299,544	208,520,782
Total equity	44,405,693	51,918,901	64,568,820

Source: 2025 Interim Report and 2024 Annual Report

As at 30 June 2025, total assets and liabilities of the Group were approximately RMB241.3 billion and RMB196.9 billion respectively, as compared to total assets and liabilities of approximately RMB256.2 billion and RMB204.2 billion as at 31 December 2024 respectively, registering a respective decrease of approximately 5.8% and 3.6%. Total equity declined by approximately 14.5% to RMB44.4 billion as at 30 June 2025 following the continuous loss recorded.

As at 31 December 2024, total assets and liabilities of the Group were approximately RMB256.2 billion and RMB204.2 billion respectively, as compared to total assets and liabilities of approximately RMB301.1 billion and RMB236.5 billion as at 31 December 2023 respectively, registering a respective decrease of approximately 14.9% and 13.6%. Total equity declined by approximately 19.6% to RMB51.9 billion as at 31 December 2024 following the continuous loss recorded.

Material uncertainty related to going concern and the need for the Restructuring

It was noted from the 2024 Annual Report that, while the Board has prepared the consolidated financial statements of the Company as at 31 December 2024 on a going concern basis, the Company's auditor, Prism Hong Kong Limited (*formerly known as Prism Hong Kong and Shanghai Limited*) ("**Prism**"), has drawn attention to material uncertainty related to going concern, the condition indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern (the "**Going Concern Issue**") and, therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, details of which are summarised as follows:

- (i) the Group incurred a net loss attributable to the equity owners of the Company of approximately RMB7.1 billion for FY2024; and

- (ii) as at 31 December 2024, the Group was unable to repay the principal and the interest of certain bank borrowings, offshore senior notes and the interest of convertible bonds and, as a result, certain bank borrowings, senior notes, convertible bonds (including debt and derivative components) and interest payables amounting to approximately RMB18.3 billion, RMB29.1 billion, RMB1.3 billion and RMB6.6 billion respectively became default or cross-default.

We note that it is not the first year that Prism has drawn attention to material uncertainty related to going concern of the Group. In fact, Prism highlighted material uncertainty related to going concern of the Group for each of FY2023 and FY2022 under very similar circumstances in its independent auditor's reports.

As stated in the 2024 Annual Report, whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

- (i) successfully completing the restructuring of its offshore financing arrangements;
- (ii) successfully negotiating with the Group's existing lenders for the renewal or extension for repayment of the Group's onshore bank borrowings;
- (iii) successfully securing project development loans for qualified project development timely;
- (iv) successfully obtaining of additional new sources of financing as and when needed;
- (v) successfully implementing measures to effectively control costs and expenses; and
- (vi) successfully disposing of the Group's non-core assets when suitable.

Should the Group fail to achieve the above mentioned plans and measures, it might not be able to continue to operate as a going concern. As stated in the 2024 Annual Report, the Board is of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its obligations and to meet its financial obligations as they fall due not less than twelve months from the date of approval for issuance of the consolidated financial statements for FY2024.

With reference to the 2025 Interim Report, the Group incurred a net loss attributable to equity owners of the Company of approximately RMB6.4 billion during HY2025 and, as at 30 June 2025, the Group had net current liabilities of RMB8.8 billion. As at 30 June 2025, the Group was unable to repay the principal and the interest of certain bank borrowings, offshore senior notes and convertible bonds, as a result, certain bank borrowings, senior notes, convertible bonds (including debt and derivative components) and interest payables amounting to approximately RMB18.5 billion, RMB28.9 billion, RMB1.3 billion and RMB8.3 billion respectively became default or cross-default. The aforementioned condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Prism's conclusion is not modified in respect of this matter.

Our assessment

We note that the Group has been registering consecutive loss for the year/period since FY2022 coupled with Going Concern Issue for the last three (3) financial years and six months ended 30 June 2025. The Company is facing significant pressure on its working capital and liquidity position. The challenging financial position also casts doubt on the Company as a going-concern. With the existence of the Going Concern Issue, it would be difficult for the Group to raise funds of a significant amount through equity or debt financing. It is critically important for the Group to reduce its gearing level such that it could strengthen the financial position of the Group and alleviate the Going Concern Issue. This will in turn place the Group in a better position to negotiate and obtain fund raising arrangements or debt financing for its business operations when necessary. Accordingly the Restructuring represents a feasible solution for the Group to achieve the above-mentioned objectives and provides a lifeline in preventing the Group from going into a liquidation scenario.

2. Background information of Rosy Fortune

Rosy Fortune is a company incorporated in the British Virgin Islands, which is controlled by the LIN's Family Trust. The LIN's Family Trust is a discretionary trust set up jointly by Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng as settlors. The beneficiaries of the LIN's Family Trust include certain family members of Mr. LIN Zhong, Mr. LIN Wei and Mr. LIN Feng.

3. Background and reasons for the Restructuring

As disclosed in the Letter from the Board, as at 31 December 2024, the Group had outstanding total indebtedness of approximately RMB86,653.8 million (equivalent to approximately US\$12,204.78 million), comprising bank and other borrowings of approximately RMB43,527.2 million (equivalent to approximately US\$6,130.60 million), onshore corporate bonds and medium-term notes with carrying amounts of approximately RMB12,710.9 million (equivalent to approximately US\$1,790.27 million), offshore convertible bond with a carrying amount of approximately RMB1,310.8 million (equivalent to approximately US\$184.62 million) and offshore senior notes with carrying amounts of approximately RMB29,105.0 million (equivalent to approximately US\$4,099.30 million).

On the Restructuring Effective Date, the Group's offshore debt obligations will reduce by an aggregate amount anticipated to be of approximately US\$1.4 billion (attributable to an aggregate amount of outstanding principal and accrued but unpaid interest of approximately US\$8.1 billion of Existing Debt being cancelled (comprising US\$6.8 billion of outstanding principal and US\$1.3 billion of accrued but unpaid interest) and an aggregate principal amount of approximately US\$6.7 billion of new instruments being issued and documented (being the aggregate amount of outstanding offshore debt on the Restructuring Effective Date) and with a cash payment of approximately US\$9.5 million). It should be noted that the MCB comprise approximately US\$4.1 billion of new instruments to be issued and the Group's offshore debt obligations will continue to reduce as the MCB are converted into Shares. Further, the remaining US\$2.6 billion will be new instrument in the form of short term, medium term and long term notes to be issued and lending facilities which will reduce the Group's offshore debt obligations as it repays those notes in accordance with their respective terms.

In view of the Group's financial position, available financing resources and cash flow, if the resolutions to be proposed at the EGM are not passed by the Shareholders at the EGM or should the Restructuring fail to be implemented for any other reason, the Company believes that:

- (i) it will be unable to comply with its obligations under the Existing Debt;
- (ii) the Group will be unable to comply with the other outstanding indebtedness of the Group; and
- (iii) there is a material risk that certain of the Scheme Creditors, as well as other creditors of the Group, will pursue enforcement actions against the Company and/or other members of the Group, which may lead to material adverse consequences to the Group.

In these circumstances, the Company anticipates that the members of the Group would likely be required to make, or cause the Company to make, an application to the Court and/or courts in other relevant jurisdictions, as applicable, to place the Company and other members of the Group into liquidation or other appropriate insolvency proceedings to facilitate an orderly winding-up and realisation of the Group's assets for the benefit of the creditors of the Company and the members of the Group ("**Group Liquidation Scenario**").

In a Group Liquidation Scenario, Scheme Creditors' recoveries from the Company and the Group have been independently assessed to be approximately 4.1% to 9.9%, which means that no liquidation proceeds will be available for distribution to Shareholders if the Restructuring is not implemented.

In summary, the Restructuring will seek to: (i) provide the Company with a long-term, sustainable capital structure and a strengthened balance sheet that will allow the Group to comply with its debt obligations and liabilities and to trade on a going-concern basis moving forward; (ii) alleviate the liquidity pressures faced by the Company and align the debt servicing demands with the prevailing financial condition of the Group and

the PRC property industry; and (iii) maximise value for all stakeholders (including the Shareholders) while ensuring their rights are adequately protected and they are treated fairly. Following the Restructuring, the Company plans to settle the remaining offshore debt obligations through sales from its operating activities, and onshore and offshore assets disposal.

For the reasons set out above, the Board considers the Restructuring and the Scheme to be in the best interests of the Company, its Shareholders and its creditors as a whole.

With reference to the 2025 Interim Report, the Group was facing a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through plans and measures and the Restructuring is one of the measures. We consider that the Restructuring will serve to reduce the overall debt size and alleviate the liquidity pressure of the Group, restructure and enhance its net asset value and improve its overall financial position. Accordingly we concur with the views of the Board on implementing the Restructuring and the Scheme.

As stated in the Letter from the Board, the Group had also explored other options to generate sufficient cash flow to meet its financial commitments, including assets disposal and equity financing. However, these options have proven to be difficult and time-consuming to implement in light of the adverse market condition. The deteriorating financing and operational environment faced by the real estate industry in the PRC in which the Group operates have reduced both the options and amount of financing available to the Group.

We consider the Restructuring, which involves, amongst others, the issuance of the MCB and Shareholder Loan Conversion, is a suitable option to resolve the Group's liquidity pressure after taking into account of the following:

- (a) it is a practicable and expeditious way to reduce debts of the Group under adverse market condition after obtaining the consensus of the Scheme Creditors, since raising funds externally by a financially-distressed company with Going Concern Issue will prove to be very difficult and challenging;
- (b) the Connected Persons, being Scheme Creditors, are treated equally as the other Scheme Creditors, therefore the MCB that they will receive have the identical terms as the MCB to be issued to the other Scheme Creditors;
- (c) the Shareholder Loan Conversion Price (as defined herein) and the initial MCB Ordinary Conversion Price respectively represent a premium over the last traded price of the Share as quoted on the Stock Exchange on 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement. Further analysis and evaluation of the key terms of the MCB and Shareholder Loan Conversion is set out in section titled "6. Evaluation of the key terms of the MCB and Shareholder Loan Conversion" below;

- (d) any form of equity financing exercise undertaken by the Company, such as rights issue, open offer or securities issue under specific mandate, will require the Company to price the issue price of the securities at an attractive discount, as compared to a premium currently represented by the Shareholder Loan Conversion Price (as defined herein) and the initial MCB Ordinary Conversion Price, to attract subscription by existing shareholders or potential investors. Furthermore a non-underwritten rights issue/open offer will not guarantee the Company is able to raise sufficient funds whilst an underwritten exercise will attract high underwriting commission by underwriters who are willing to underwrite, given the distressed condition of the Company, resulting in less proceeds obtained. This would result in even more Shares to be issued, aggravating the potential dilution effect of the Restructuring. Furthermore the implementation time taken to complete a rights issue/open offer is generally longer compared to the Restructuring which only requires shareholders' approval whilst time has to be allocated for the acceptance of the rights issue/open offer. However the time spent on lengthy discussion with potential underwriters on the underwriting arrangement with the negotiation process with Scheme Creditors on the Restructuring may be comparable;
- (e) the Going Concern Issue will definitely bring uncertainty to the success of any form of equity financing in view of the vulnerability of the financial position of the Group; and
- (f) asset disposal by the Group may attract fire-sale prices since it will generally be viewed as desperate attempts by the Group to raise funds to solve its debt-laden financial position.

