

1 November 2024

*To: The independent board committee and the independent shareholders  
of CircuTech International Holdings Limited*

Dear Sir/Madam,

**CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE**

**INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 1 November 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 4 October 2024 (after trading hours), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, an aggregate of 7,811,261 Subscription Shares at the Subscription Price (i.e. the First Subscription Price is HK\$3.0 and the Second Subscription Price is HK\$3.9).

With reference to the Board Letter, the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

The Independent Board Committee comprising Mr. Yeung Wai Hung Peter, Mr. Li Robin Kit Ling and Mr. Miao Benny Hua-ben (being all independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Subscription are on normal commercial terms and are fair and reasonable; (ii) whether the Subscription is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Subscription at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

#### **INDEPENDENCE**

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

#### **BASIS OF OPINION**

In formulating our opinion to the Independent Board Committee and the Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have 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 Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Subscription. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 17.96 of the GEM Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Subscription. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources and such sources are reliable.

#### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

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

##### **Information on the Group**

With reference to the Board Letter, the Company is an investment holding company. The Group operates in (i) the sales and distribution of IT products (the “**Sales & Distribution Segment**”); and (ii) the provision of repairs and other service support of IT products (the “**Repairing Service Segment**”).

Set out below is the consolidated financial information of the Group for the two years ended 31 December 2023 and for the six months ended 30 June 2024 (together with comparative figures) as extracted from the Company's annual report for the year ended 31 December 2023 (the "2023 Annual Report") and the Company's interim report for the six months 30 June 2024 (the "2024 Interim Report"):

	For the six months ended 30 June 2024 ("1H2024") HK\$'000 (unaudited)	For the six months ended 30 June 2023 ("1H2023") HK\$'000 (unaudited)	Year-on-year change %	For the year ended 31 December 2023 ("FY2023") HK\$'000 (audited)	For the year ended 31 December 2022 ("FY2022") HK\$'000 (audited)	Year-on-year change %
Revenue	148,891	28,502	422.39	152,137	368,160	(58.68)
– Sales & Distribution Segment	134,741	20,530	556.31	133,004	357,345	(62.78)
– Repairing Service Segment	14,150	7,972	77.50	19,133	10,815	76.91
Profit for the year/period	2,622	3,736	(29.82)	6,615	5,061	30.71

As illustrated in the above table, the Group's revenue from the Sales & Distribution Segment accounted for approximately 97.06% and 87.42% of the Group's revenue for FY2022 and FY2023, respectively. The Group's revenue from the Sales & Distribution Segment decreased by approximately 62.78% from FY2022 to FY2023. As advised by the Directors, such decrease was mainly due to global economic challenges which affected consumers' willingness in spending. The Group's revenue from the Repairing Service Segment increased by approximately 76.91% from FY2022 to FY2023. As advised by the Directors, such increase was mainly due to consumer awareness of electronic waste that promoted preference for repairs. As a result of the above, the Group's revenue decreased by approximately 58.68% from approximately HK\$368 million for FY2022 to approximately HK\$152 million for FY2023.

Notwithstanding the aforesaid decrease in the Group's revenue, the Group's profit for FY2023 increased by approximately 30.71% as compared to that for FY2022. With reference to the 2023 Annual Report, the aforesaid increase in the Group's profit was mainly due to improved operation efficiency which led to decrease in selling and distribution expenses and administrative expenses, increase in other income and share of net profit of an associate and decrease in income tax expenses.

As illustrated in the above table, the Group's revenue from the Sales & Distribution Segment accounted for approximately 90.50% of the Group's revenue for 1H2024. The Group's revenue from the Sales & Distribution Segment increased by approximately 556.31% from 1H2023 to 1H2024. With reference to the 2024 Interim Report and as advised by the Directors, such increase was mainly due to the Group's adjustment in business strategy to cope with market trend by offering more favourable credit period for customers, thereby enhancing competitiveness of the Group and customers' willingness to purchase from the Group. The Group's revenue from the Repairing Service Segment increased by approximately 77.50% from 1H2023 to 1H2024. With reference to the 2024 Interim Report and as advised by the Directors, such increase was mainly due to expansion of device coverage to smartphones. As a result of the above, the Group's revenue increased by approximately 422.39% from approximately HK\$29 million for 1H2023 to approximately HK\$149 million for 1H2024.

Notwithstanding the aforesaid increase in the Group's revenue, the Group's profit for 1H2024 decreased by approximately 29.82% as compared to that for 1H2023. With reference to the 2024 Interim Report, the aforesaid decrease in the Group's profit was mainly due to the combined effect of increase in the Group's gross profit caused by increase in revenue and decrease in other income and fair value gain on derivative financial instrument.

With reference to the 2024 Interim Report and as advised by the Directors, the Group will continue to:

- (i) develop the Sales & Distribution Segment by establishing sales and distribution channels for quality refurbished units; and
- (ii) develop the Repairing Service Segment by setting up/enhancing capacity of repair centers to provide repair services of electronic products for renowned IT brands and service centers for its own products.

#### **Information on the Subscriber**

With reference to the Board Letter, the Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding and trading and repair of IT products. As at the Latest Practicable Date, the Subscriber is wholly-owned by Mr. Lin, who is the substantial shareholder of CircuTex Technology Limited, a non wholly-owned subsidiary of the Company and is principally engaged in repair and services support of IT products. Accordingly, the Subscriber is a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules.

### Reasons for and benefits of the Subscription

With reference to the Board Letter:

- (i) In order to diversify the business portfolio of the Group and to generate more stable returns for the Shareholders, and given the current contribution of the Repairing Service Segment to the overall revenue of the Group and the relatively high profit margin of this segment, the Group believes that there is plenty of room for growth of this segment.
- (ii) The Company intends to jointly operate and manage the Subsidiary(ies) (the “**Joint Operation**”), which shall be principally engaged in the provision of repairs and other service support of IT products, with the Subscriber. The Subscription helps introduce the Subscriber for strengthening the operation of and facilitating the business collaboration in the Repairing Service Segment.
- (iii) The Subscription will facilitate the development of the Repairing Service Segment, raise capital for the Company and improve the financial position of the Group for its future development and working capital.

According to the Subscriber’s website, the Subscriber primarily offers device repair and refurbishment services; wholesale of cell phones through strategic partnerships with local cell phone providers and network carriers with wholesale distribution network covering over 70 cities worldwide; and wholesale of smartphone parts covering most worldwide leading brands. With reference to the Board Letter, by combining the stable supply of IT products (including defective devices) through the Subscriber and the Group’s experience in repairs of IT products, the Group aims to focus on the Repairing Service Segment, which could generate higher gross profit margin and more stable return to the Shareholders.

### *Financing alternative*

Upon our enquiry, the Directors advised us that they also considered other forms of fundraising methods for the Group, such as other equity financing (i.e. rights issue, open offer or placing) and debt financing (i.e. bank borrowings or debt issuance), before the entering into of the Subscription Agreement.

With reference to the 2024 Interim Report, the Group did not have any borrowings during 1H2024 and the Group had no borrowings outstanding as at 30 June 2024. As advised