4. Principal terms of the MCB

We outlined below the principal terms and conditions of the MCB as extracted from the Letter from the Board under the section headed “3. ISSUE OF MCB UNDER SPECIFIC MANDATE”:

Issuer: The Company.

Principal amount: US\$4,075,065,253.

The principal amount of the MCB of US\$4,075,065,253 (in turn, the initial MCB Conversion Price) was determined and negotiated on an arm's length basis between the Company and the AHG having considered and with reference to (i) the Existing Debt, (ii) the unsatisfactory financial position of the Group with consecutive losses in the previous two financial years ended 31 December 2023 and 2024, (iii) the balance between the manageable theoretical dilution effect and significant debt reduction of the Scheme which the MCB forms part of in achieving the objective of implementing a holistic financial restructuring.

Status:	The MCB constitute direct, unconditional, unsubordinated and secured obligations of the Company.
Currency:	US\$
Form:	Registered only.
Denomination:	US\$1,000 each and integral multiplies of US\$1 in excess thereof.
Issue date:	Restructuring Effective Date. Conditions for the issue of MCB are the same as the conditions of the Restructuring.
Maturity:	4 years from the Reference Date, with the outstanding principal amount of the MCB mandatorily and automatically converted into Shares at maturity at the MCB Ordinary Conversion Price.
Interest:	The MCB are not interest bearing.
Conversion:	(a) Voluntary Conversion MCB holders will have the right, commencing from the Restructuring Effective Date, to initiate a voluntary conversion to convert all or part of their MCB into Shares at the MCB Ordinary Conversion Price. (b) Periodic Mandatory Conversions Should the aggregate principal amount of converted MCB on a cumulative basis during the specified “Relevant Periods” listed in the table below fail to meet the stipulated minimum thresholds, a relevant mandatory conversion will occur as set out in the below table. This will involve mandatorily converting the shortfall amount of the MCB into Shares at the MCB Ordinary Conversion Price on a pro rata basis in respect of all outstanding MCB to the extent no voluntary conversion notices have been delivered. All outstanding MCB, to the extent no voluntary conversion notices have been delivered, shall be converted into Shares at the MCB Ordinary Conversion Price) on the maturity date.

Relevant Period	Relevant minimum conversion amount on cumulative basis (% of the original issue amount)
Within one month from the Restructuring Effective Date	20% of the principal amount of the MCB (equivalent to approximately 3,973,188,621 Shares)
From the Restructuring Effective Date to and including the date falling the first anniversary following the Reference Date	40% of the principal amount of the MCB (equivalent to approximately 7,946,377,243 Shares)
From the Restructuring Effective Date to and including the date falling the second anniversary following the Reference Date	60% of the principal amount of the MCB (equivalent to approximately 11,919,565,864 Shares)
From the Restructuring Effective Date to and including the date falling the third anniversary following the Reference Date	80% of the principal amount of the MCB (equivalent to approximately 15,892,754,486 Shares)

(c) VWAP Trigger Event Conversion

If, at any time after the Restructuring Effective Date, the volume-weighted average price of the Shares for 90 Trading Days exceeds the MCB Trigger Conversion Price, all MCB that remains outstanding (in respect of which no voluntary conversion notices have been delivered and irrespective of how many MCB remain outstanding) shall be automatically and mandatorily converted into Shares at the MCB Trigger Conversion Price.

For the avoidance of doubt, the MCB Ordinary Conversion Price and the MCB Trigger Conversion Price are different because the MCB Trigger Price would only be applicable if the VWAP trigger event happens whereby the volume-weighted average price of the Shares for 90 Trading Days exceeds the MCB Trigger Conversion Price, reflecting that the performance of the Shares significantly exceeds the closing price of HK\$0.375 as quoted on the Stock Exchange on 27 September 2024, being the date of the Restructuring Support Agreement.

**Suspension of
conversion:**

The mandatory conversion at maturity and the periodic mandatory conversions shall be suspended under certain suspension events, including (i) the occurrence of an event of default of the MCB arising from voluntary or involuntary insolvency proceedings (until such event of default has been cured or waived by MCB holders), (ii) the occurrence of an event of default of the MCB within three months prior to (A) the end of a Relevant Period or (B) ten Trading Days prior to the maturity date of the MCB arising from any failure by the Company to meet any principal or interest payment obligation under any other new instruments issued for the Restructuring (until the earlier of (1) the end of the four-month period from and including the date on which notice is given to MCB holders and MCB Trustee on such event of default and (2) the date on which such event of default has been cured or waived by MCB holders), (iii) acceleration (as defined in the Letter from the Board)(until such acceleration is annulled and rescinded) or (iv) the trading suspension of the Shares on the Stock Exchange or, if applicable, an alternative stock exchange (until the Shares resume trading).

Events of default under the MCB include payment default, failure to deliver MCB Conversion Shares, failure to create or maintain required collateral, breach of other covenants by the Company or a restricted subsidiary, cross-default, unpaid judgement, involuntary and voluntary proceedings or actions, guarantee repudiation or ineffectiveness, default or repudiation in respect of security documents and scheme payment default, each as further detailed in the MCB Trust Deed. When an event of default occurs and is continuing, the MCB Trustee may, and shall (if required by MCB holders representing not less than 25% in aggregate principal amount of MCB with required indemnity), give written notice to the Company to declare the MCB shall immediately become due and repayable at the principal amount.

The mandatory conversion at maturity and the periodic mandatory conversions shall be also suspended in respect of MCBs held by Rosy Fortune or Rain-Mountain if any such mandatory conversion will trigger an obligation for it or any member of the Controlling Shareholders Group to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Any suspension event shall not affect any MCB holder's right to request voluntary conversion.

Conversion price:

The initial MCB Ordinary Conversion Price is HK\$1.6 per Share. Such initial MCB Ordinary Conversion Price shall be subject to adjustments as set out below in Letter from the Board under the section headed "Adjustment Events".

The initial MCB Ordinary Conversion Price of HK\$1.6 represents:

- (a) a premium of approximately 392.3% to the last traded price of HK\$0.325 per Share as quoted on the Stock Exchange on 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;

- (b) a premium of approximately 517.2% to the average closing price of HK\$0.2592 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (c) a premium of approximately 617.5% to the closing price of HK\$0.223 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 596.9% to the average closing price of HK\$0.2296 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including on the Latest Practicable Date.

The initial MCB Trigger Conversion Price is HK\$5.0 per Share. Such initial MCB Trigger Conversion Price shall be subject to adjustments as set out in Letter from the Board under the section headed “Adjustment Events”.

The initial MCB Trigger Conversion Price of HK\$5.0 represents:

- (a) a premium of approximately 1,438.5% to the last traded price of HK\$0.325 per Share as quoted on the Stock Exchange on 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (b) a premium of approximately 1,828.8% to the average closing price of HK\$0.2592 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (c) a premium of approximately 2,142.2% to the closing price of HK\$0.223 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 2,077.7% to the average closing price of HK\$0.2296 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including on the Latest Practicable Date.

Based on the latest published audited consolidated financial statements, the Group recorded a net asset of RMB51,918,901,000 (approximately HK\$55,241,711,000) and 10,501,450,460 Shares were in issue as at 31 December 2024. The MCB Ordinary Conversion Price is at a discount of approximately 70% to the net asset value per Share as at 31 December 2024.

The MCB Conversion Price was determined after arm's length negotiations between the Company and the AHG after taking into account, among other things, the share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. Other factors considered include the economic compensation and recovery rate for creditors, the need to balance the dilution impact on the major Shareholders to maintain their reasonable control and interests in the Company, the other terms of the Restructuring, the valuation benchmarks for the Shares, including recent trading prices and future prospects, legal and regulatory requirements relating to Listing Rules and bond conversion terms and that after the Restructuring, the Company is expected to emerge from its financial distress and the Share price is likely to see improvement, allowing Scheme Creditors and Shareholders to share in the future upside potential.

The Board considers that the key determination of the MCB Conversion Price was to ensure that Option 2 provides a fair level of economic incentives to the creditors, rather than being solely based on the Shares' net asset value. At the time of negotiation, the Share price was approximately HK\$0.24, and the creditors agreed that setting the conversion price at a multiple of about six times the stock price reflected a reasonable and fair valuation.

Additionally, encouraging more creditors to participate in Option 2 enables the Company to achieve greater de-leveraging, which aligns the interests of the Company and its Shareholders as a whole. Therefore, despite the significant discount to net asset value, the Board believes the MCB Conversion Price is fair, reasonable and supports the long-term interests of all stakeholders.

The initial MCB Ordinary Conversion Price is at a premium to the closing price of HK\$0.375 as quoted on the Stock Exchange on 27 September 2024, being the date of the Restructuring Support Agreement, is value accretive for existing Shareholders and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Adjustment events: Subject to the terms of the MCB, the MCB Conversion Price shall be subject to adjustment (as determined by an independent calculation agent unless otherwise specified in the terms of the MCB) upon the occurrence of certain adjustment events including:

- (a) an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

where A is the nominal amount of one Share immediately after such alteration; B is the nominal amount of one Share immediately before such alteration;

- (b) an issue (other than in lieu of cash dividend and other than issue that would amount to capital distribution) of any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves including Shares paid up out of distributable profits or reserves and/or share premium account, where MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

where A is the aggregate nominal amount of the issued Shares immediately before such issue; B is the aggregate nominal amount of the issued Shares immediately after such issue;

- (c) an issue of Shares by way of a scrip dividend where the current market price of such Shares exceeds 115% of the relevant cash dividend or the relevant part thereof and which would not have constituted a capital distribution, where MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where A is the aggregate nominal amount of the issued Shares immediately before such issue; B is the aggregate nominal amount of Shares issued by way of such scrip dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the relevant cash dividend and (ii) the denominator is the current market price of the Shares issued by way of scrip dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the relevant cash dividend; C is the aggregate nominal amount of Shares issued by way of such scrip dividend

- (d) a distribution to the Shareholders, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such distribution by the following fraction:

$$\frac{A - B}{A}$$

where A is the current market price of one share on the last trading day preceding the date on which the distribution is publicly announced; B is the fair market value on the date of such announcement of the portion of the distribution attributable to one Share;

- (e) rights issues of Shares or options over Shares, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A + B}{A + C}$$

where A is the number of Shares in issue immediately before such announcement; B is the number of Shares which the aggregate amount (if any) payable for the Shares issued by way of rights issue or for the options or warrants or other rights issued or granted by way of rights issue and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at such current market price per Share; C is the aggregate number of Shares issued or, as the case may be, comprised in the issue or grant;

- (f) rights issues of other securities, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue or grant by the following fraction:

$$\frac{A - B}{A}$$

where A is the current market price of one share on the last trading day preceding the date on which such issue or grant is publicly announced; B is the fair market value on the date of such announcement of the portion of the rights attributable to one Share;

- (g) issues at a price per Share which is less than 85% of the current market price per Share or modification of rights of conversion of such securities so that the consideration per Share is less than 85% of the current market price per Share, where the MCB Conversion Price shall be adjusted by multiplying the MCB Conversion Price in force immediately before such issue by the following fraction:

$$\frac{A + B}{C}$$

where A is the number of Shares in issue immediately before the issue of such additional Shares or the issue or grant of such options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares; B is the number of Shares which the aggregate consideration receivable for the issue of such additional Shares would purchase at such current market price per Share; C is the number of Shares in issue immediately after the issue of such additional Shares;

- (h) other offers to Shareholders; and
- (i) other events in respect of which the Company (in consultation with the calculation agent of the MCB) determines that an adjustment should be made.

Conversion shares: Based on the initial MCB Ordinary Conversion Price of HK\$1.6 per Share, the maximum number of MCB Conversion Shares to be issued is 19,865,943,108 Shares.

Based on the initial MCB Trigger Conversion Price of HK\$5.0 per Share, the maximum number of MCB Conversion Shares to be issued is 6,357,101,794 Shares.

Fixed exchange rate: On any conversion into the Shares, each US\$1 in principal amount of the MCB shall be translated into Hong Kong dollars at the fixed rate of US\$1 = HK\$7.80.

Put option granted to holders of the MCB: The holder of each MCB will have the right to require the Company to redeem all or some only of that holder's MCBs at a redemption price equal to 100% of their principal amount following the occurrence of a Relevant Event.

“Relevant Event” occurs when:

- (a) the Shares cease to be listed or admitted to trading on the Stock Exchange or, if applicable, an alternative stock exchange;
- (b) after the date falling 36 months after 30 June 2025, the Shares are suspended for trading for a period equal to or exceeding 60 consecutive Trading Days on the Stock Exchange or, if applicable, an alternative stock exchange; or
- (c) a change of control of the Company occurs.

Call option: At any time prior to the maturity date of the MCB, the Company may redeem all or any part of the outstanding MCB at 100% of the principal amount of the MCB to be so redeemed subject to and in accordance with the terms and conditions of the MCB.

Security and guarantee: The MCB will be secured by certain assets of the Group, comprising interest in certain property, bank accounts, intercompany claim receivables and shares in certain companies (the “**Collateral**”). The Collateral will be shared on a *pari passu* basis among the MCB, the New Notes and new loans to be issued pursuant to the Scheme, subject to an intercreditor agreement.

The MCB will be jointly and severally guaranteed by certain specified subsidiary guarantors that will also guarantee the Company’s payment obligations under the New Notes and the new loans to be issued pursuant to the Scheme.

Subject to terms of the MCB Trust Deed and the intercreditor agreement, the Collateral may be enforced upon the occurrence of an event of default that is continuing.

The Company will assess the Listing Rules implications arising from any such enforcement based on the then prevailing facts and circumstances and comply with the relevant requirements under the Listing Rules, where applicable.

Enforcement of these securities and guarantees may have material operational and financial impacts, including potential restrictions on the use of secured assets, loss of control over pledged shares, or increased liabilities arising from enforcement actions. The specific nature and extent of such impacts, whether qualitative or quantitative, would depend significantly on the particular circumstances and terms of enforcement at the relevant time. Accordingly, it is not practicable to quantify the potential effects with certainty at this stage. In the event that enforcement is commenced in respect of the abovementioned securities and guarantees, the Company will assess the implications under the Listing Rules having regard to the prevailing facts and circumstances at that time. The Company will ensure compliance with any applicable requirements under the Listing Rules.

Clearance: The MCB will be cleared through the Clearing Systems. The Clearing Systems each facilitate the clearance and settlement of securities transactions by electronic book-entry transfer respective account holders.

Governing law: Hong Kong law.

Issue of MCB to Rosy Fortune

As at the Latest Practicable Date, Rosy Fortune (being a connected person of the Company) was a Scheme Creditor and held US\$3,000,000 of existing notes of the Company. Rosy Fortune had elected to receive option 2A under the Scheme (i.e. cash payment and MCB) and will be issued MCB with a principal amount of US\$2,939,006 on the Restructuring Effective Date, which is convertible into 14,327,654 Shares (representing 0.14% in the issued Shares as at the Latest Practicable Date) at the initial MCB Ordinary Conversion Price. Rosy Fortune has undertaken to only voluntarily convert its MCB if the conversion will not trigger an obligation for it or any member of the Controlling Shareholders Group to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

Issue of MCB to Rain-Mountain

As at the Latest Practicable Date, Rain-Mountain (being a connected person of the Company) was a Scheme Creditor and held US\$1,000,000 of existing notes of the Company. Rain-Mountain had elected to receive option 2A under the Scheme (i.e. cash payment and MCB) and will be issued MCB with a principal amount of US\$1,082,400 on the Restructuring Effective Date, which is convertible into 5,276,700 Shares (representing 0.050% in the issued Shares as at the Latest Practicable Date) at the initial MCB Ordinary Conversion Price. Rain-Mountain has undertaken to only voluntarily convert its MCB if the conversion will not trigger an obligation for it or any member of the Controlling Shareholders Group to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

MCB Specific Mandate

The MCB Conversion Shares will be issued under the MCB Specific Mandate proposed to be sought from the Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Stock Exchange for listing of, and permission to deal in, the MCB Conversion Shares.

An application will be made by the Company to the SGX-ST for listing of, and permission to deal in, the MCB.

5. Principal terms of the Shareholder Loan Equitisation Agreement

We outlined below the principal terms and conditions of the Shareholder Loan Equitisation Agreement as extracted from the Letter from the Board under the section headed “4. ISSUE OF SHAREHOLDER LOAN CONVERSION SHARES UNDER THE SHAREHOLDER LOAN SPECIFIC MANDATE”:

Date:	15 October 2025
Parties:	(a) Rosy Fortune, as lender (b) Spectron, as borrower (c) the Company, as the issuer
Subject:	The parties have agreed that Spectron shall transfer by novation to the Company Spectron’s rights and obligations under the Shareholder Loan. Following such transfer, the Shareholder Loan will be extinguished and Rosy Fortune intends to convert the outstanding Shareholder Loan into Shares on the terms set out in the Shareholder Loan Equitisation Agreement. Following the extinguishment of the Shareholder Loan but before the issuance of new Shares under the Shareholder Loan Equitisation Agreement, there will be a liability recorded in the accounts of the Company.
Conversion:	Immediately following the novation of the Shareholder Loan by Spectron to the Company and subject to the Shareholder Loan Conversion not triggering an obligation for Rosy Fortune or any member of the Controlling Shareholders Group to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, the Company shall issue new Shares, free and clear of all liens, claims, charges, guarantee, security, encumbrances or like interests to the escrow account as contemplated by the Restructuring, and to Rosy Fortune in exchange for the cancellation of the Shareholder Loan, at a conversion price of HK\$0.40 per share (the “ Shareholder Loan Conversion Price ”).

The conversion of the Shareholder Loan into Shares shall be calculated by way of dividing the total amount of the Shareholder Loan by the Shareholder Loan Conversion Price. Following full conversion of the Shareholder Loan, 1,314,654,997 Shares will be issued.

If, at the time the relevant conditions of the Restructuring are satisfied and the novation of the Shareholder Loan by Spectron to the Company takes effect in accordance with the terms of the Shareholder Loan Equitisation Agreement, to the extent that the Shareholder Loan Conversion will trigger an obligation for Rosy Fortune or any member of the Controlling Shareholders Group to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, the issuance of new Shares under the Shareholder Loan Equitisation Agreement shall not take place until such obligation no longer exists.

While there is no set timeframe during which Shares in respect of the Shareholder Loan Conversion shall be issued, it is expected that the full Shareholder Loan Conversion will be completed and all Shareholder Loan Conversion Shares will be issued once all the MCBs are converted into Shares.

Conditions: The issuance of any new Shares under the Shareholder Loan Equitisation Agreement shall only take effect (i) upon the satisfaction of the conditions of the Restructuring (other than the issuance of the relevant Shares having been issued and the escrow arrangements as described below having taken effect) and (ii) to the extent that such issuance will not trigger an obligation for Rosy Fortune or any member of the Controlling Shareholders Group to make a mandatory general offer for all the issued Shares and other securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company, save for certain conditions relating to the change of the governing law of the Existing Convertible Bonds and the Existing Perpetual Securities.

Escrow arrangements: A proportion (being 76.92%) of the Shares issued pursuant to the Shareholder Loan Equitisation Agreement shall be deposited into an escrow account upon conversion. The Shares held in escrow will only be released to Rosy Fortune when there are no longer any MCB or New Notes to be issued in respect of option 2 outstanding.

The proportion to be deposited into the escrow account was contemplated and negotiated with the creditors on the basis that the creditors who elected equity option (Option 2) would require credit enhancement and assurance on the Shares by putting a proportionate amount of converted Shares from the Shareholder Loan Conversion into the escrow account, and will not be subject to any adjustment mechanism. Such amount is calculated by dividing the total Option 2 election amount by the total Scheme Creditor claim.

As at the Latest Practicable Date, the Shareholder Loan extended by Rosy Fortune to Spectron remained outstanding.

Reasons and benefits of the Shareholder Loan Conversion

To provide support to the Company, Rosy Fortune, Spectron and the Company entered into the Shareholder Loan Equitisation Agreement pursuant to which the Shareholder Loan will be novated from Spectron to the Company and then converted into Shares by way of the Shareholder Loan Conversion.

Under the terms of the new instruments, the Company will undertake to use its best efforts to procure Mr. LIN Zhong to elect to receive his entire entitlement to dividends or distributions on or with respect to his Shares in the form of Shares rather than cash while any of the new instruments to be issued under the Restructuring remain outstanding. Mr. LIN Zhong will also enter into an undertaking in favour of the Company to elect to receive any dividend or distribution in respect of his Shares in the form of Shares while any of the new instruments to be issued under the Restructuring remain outstanding. Therefore, Mr. LIN Zhong will be treated less favourably as compared to the other Shareholders in a way that benefits the Company by preserving its cash. As discussed with the Company, we were made to understand that the Company would consider declaring and paying dividend to its Shareholders in form of cash with a scrip option as and when it is financially capable to do so, allowing the Shareholders to make their election whether to receive the said dividend in the form of cash or Shares. Considering that other Shareholders have the right to elect to receive their respective entitlements to dividends or distributions on or with respect to their Shares in the form of Shares or cash, Mr. LIN Zhong will have to give up such right and is entitled to receive his entire entitlement to dividends or distributions in the form of Shares only, while any of the new instruments to be issued under the Restructuring remain outstanding. This disparity in treatment to Shareholders, who should generally be given equal treatment, indicate a less favourable treatment.

Our comment

The Shareholder Loan Conversion will enable the Group to settle the Shareholder Loan without any cash outlay, thereby preserving its internal financial resources for other purposes. This will lead to an improved financial position of the Group with an enlarged capital structure via issuance of new Shares. The Shareholder Loan Conversion also shows the solid commitment and strong support by the controlling shareholders to the Group and its future prospects. Furthermore the escrow arrangement where the Shareholder Loan Conversion Shares will only be released once all the MCBs are no longer outstanding also shows solidarity of the controlling shareholders towards the Group in its Share price performance. We also noted the undertaking that Mr. LIN Zhong will enter into in favour of the Company to elect to receive any dividend or distribution in respect of his Shares in the form of Shares while any of the new instruments to be issued under the Restructuring remain outstanding. This measure will further strengthen the liquidity position of Company in assisting the Company to preserve its cash balance and solidify his pledge in helping the Company by willingly to accept the less favourable treatment as compared to other Shareholders.

In view of (i) the enhanced financial position of the Group; (ii) the reasons and benefits attributable to the Shareholder Loan Conversion; (iii) the conversion price of HK\$0.4 represents a premium of approximately 79.4% to the closing price of HK\$0.223 per Share as quoted on the Stock Exchange on the Latest Practicable Date and (iv) the less favourable treatment in terms of the escrow arrangement attributable to Rosy Fortune and undertaking by Mr. LIN Zhong to elect to receive any dividend or distribution in respect of his Shares in the form of Shares, as stated above, we

consider the Shareholder Loan Conversion Price is fair and reasonable as far as the Independent Shareholders are concerned and represents an opportunity for the Group to de-leverage.

Shareholder Loan Specific Mandate

The Shareholder Loan Conversion Shares will be issued under the Shareholder Loan Specific Mandate proposed to be sought from the Shareholders at the EGM.

Application for listing

An application will be made by the Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shareholder Loan Conversion Shares.

6. Evaluation of the key terms of the MCB and Shareholder Loan Conversion

(i) Share price comparisons

As set out in the Letter from the Board, the MCB Ordinary Conversion Price was determined after arm's length negotiations between the Company and the AHG after taking into account, among other things, the share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure. Other factors considered include the economic compensation and recovery rate for creditors, the need to balance the dilution impact on the major Shareholders to maintain their reasonable control and interests in the Company, the other terms of the Restructuring, the valuation benchmarks for the Shares, including recent trading prices and future prospects, legal and regulatory requirements relating to Listing Rules and bond conversion terms and that after the Restructuring, the Company is expected to emerge from its financial distress and the Share price is likely to see improvement, allowing Scheme Creditors and Shareholders to share in the future upside potential. The initial MCB Ordinary Conversion Price is at a premium to the closing price of HK\$0.375 as quoted on the Stock Exchange on 27 September 2024, being the date of the Restructuring Support Agreement, is value accretive for existing Shareholders and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The initial MCB Ordinary Conversion Price of HK\$1.6 represents:

- (a) a premium of approximately 392.3% to the last traded price of HK\$0.325 per Share as quoted on the Stock Exchange on 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (b) a premium of approximately 517.2% to the average closing price of HK\$0.2592 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (c) a premium of approximately 617.5% to the closing price of HK\$0.223 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 596.9% to the average closing price of HK\$0.2296 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including on the Latest Practicable Date.

The Shareholder Loan Conversion Price of HK\$0.4 was determined after arm's length negotiations between the Company and the AHG after taking into account, among other things, the then prevailing trading prices of the Share during the period when the Company and AHG negotiated the terms of the Restructuring Support Agreement. Other factors considered include the need to balance the dilution impact on the major Shareholders to maintain their reasonable control and interests in the Company, other terms of the Restructuring, the prevailing Share price at the time of determining the conversion price, the valuation benchmarks for the Shares, including recent trading prices and future prospects, legal and regulatory requirements relating to Listing Rules and conversion terms. The Board is of the view that the dilution effect of the Shareholder Loan Conversion is fair and reasonable and in the interest to the Company and the Shareholders as a whole having considered balancing the dilution impact on Rosy Fortune after the Restructuring to maintain its reasonable equity interests and voting rights in the Company and that the terms of the Shareholder Loan Equitisation Agreement reflects Rosy Fortune's support for the Restructuring and the Company and a reasonable conversion price is necessary to incentivise such continued support. Although the discount to net asset value is notable, the amount involved is not material. Taking the above factors into account, the Board believes the Shareholder Loan Conversion Price is fair, reasonable and in the interests of the Company and its Shareholders as a whole.

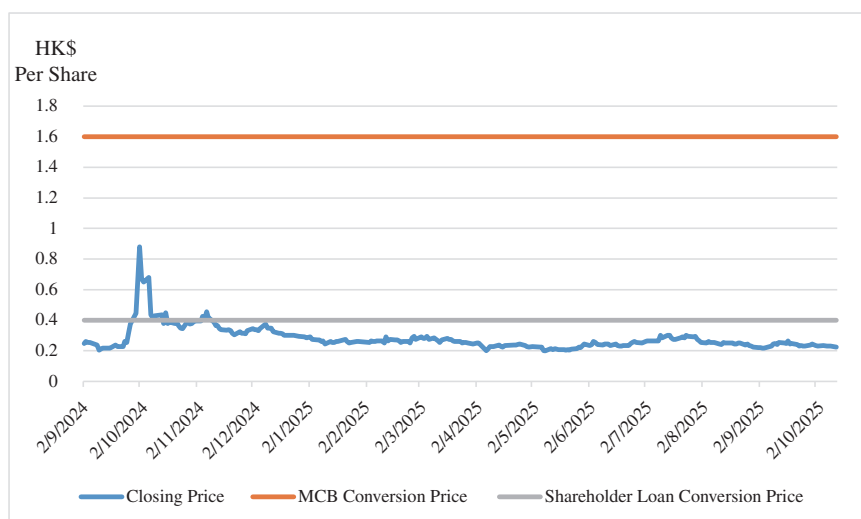
The Shareholder Loan Conversion Price of HK\$0.4 represents:

- (a) a premium of approximately 23.1% to the last traded price of HK\$0.325 per Share as quoted on the Stock Exchange on 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (b) a premium of approximately 54.3% to the average closing price of HK\$0.2592 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including 26 September 2024, being the last Trading Day before the signing of the Restructuring Support Agreement;
- (c) a premium of approximately 79.4% to the closing price of HK\$0.223 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (d) a premium of approximately 74.2% to the average closing price of HK\$0.2296 per Share as quoted on the Stock Exchange for the five consecutive Trading Days of the Shares up to and including on the Latest Practicable Date.

(ii) Historical share price performance

In order to assess the fairness and reasonableness of the MCB Ordinary Conversion Price at HK\$1.60 for the MCB Conversion Shares and the Shareholder Loan Conversion Price at HK\$0.40 for the Shareholder Loan Conversion Shares, we have reviewed the daily closing prices of the Shares from 2 September 2024, being approximately one year prior to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period is adequate to illustrate the recent price movement of the Shares for conducting a reasonable comparison between the MCB Ordinary Conversion Price or the Shareholder Loan Conversion Price and the historical closing prices of the Shares and having factored in the capital market assessment of the Company for the Review Period. Such comparison is relevant for the assessment of the fairness and reasonableness of the MCB Ordinary Conversion Price or the Shareholder Loan Conversion Price. The following diagram sets out the daily closing prices of the Shares on the Stock Exchange during the Review Period:

Chart 1: Movement of the closing prices of the Shares during the Review Period



2023. This was despite an approximate 35.5% reduction in the revenue recorded. Thereafter the closing Share prices experienced a downward pressure and demonstrated a continuously declining trend from the highest closing Share price of HK\$0.88 on 2 October 2024 to the lowest closing Share price of HK\$0.20 on 9 May 2025. We note that the Company released the annual report for the year ended 31 December 2024 of the Company on 30 April 2025, pursuant to which we noted the Company recorded the loss for the year of approximately RMB6,325.6 million in 2024. The closing Share prices subsequently fluctuated between HK\$0.204 to HK\$0.3 from the period from 12 May 2025 to 13 October 2025.

As advised by the Management, other than the events mentioned above, the Management were not aware of any events that led to the fluctuation trend in the closing prices of the Shares during the Review Period.

In light of the above analysis, we note in particular the following for the Shareholder Loan Conversion Price:

- (a) despite the discount of approximately 54.5% to the highest closing Share price, the Shareholder Loan Conversion Price still represents a premium of approximately 100.0% over the lowest closing Share price and 42.8% over the average closing Share price respectively during the Review Period; and
- (b) the Shareholder Loan Conversion Price represents a premium of 79.4% over the closing Share price as at the Latest Practicable Date of HK\$0.223.

We also observed the following for the MCB Ordinary Conversion Price:

- (a) the MCB Ordinary Conversion Price (i.e. HK\$1.60) is significantly above the range of the Share closing prices during the Review Period;
- (b) the MCB Ordinary Conversion Price represents a premium of more than 471.4% over the average closing Share price during the Review Period of HK\$0.28; and
- (c) the MCB Ordinary Conversion Price represents a premium of 617.5% over the closing Share price as at the Latest Practicable Date of HK\$0.223.

In conclusion, the fact that the Shareholder Loan Conversion Price and MCB Ordinary Conversion Price respectively represents significant premiums over the closing Share prices during the Review Period and lead to a significant reduction of the principal amounts of the Existing Debt which enables the Company to achieve de-leveraging in a shorter period of time and retain a relatively sustainable and healthier capital structure, are considered a favourable feature to the Independent Shareholders.

(iii) Trading liquidity of the Shares

The following table sets out the trading volume of the Shares during the Review Period:

Table 3: Trading volume of the Company

	Total trading volume	No. of trading days	Average daily trading volume	Average daily trading volume to the total number of Shares in issue	Average daily trading volume to the number of Shares held by public Shareholders
	<i>(No. of Shares)</i>		<i>(No. of Shares)</i>	<i>(Approximate)</i> <i>Note 1</i>	<i>(Approximate)</i> <i>Note 2</i>
2024					
September	2,409,901,904	19	126,836,942	1.2180%	2.2900%
October	5,537,916,232	21	263,710,297	2.5112%	4.6867%
November	1,921,221,224	21	91,486,725	0.8712%	1.6259%
December	655,716,530	20	32,785,827	0.3122%	0.5827%
2025					
January	467,514,475	19	24,606,025	0.2343%	0.4373%
February	927,927,321	20	46,396,366	0.4418%	0.8246%
March	642,274,684	21	30,584,509	0.2910%	0.5428%
April	595,642,346	19	31,349,597	0.2983%	0.5564%
May	493,957,670	20	24,697,884	0.2350%	0.4383%
June	628,704,860	21	29,938,327	0.2849%	0.5313%
July	837,548,432	22	38,070,383	0.3623%	0.6757%
August	552,918,492	21	26,329,452	0.2505%	0.4673%
September	653,930,825	22	29,724,128	0.2828%	0.5275%
October (up to and including the Latest Practicable Date)	106,629,914	7	15,232,845	0.1449%	0.2703%

Source: website of the Stock Exchange

Notes:

1. The calculation is based on the average of the daily trading volume of the Shares divided by the total number of Shares in issue in the relevant period.
2. The calculation is based on the average daily trading volume of the Shares divided by the number of Shares held by the public Shareholders (i.e. Shareholders other than the substantial shareholders of the Company).

As illustrated in the table above, the average daily trading volume for the respective month/period during the Review Period ranged from approximately 15,232,845 Shares to approximately 263,710,297 Shares, representing: (i) approximately 0.1449% to approximately 2.5112% of the total number of issued Shares; and (ii) approximately 0.2703% to approximately 4.6867% of the number of Shares held by public Shareholders. The average daily trading volume during the Review Period was 60,189,762 Shares, representing approximately 1.0700% of the Shares held by the public Shareholders. The highest daily trading volume was recorded on 2 October 2024, where trading volume reached approximately 992.7 million Shares, representing approximately 17.64% of the number of Shares held by the public Shareholders.

According to the Management, given the relatively low trading volume of the Shares, it may possess difficulties for the Company to pursue other equity financing alternatives without providing incentives such as discount on issue price to investors, or to achieve sustainable capital structure that allow the Group to comply with its debt obligations and liabilities and to trade on a going-concern basis. In view of the limited trading activity of the Shares, we concur with the Management's view and consider that the issuance of MCB Conversion Shares and Shareholder Loan Conversion Shares at a premium over the average closing Share price during the Review Period is favourable to the Independent Shareholders.

(iv) Comparable Mandatory Convertible Bonds

To assess the fairness and reasonableness of the key terms of the MCB to the Connected Persons, including the interest rate, conversion price and term to maturity, we have conducted independent research of the proposed issue of mandatory convertible bonds/notes to either connected persons and/or independent third parties by companies listed on the Main Board of the Stock Exchange on which their circulars were issued during the period from 1 June 2022 and ending on the Latest Practicable Date, being a period of over three (3) years prior to the Latest Practicable Date (the “**Comparison Period**”). Based on the above selection criteria, we have identified a total of 10 mandatory convertible bonds/notes issues (the “**Comparable MCBs**”) to provide an assessment of the recent market practice in relation to the key terms of mandatory convertible bonds/notes under similar market conditions. We have considered the issuance of mandatory convertible bonds/notes to both connected persons and independent third parties in our research since MCB of the Company will be issued to both Connected Persons and the other independent Scheme Creditors, therefore it is fairly relevant in providing a reference to our evaluation of the terms of the MCB. We consider that the Comparison Period is appropriate since it provided, in our opinion, a reasonable and meaningful number of samples for our analysis purpose and the Comparable MCBs as a whole provides a fair and representative sample.

Independent Shareholders should note that the principal businesses, market capitalisations, profitability and financial positions of the companies in relation to the Comparable MCBs may not be similar to those of the Company, and we have not conducted any in-depth investigation into respective businesses and operations of such companies. As the Comparable MCBs can provide a general reference of the key terms for similar transactions in Hong Kong under the current market conditions, we consider, to the best of our knowledge and ability, that the list of Comparable MCBs during the Comparison Period is exhaustive, fair and representative during the Comparison Period in assessing the fairness and reasonableness of the key terms of the MCB to the Connected Persons.

Table 4: Analysis of the Comparable MCBs

Date of circular	Stock code	Name of company	Issue to connected person	Principal amount (approx.)	Term to maturity (year)	Interest rate per annum (%)	Premium/(discount) of conversion price over/to ^{Note 1}	the closing price as at last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement	the average closing price of the last five (5) trading days up to and including the last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement	Dilution effect of existing public shareholders (excluding public mandatory convertible bond holders) for conversion of mandatory convertible bonds ^{Note 2}
							(%)	(%)	(%)	
22 August 2025	1918	Sunac China Holdings Limited	To connected and non-connected persons							40.60
		— mcb 1		up to US\$9,710,670,612.75	0.50	0.00	330.38	347.96		
		— mcb 2		up to US\$2,412,500,000	2.50	0.00	143.67	153.62		
10 July 2025	1233	Times China Holdings Limited								17.69
		— mcb I	No	up to US\$1,008,700,000	1.50	0.00	1,900.00	1,740.49		
		— mcb II	No	up to US\$383,659,802	1.50	0.00	3,233.33	2,967.48		
15 May 2025	1396	Guangdong — Hong Kong Greater Bay Area Holdings Limited	No	up to US\$241,503,890	1.00	0.00	90.31	156.05		15.50

Date of circular	Stock code	Name of company	Issue to connected person	Principal amount (approx.)	Term to maturity (year)	Interest rate per annum (%)	Premium/(discount) of conversion price over/to	the average closing price of the last five (5) trading days up to and including the last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement	the closing price as at last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement	Dilution effect of existing public shareholders (excluding public mandatory convertible bond holders) for conversion of mandatory convertible bonds ^{Note 2}
							Note 1			
30 December 2024	813	Shimao Group Holdings Limited								29.60
		— controlling shareholder mandatory convertible bonds	Yes	US\$397,758,525	1.00	0.00	710.81	704.29		
		mandatory convertible bonds	No	up to US\$12,662,513,247	1.00	0.00	710.81	704.29		
29 November 2024	1638	Kaisa Group Holdings Ltd. ^(Note 3)								25.14
		— Tranche A	No	US\$300,000,000	0.29	0.00	4,103.54	4,202.54		
		— Tranche B	No	US\$400,000,000	1.29	0.00	4,103.54	4,202.54		
		— Tranche C	No	US\$500,000,000	2.29	0.00	4,103.54	4,202.54		
		— Tranche D	No	US\$800,000,000	3.30	0.00	3,484.07	3,568.48		
		— Tranche E	No	US\$800,000,000	4.30	0.00	3,484.07	3,568.48		
		— Tranche F	No	US\$1,000,000,000	5.30	0.00	3,484.07	3,568.48		
		— Tranche G	No	US\$1,000,000,000	6.30	0.00	3,484.07	3,568.48		
		— Tranche H	No	up to US\$2,092,219,129	7.30	0.00	3,484.07	3,568.48		
5 November 2024	1238	Powerlong Real Estate Holdings Limited	No	up to US\$558,166,990	4.00	0.00	378.57	388.34		6.75
1 November 2024	3377	Sino-Ocean Group Holding Limited		US\$4,018,000,000						18.77
		— Class A	No	US\$833,000,000	2.00	0.00	289.33	292.47		
		— Class B	To connected and non-connected persons	US\$1,450,000,000	2.00	0.00	1,412.00	1,424.19		
		— Class C	To connected and non-connected persons	US\$1,175,000,000	2.00	0.00	4,438.67	4,475.27		
		— Class D	No	US\$561,000,000	2.00	0.00	2,870.67	2,894.62		
15 December 2023	3883	China Aoyuan Group Limited	No	US\$143,000,000	5.00	0.00	(44.07)	(42.61)		18.13

Date of circular	Stock code	Name of company	Issue to connected person	Principal amount (approx.)	Term to maturity (year)	Interest rate per annum (%)	Premium/(discount) of conversion price over/to	the average closing price of the last five (5) trading days up to and	Dilution effect of existing public shareholders (excluding public mandatory convertible bond holders) for conversion of mandatory convertible bonds ^{Note 2}
							the closing price as at last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement	including the last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement	
13 June 2023	1918	Sunac China Holdings Limited							29.44
		— mandatory convertible bond	No	US\$2,200,000,000	5.00	0.00	(12.66)	(14.89)	
		— controlling shareholder bond	Yes	US\$450,000,000	5.00	0.00	(12.66)	(14.89)	
8 July 2022	1592	Anchorstone Holdings Limited ^{Note 7}	No	up to HK\$200,000,000	1.00 (or less)	2.00	(10.91)	(10.74)	8.85
				Maximum	7.30	2.00	4,438.67	4,475.27	40.60
				Minimum	0.29	0.00	(44.07)	(42.61)	6.75
				Average	2.81	0.08	1,923.30	1,942.33	21.05
	884	The Company							
		— MCB to the Connected Persons	Yes	US\$4,021,406	4.00	0.00	598.69	629.26	0.10 ^{Note 4}
		— MCB to the other Scheme Creditors apart from the Connected Persons	No	US\$4,071,043,847	4.00	0.00	598.69	629.26	34.98 ^{Note 5}
							Dilution effect of full conversion of MCB		34.99 ^{Note 6}

Source: website of the Stock Exchange

Notes:

1. Conversion prices of respective Comparable MCBs are extracted from the respective conversion prices as stated in the section relating to effects on shareholding structure of respective companies in their respective circulars.
2. To provide meaningful references for dilution effect caused by conversion of the MCB to the Connected Persons and/or the MCB, dilution effect of conversion of the respective Comparable MCBs is calculated based on (i) the assumption of conversion of the respective Comparable MCBs only without taking into account the effects on the shareholding structure caused by other securities; (ii) all other applicable assumptions regarding respective Comparable MCBs as stated in the section relating to effects on the shareholding structure of respective companies in their respective circulars (the “**Respective Shareholding Structure Section**”); and (iii) if different scenarios were shown in the Respective Shareholding Structure Section, the maximum dilution effect under different scenarios shown in the Respective Shareholding Structure Section has been used for illustrative purpose. For illustrative purpose, the dilution effect percentage is calculated by taking the shareholding percentage of the public shareholders as at the latest practicable date as disclosed in the respective circulars and deduct the shareholding percentage of the public shareholders (excluding respective mandatory convertible bondholders who have been included as public shareholders after the conversion of the Comparable MCBs) assuming only full conversion of the Comparable MCBs respectively.
3. The terms to maturity of the mandatory convertible bonds of Kaisa Group Holdings Ltd. were calculated based on the issue date of the mandatory convertible bonds of Kaisa Group Holdings Ltd., which is the restructuring effective date (i.e. 15 September 2025) announced in the announcement of Kaisa Group Holdings Ltd. dated 15 September 2025.
4. Dilution effect of conversion of the MCB to the Connected Persons is calculated for illustration purpose only, based on the assumptions that (i) there is no other change in the issued share capital from the Latest Practicable Date up to the full conversion of the MCB to the Connected Persons; (ii) the principal amount of MCB to be issued to the Connected Persons is US\$4,021,406; and (iii) full conversion of the MCB to the Connected Persons only and none of the MCB to the other Scheme Creditors apart from the Connected Persons is converted.
5. Dilution effect of conversion of the MCB to the other Scheme Creditors apart from the Connected Persons is calculated for illustration purpose only, based on the assumptions that (i) there is no other change in the issued share capital from the Latest Practicable Date up to the full conversions of the MCB to the other Scheme Creditors apart from the Connected Persons; (ii) the principal amount of MCB to be issued to the other Scheme Creditors apart from the Connected Persons is US\$4,071,043,847; and (iii) full conversion of the principal amount of the MCB to the other Scheme Creditors apart from the Connected Persons and none of the MCB to the Connected Persons is converted.
6. Dilution effect of full conversion of MCB is calculated for illustration purpose only, based on the assumptions that (i) there is no other change in the issued share capital from the Latest Practicable Date up to the full conversions of the MCB to the Connected Persons and the MCB to the other Scheme Creditors apart from the Connected Persons; (ii) the aggregate amount of MCB to be issued is US\$4,075,065,253; and (iii) full conversion of both the MCB to the Connected Persons and the principal amount of the MCB to the other Scheme Creditors apart from the Connected Persons.
7. As interest rate is one of the factors for evaluation, therefore no specific interest rate level is stated when we consider the selection criteria for Comparable MCBs. The mandatory convertible notes issued by Anchorstone Holdings Limited has an interest rate of 2% per annum whilst the other nine (9) Comparable MCBs as well as the MCB to the Connected Persons have zero interest rate. Nonetheless we are of the view that Anchorstone Holdings Limited should still be included as a sample in the Comparable MCBs in the evaluation of the terms of the MCB since (a) it is an issue of mandatory convertible notes within the Comparison Period that fulfils our selection criteria; and (b) none of its term to maturity, its conversion price to the closing price as at the Comparable Reference Date (as defined below), its conversion price to the average closing price of the last five (5) trading days up to and including the Comparable Reference Date and its dilution effect is at the minimum or the maximum of the Comparable MCBs.

Interest rate

As shown in the table above, we note that the interest rates of the Comparable MCBs ranged from nil to 2.00% per annum, with an average interest rate of approximately 0.08% per annum. As the MCB to the Connected Persons do not bear any interest (i.e. zero-coupon), we consider the zero-interest feature is in the interests of the Company and the Shareholders as a whole.

Term to maturity

The terms to maturity of the Comparable MCBs ranged from 0.29 year to 7.30 years, with an average term of approximately 2.81 years. The term to maturity of the MCB is four (4) years from the Reference Date, and falls within such range but is above the average term of the Comparable MCBs. Independent Shareholders should also note that despite the term to maturity of the MCB is four (4) years from the Reference Date with the outstanding principal amount of the MCB mandatorily and automatically converted into MCB Conversion Shares at maturity, (i) 20% of MCB will be converted into MCB Conversion Shares within one month from Restructuring Effective Date; and (ii) 40%, 60% and 80% of MCB will be converted into MCB Conversion Shares from Restructuring Effective Date to and including the date falling the first, second and third anniversary respectively following the Reference Date under its mandatory conversion feature.

In view of the fact that (a) the issue of the MCB to the Connected Persons is part of the MCB issuance and follows the same tenure and periodic mandatory conversion arrangement; and (b) issue of the MCB to the Connected Persons demonstrates the strong support of the Connected Persons for the Restructuring, we consider that the term to maturity of the MCB to the Connected Persons is justifiable, fair and reasonable. We view the periodic mandatory conversion and the automatic mandatory conversion at the maturity date of the MCB as a favourable arrangement to the Independent Shareholders because the sooner the MCB to the Connected Persons are converted, the faster the Group is de-leveraged.

MCB Ordinary Conversion Price

As set out in the table above, we note that the conversion price to: (i) the closing price as at the last trading day prior to/on date of announcement or date of the creditor/restructuring support agreement or date or effective date of the amended creditor/restructuring support agreement (the “**Comparable Reference Date**”) in relation to the respective Comparable MCBs ranged from a premium of approximately 4,438.67% to a discount of approximately 44.07%, with an average premium of approximately 1,923.30%; and (ii) the average closing price of the last five (5) trading days up to and including the Comparable Reference Date in relation to the respective Comparable MCBs ranged from a premium of approximately 4,475.27% to a discount of approximately 42.61%, with an average premium of approximately 1,942.33%. The MCB Ordinary Conversion Price is: (a) at a premium of approximately 598.69% over the

closing price of HK\$0.229 per Share on 11 April 2025, which is the effective date of the latest amended Restructuring Support Agreement; and (b) at a premium of approximately 629.26% over the average closing price per Share for the last five (5) consecutive trading days up to and including the effective date of the latest amended Restructuring Support Agreement. Although such premiums as represented by the MCB Ordinary Conversion Price is below the respective average premiums of the Comparable MCBs, it is nonetheless within the respective range of the Comparable MCBs. Furthermore in view of the fact that the MCB to the Connected Persons is part of the MCB, therefore the MCB Ordinary Conversion Price is equally applicable to the MCB to Connected Persons as well as the MCB to the other Scheme Creditors. Accordingly we consider the MCB Ordinary Conversion Price is justifiable.

Independent Shareholders should further note that if at any time after the Restructuring Effective Date, the volume-weighted average price of the Shares for 90 Trading Days exceeds the MCB Trigger Conversion Price, all MCB that remains outstanding (in respect of which no voluntary conversion notices have been delivered and irrespective of how many MCB remain outstanding) shall be automatically and mandatorily converted into Shares at the MCB Trigger Conversion Price, which is at a much higher conversion price of HK\$5.0 per Share. The significantly higher MCB Trigger Conversion Price are also applicable to the MCB issued to both the Connected Persons and the other Scheme Creditors, which is fair and reasonable.

Adjustment events

Subject to the terms of the MCB, the MCB Conversion Price shall be subject to adjustment (as determined by an independent calculation agent unless otherwise specified in the terms of the MCB) upon the occurrence of certain adjustment events as stated under the heading of “adjustment events” as set out in section titled “4. Principal terms of the MCB” above.

The adjustment events mainly include corporate actions which will result in change in nominal value of the Shares or total number of issued Shares. Such adjustment events are equally applicable to all the MCB held by Scheme Creditors, regardless whether they are Connected Persons or the other independent Scheme Creditors. Furthermore the adjustments will be determined by an independent calculation agent to ensure fairness. In addition, a review of the Comparable MCBs reveals that clause on adjustment events is commonly featured as a term of the Comparable MCBs and although the adjustment events may not be identical, they are generally similar in nature. Therefore the adjustment clause is fair and reasonable.

Acceleration

Acceleration will only occur when an event of default happens and is continuing. The types of events of default are listed under the heading of “suspension of conversion” as set out in section titled “4. Principal terms of the MCB” above.

When an event of default occurs and is continuing, the MCB Trustee may, and shall (if required by MCB holders representing not less than 25% in aggregate principal amount of MCB with required indemnity), give written notice to the Company to declare the MCB shall immediately become due and repayable at the principal amount.

The occurrence of acceleration is fair and reasonable since it indicates the failure of the Company to meet certain debt obligations as detailed in the MCB Trust Deed and therefore triggers an event of default. Under such circumstances, it is justifiable to expect holders of MCB to demand immediate payment of their MCB. Furthermore the right to acceleration is applicable to both Connected Persons and the other independent Scheme Creditors. In addition, a review of the Comparable MCBs reveals that more than 50% of the Comparable MCBs also have similar acceleration clause. Therefore the acceleration clause is fair and reasonable.

Dilution effect

We note that the dilution effect to the existing public shareholders (excluding mandatory convertible bondholders/noteholders who are considered as public) of the Comparable MCBs ranged from approximately 6.75% to approximately 40.60% with the average dilution effect of approximately 21.05%. As stated under the section headed “7. Possible dilution effect on the shareholding interests of the other Shareholders below, assuming full conversion of the MCB at the MCB Ordinary Conversion Price of HK\$1.6 per Share (assuming MCB in the aggregate principal amount of US\$4,075,065,253 will be issued by the Company), the shareholding interests of the other public Shareholders (excluding holders of MCB) would be diluted by approximately 34.99%, which is within the range and above the average of the Comparable MCBs. Independent Shareholders should however note that such significant dilution would not be solely caused by the MCB to the Connected Persons, in fact the principal amount of the MCB to the Connected Persons of US\$4,021,406 only represents a fraction (i.e. approximately 0.10%) of the aggregate principal amount of MCB of approximately US\$4,075,065,253. Most of the dilution would be caused by the full conversion of the MCB to the other Scheme Creditors apart from the Connected Persons, where the principal amounts of all the MCBs issued to the Connected Persons pale in comparison with that of the MCB to other Scheme Creditors. In view of the fact that (i) the MCB Ordinary Conversion Price represents a premium of approximately 598.69% over the closing price of HK\$0.229 per Share on 11 April 2025, being the effective date of the latest amended Restructuring Support Agreement; (ii) the dilution effect of the MCB to the Connected Person alone would be approximately 0.10% (assuming full conversion of the MCB to the Connected Persons and none of the MCB to the other Scheme Creditors is converted), which is below the minimum dilution effect of 6.75% of the Comparable MCBs, we consider that the dilution effect of the MCB to the Connected Persons is justifiable.

We also note that (i) the dilution effect of full conversion of the principal amount of the MCB of US\$4,075,065,253 (i.e. approximately 34.99%) at the initial MCB Ordinary Conversion Price of HK\$1.6 per Share; and (ii) the term to maturity of the MCB is four (4) years and (a) 20% of the principal amount of the MCB will be converted into MCB Conversion Shares within one month from Restructuring Effective Date; and (b) 40%, 60% and 80% of the principal amount of the MCB will be converted into MCB Conversion Shares from Restructuring Effective Date to and including the date falling the first, second and third anniversary respectively following the Reference Date under its mandatory conversion feature. This could enable the Company to achieve de-leveraging in a shorter period of time, retain a relatively sustainable and healthier capital structure and in turn benefits the Independent Shareholders. In view of the above, we consider that the dilution effect of conversion of the MCB is acceptable.

(v) Comparable transactions analysis of Shareholder Loan Conversion

To further assess the fairness and reasonableness of the Shareholder Loan Conversion Price, we have conducted an independent research, using our best endeavours, of recent loan/debt capitalisation and restructuring transactions involving issuance/subsorption of new shares to connected persons under specific mandate by companies listed on the Main Board of the Stock Exchange (the “**Comparable Loan Capitalisation**”). The selection criteria of the Comparable Loan Capitalisation is based on the following: (i) loan/debt capitalisation and restructuring transactions during the Review Period; (ii) companies listed on GEM of the Stock Exchange were excluded. Given that the Company is listed on the Main Board of the Stock Exchange, we are of the view that a list of Comparable Loan Capitalisation which is listed on the same market, with similar business scale, investor appetite and market capitalisation, is able to provide a fair and representative sample; and (iii) relevant transactions involving the issuance/subsorption of A shares and domestic shares that are not traded on the Stock Exchange were excluded.

Based on our best endeavours and as far as we are aware, an exhaustive list of a total of twelve (12) Comparable Loan Capitalisation, which met the said criteria in which the respective circulars were published during the Review Period (i.e. approximately one year from 2 September 2024 and up to and including the Latest Practicable Date), have been identified to provide a general reference for and to compare with the market practice in relation to the loan/debt capitalisation and restructuring transactions involving issuance/subsorption of new shares during the Review Period.

Details of the Comparable Loan Capitalisation are set out in the table below.

Table 5: Analysis of the Comparable Loan Capitalisation

Date of circular (Note 1)	Company Name	Stock Code	Issue/ Subscription Price (HK\$)	Premium/(discount) of the issue/subscription price over/(to)			Dilution effect of public shareholders
				Last trading day prior to/on the date of the relevant announcement/ agreement	Last 5 consecutive trading days prior to/on the date of the relevant announcement/ agreement	Last 10 consecutive trading days prior to/on the date of the relevant announcement/ agreement (Note 2)	
24 September 2025	New Concepts Holdings Limited	2221	1.00	13.64%	14.94%	12.36%	4.93%
29 August 2025	Global Bio-chem Technology Group Company Limited	809	0.12	36.36%	34.23%	37.30%	8.61%
22 August 2025	DreamEast Group Limited (Note 3)	593	0.16	(91.88)%	(92.08)%	(92.42)%	89.97%
10 July 2025	New City Development Group Limited	456	0.442	(4.95)%	(7.53)%	(12.99)%	6.28%
19 June 2025	Zhongzheng International Company Limited	943	0.20	0.00%	0.00%	(1.00)%	23.90%
22 May 2025	China HK Power Smart Energy Group Limited	931	0.195	0.00%	(0.51)%	(4.41)%	3.48%
16 May 2025	Regent Pacific Group Limited	575	0.485	0.00%	16.00%	13.00%	8.73%
28 February 2025	CHK Oil Limited	632	0.415	5.06%	(5.03)%	(15.65)%	0.44%
28 January 2025	China NT Pharma Group Company Limited	1011	0.33	6.45%	13.79%	10.92%	28.14%
24 January 2025	IDT International Limited	167	0.6	(44.44)%	(54.95)%	(59.51)%	70.70%
9 January 2025	Kidsland International Holdings Limited	2122	0.07	94.44%	101.15%	97.74%	11.47%
20 December 2024	Bonjour Holdings Limited	653	0.158	0.00%	(1.00)%	(2.65)%	21.57%
			Maximum	94.44%	101.15%	97.74%	89.97%
			Minimum	(91.88)%	(92.08)%	(92.42)%	0.44%
			Average	1.22%	1.58%	(1.44)%	23.18%
	Shareholder Loan Conversion Price		0.4	23.10%	54.30%	65.63%	5.95%

Source: website of the Stock Exchange

Notes:

1. The issuance of new shares under specific mandate under a restructuring transaction by Golden Wheel Tiandi Holdings Company Limited (stock code: 1232), whose circular was dated 31 March 2025, is excluded from the Comparable Loan Capitalisation and the relevant analysis as it appears to be an outlier as compared to the other companies under the Comparable Loan Capitalisation. The premium of its issue price represented (i) 3,930% over last trading day prior to/on the date of the relevant announcement/agreement; (ii) 3,800% over last five (5) consecutive trading days prior to/on the date of the relevant announcement/agreement; and (iii) 3,930% over last ten (10) consecutive trading days prior to/on the date of the relevant announcement/agreement, respectively. This may in turn provide a unreasonably high maximum value and high average value for comparison, and thus does not provide a meaningful analysis.

The issuance of new shares under specific mandate under a restructuring transaction by Times China Holdings Limited (stock code: 1233), whose circular was dated 10 July 2025, is excluded from the Comparable Loan Capitalisation and the relevant analysis as it appears to be an outlier as compared to the other companies under the Comparable Loan Capitalisation. The premium of its two issue prices under different assumption represented (i) 2,860.00% and 2,470.00% over last trading day prior to/on the date of the relevant announcement/agreement respectively; (ii) 2,538.96% and 2,173.93% over last five (5) consecutive trading days prior to/on the date of the relevant announcement/agreement respectively; and (iii) 2,354.49% and 2,014.98% over last ten (10) consecutive trading days prior to/on the date of the relevant announcement/agreement respectively. This may in turn provide an unreasonably high maximum value and high average value for comparison, and thus does not provide a meaningful analysis.

2. Save for Bonjour Holdings Limited (stock code: 653), New City Development Group Limited (stock code: 456) and Global Bio-chem Technology Group Company Limited (stock code: 809), the relevant announcements and circulars of the companies under the Comparable Loan Capitalisation did not disclose the respective premium/discount of the issue/subsorption price over/to the average closing price for the last 5 consecutive trading days and the last 10 consecutive trading days up to and including the last trading day respectively. Those respective discount/premium of the issue/subsorption price over the last 5 consecutive trading days and the last 10 consecutive trading days prior to the date of the relevant last trading day is calculated based on the market data published on the website of the Stock Exchange.
3. The respective premium/discount of the subscription price over/to the average closing price for last trading day, the last 5 consecutive trading days and the last 10 consecutive trading days up to and including the last trading day of DreamEast Group Limited (stock code: 593) is calculated based on the last full trading day before the suspension of trading in the shares on 11 March 2024.

As shown in the table above, the issue/subsorption prices of the Comparable Loan Capitalisation ranged from:

- (i) a discount of approximately 91.88% to a premium of approximately 94.44% to/over the respective closing prices of their shares on the last trading day prior to/on the date of the announcement/agreement in relation to the relevant share issuance/subsorption (the “**Last Trading Day Range**”), with an average premium of approximately 1.22% the (“**Last Trading Day Average**”);
- (ii) a discount of approximately 92.08% to a premium of approximately 101.15% to/over the average closing prices of their shares on the last five (5) consecutive trading days prior to/on the date of the announcement/

agreement in relation to the relevant share issuance/subscription (the “**Five Days Range**”), with an average premium of approximately 1.58% (the “**Five Days Average**”); and

- (iii) a discount of approximately 92.42% to a premium of approximately 97.74% to/over the average closing prices of their shares on the last ten (10) consecutive trading days prior to/on the date of the announcement/agreement in relation to the relevant share issuance/subscription (the “**Ten Days Range**”), with an average discount of approximately 1.44% (the “**Ten Days Average**”).

We noted that the Shareholder Loan Conversion Price represents a premium of approximately 23.10%, 54.30% and 65.63% to the closing price of the Shares (a) on 26 September 2024, being the last Trading Day before signing of the Restructuring Support Agreement (the “**Last Trading Day**”), (b) for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day; and (c) for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day, respectively. The respective premiums represented by the Shareholder Loan Conversion Price is within the Last Trading Day Range, Five Days Range and Ten Days Range respectively, and are significantly higher than the Last Trading Day Average, Five Days Average and Ten Days Average, respectively.

We noted that the Shareholder Loan Conversion Price of HK\$0.4 is significant lower than the initial MCB Ordinary Conversion Price of HK\$1.6, which were mainly due to different consideration when determining the Shareholder Loan Conversion Price and the initial MCB Ordinary Conversion Price. The different consideration is set out below:

- (a) The Shareholder Loan Conversion Price of HK\$0.4 was determined after arm’s length negotiations between the Company and the AHG after taking into account, among other things, the then prevailing trading prices of the Share during the period when the Company and AHG negotiated the terms of the Restructuring Support Agreement.

Other factors considered include the need to balance the dilution impact on the major Shareholders to maintain their reasonable control and interests in the Company, other terms of the Restructuring, the prevailing Share price at the time of determining the conversion price, the valuation benchmarks for the Shares, including recent trading prices and future prospects, legal and regulatory requirements relating to Listing Rules and conversion terms.

- (b) The MCB Conversion Price was determined after arm’s length negotiations between the Company and the AHG after taking into account, among other things, the Share price performance of the Company and the assessment of acceptability of Scheme Creditors towards the terms of the Restructuring with a view to achieving a sustainable capital structure.

Other factors considered include the economic compensation and recovery rate for creditors, the need to balance the dilution impact on the major Shareholders to maintain their reasonable control and interests in the Company, the other terms of the Restructuring, the valuation benchmarks for the Shares, including recent trading prices and future prospects, legal and regulatory requirements of the Listing Rules and bond conversion terms and that after the Restructuring, the Company is expected to emerge from its financial distress and the Share price is likely to see improvement, allowing Scheme Creditors and Shareholders to share upside potential in the future.

Having taken into account the following:

- (i) the Shareholder Loan is non-interest bearing whilst the indebtedness of the Company owed to the Scheme Creditors that resulted in the issue of MCB would have been interest-bearing, hence the Shareholder Loan Conversion Price which is lower than initial MCB Ordinary Conversion Price can be viewed as a compensation to Rosy Fortune for its support to the Group all these years;
- (ii) the Shareholder Loan Conversion is an arrangement between the Company and Rosy Fortune (being a controlling shareholder of the Company) on the settlement of the outstanding Shareholder Loan, whilst the MCB is issued pursuant to the negotiation and agreement between the Company and the Scheme Creditors on the outstanding indebtedness;
- (iii) the MCB also needs to take into account the economic compensation and recovery rate of the Scheme Creditors;
- (iv) there is also some difference in the arrangement in which a proportion of the Shares shall subject to the escrow arrangement pursuant to the Shareholder Loan Equitisation Agreement;
- (v) both the Shareholder Loan Conversion Price and the initial MCB Ordinary Conversion Price are higher than the average closing Share price during the Review Period;
- (vi) the Shareholder Loan Conversion Price represents a premium of approximately 23.10%, 54.30% and 65.63% to the closing price of the Shares (a) on the Last Trading Day, (b) for the last five (5) consecutive trading days immediately prior to and including the Last Trading Day; and (c) for the last ten (10) consecutive trading days immediately prior to and including the Last Trading Day, respectively. Such respective premiums represented by the Shareholder Loan Conversion Price are within the Last Trading Day Range, Five Days Range and Ten Days Range respectively, and are significantly higher than the Last Trading Day Average, Five Days Average and Ten Days Average, respectively; and

- (vii) Shareholder Loan Conversion is part of the Restructuring which will help to reduce the debt of the Group and reflects Rosy Fortune's support for the Restructuring,

we are of the view that Shareholder Loan Conversion Price is acceptable.

We also noted from the Comparable Loan Capitalisation that the relevant potential dilution effect to the public shareholders ranged from approximately 0.44% to approximately 89.97% with an average dilution effect of approximately 24.18%. The potential dilution effect of approximately 5.95% to the existing public Shareholders as contemplated under the Shareholder Loan Conversion falls within the range and is below the average dilution effect to the public shareholders of the Comparable Loan Capitalisation.

Having considered the fact that:

- (i) the Shareholder Loan Conversion Price of HK\$0.4 per Shareholder Loan Conversion Share is within the range of the closing prices of the Shares and represents a premium of approximately 100.0% over the lowest closing price of approximately HK\$0.20 during the Review Period;
- (ii) the premium of the Shareholder Loan Conversion Price is within the range of the Comparable Loan Capitalisation and the premium of the Shareholder Loan Conversion Price is significantly higher than the Last Trading Day Average, Five Days Average and Ten Days Average of the Comparable Loan Capitalisation respectively;
- (iii) the potential dilution effect of the Shareholder Loan Conversion to the shareholding of the existing public Shareholders is within the range of the Comparable Loan Capitalisation; and
- (iv) the Shareholder Loan Conversion is a preferred solution to satisfactorily solve the current indebtedness issues faced by the Group given the Company's predicament circumstances, comparing to other fundraising methods,

we consider that the Shareholder Loan Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

7. Possible dilution effect on the shareholding interests of the other Shareholders

As illustrated by the shareholding table contained under the section headed "9. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" of the Letter from the Board,

- (i) the shareholding interests of the other Shareholders as at the Latest Practicable Date (being members of the public as defined in Rule 8.24 of the Listing Rules) would be diluted by approximately 5.95% immediately upon the issuance of the Shareholder Loan Conversion Shares; assuming no other change in issued share capital;

- (ii) the shareholding interests of the other Shareholders as at the Latest Practicable Date (being members of the public as defined in Rule 8.24 of the Listing Rules) would be diluted by approximately 34.99% assuming full conversion of the MCB at the MCB Ordinary Conversion Price of HK\$1.60 per Share (assuming MCB in the aggregate principal amount of US\$4,075,065,253 will be issued by the Company) and no other change in issued share capital;
- (iii) the shareholding interests of the other Shareholders as at the Latest Practicable Date (being members of the public as defined in Rule 8.24 of the Listing Rules) would be diluted by approximately 35.76% assuming:
 - (a) issuance of the Shareholder Loan Conversion Shares;
 - (b) full conversion of the MCB at the initial MCB Ordinary Conversion Price of HK\$1.60 per Share (assuming MCB in the aggregate principal amount of US\$4,075,065,253 will be issued by the Company); and
 - (c) no other change in issued share capital.

In this regard, taking into account (i) the reasons for the Shareholder Loan Conversion and; the issue of the MCB; (ii) the premium of approximately 42.8% represented by the Shareholder Loan Conversion Price over the average closing price of the Shares over the Review Period; (iii) the premium of approximately 598.69% represented by the MCB Ordinary Conversion Price over the closing price of HK\$0.229 per Share on 11 April 2025, being the effective date of the latest amended Restructuring Support Agreement; (iv) preservation of shareholder value while reaching a resolution with the Company's Scheme Creditors; and (v) the terms of the Shareholder Loan Conversion and MCB to the Connected Persons being fair and reasonable as demonstrated in the analysis above, we are of the view that the impact of such level of dilution to the shareholding interests of the other Shareholders is acceptable.

8. Financial effects of the Shareholder Loan Conversion

(i) Effect on total liabilities and net asset value

According to the 2025 Interim Report, the unaudited total liabilities and net asset value of the Group was approximately RMB241.3 billion and RMB44.4 billion respectively as at 30 June 2025. Assuming the Group will not incur new borrowings and no other settlement will be made on the Group's liabilities from 30 June 2025 to completion of the Shareholder Loan Conversion, the Group's total liabilities will decrease by the amount of the Shareholder Loan of approximately US\$67,418,205 upon completion of the Shareholder Loan Conversion. In light of the decrease in total liabilities, the net asset value of the Group will also increase by the equivalent amount of the Shareholder Loan of approximately US\$67,418,205. We consider that the Shareholder Loan Conversion will result in an overall improvement on the Group's net assets position.

(ii) Effect on net gearing ratio

According to the 2025 Interim Report, the Group's net debt to equity ratio (total indebtedness net of bank balances and cash divided by total equity) was approximately 166.8% as at 30 June 2025. Assuming (a) no new borrowings are incurred by the Group; and (b) no other settlement are made on the Group's liabilities, and (c) there is no change to the Group's bank balances and cash from 30 June 2025 to completion of the Shareholder Loan Conversion, upon completion of the Shareholder Loan Conversion, the Group's net debt to equity ratio is expected to improve to approximately 165.0% as the total indebtedness of the Group would decrease by approximately US\$67,418,205, being the amount of the Shareholder Loan and the total equity of the Group will be enlarged by the allotment and issue of the Shareholder Loan Conversion Shares. We therefore consider that the Shareholder Loan Conversion will have an overall improvement on the gearing ratio of the Group.

(iii) Effect on working capital

As the Shareholder Loan will be fully settled by way of allotment and issue of the Shareholder Loan Conversion Shares without incurring any cash outflow (save and except the professional fees in relation to the Shareholder Loan Conversion) by the Group, the Shareholder Loan Conversion would enable the Group to utilise the cash flow that would otherwise be used to repay the Shareholder Loan on its general working capital, for repayment of other borrowings and/or development of its business without affecting the working capital of the Group. Accordingly, the cash and liquidity positions of the Group are expected to improve upon completion of the Shareholder Loan Conversion.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular:

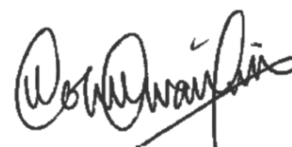
- (i) the reasons for the Restructuring as discussed in the section headed "Background and reasons for the Restructuring" above, in particular in preventing the Group to enter into a liquidation scenario as well as assisting the Group to return to a strong financial position with the restructuring of its indebtedness;
- (ii) the Shareholder Loan Conversion by way of issuance of new Shares, and election by the Connected Persons (as Scheme Creditors) to choose MCB for debts owed to them by the Group which will result in periodic mandatory conversion of the MCB, enables the Group to mitigate substantial cash outflow, allowing the Company to retain working capital to achieve adequate financial flexibility and sufficient runway to stabilise the business and to protect the rights and interests for all stakeholders;
- (iii) that the Shareholder Loan Conversion Price is higher than the average closing Share price during the Review Period;

- (iv) that the premiums represented by the Shareholder Loan Conversion Price are within the range of the Comparable Loan Capitalisation;
- (v) that the MCB Ordinary Conversion Price is generally higher than the closing Share prices over the Review Period;
- (vi) that the premiums represented by the MCB Ordinary Conversion Price are within the range of the Comparable MCBs;
- (vii) that both the interest rate and term to maturity of the MCB fall within the range of the Comparable MCBs; and
- (viii) that the potential dilutive effect on the shareholding interest of the other Shareholders arising from the Shareholder Loan Conversion and the conversion of the MCB is acceptable,

we are of the view that although (i) the proposed issue of the Shareholder Loan Conversion Shares; and (ii) the proposed issue of MCB to Rosy Fortune and Rain-Mountain and the issue of MCB Conversion Shares to them are not conducted in the ordinary and usual course of business of the Group, the principal terms of the Shareholder Loan Equitisation Agreement and the MCB are on normal commercial terms, fair and reasonable based on current market conditions so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolutions approving the proposed issues of Shareholder Loan Conversion Shares, the proposed issue of MCB to Rosy Fortune and Rain-Mountain and the relevant MCB Conversion Shares to them at the EGM.

Yours faithfully,
For and on behalf of
Opus Capital Limited



Koh Kwai Yim
Managing Director

Ms. Koh Kwai Yim is the Managing Director of Opus Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Ms. Koh has over 20 years of corporate finance experience in Asia and has participated in and completed various financial advisory and independent financial advisory transactions.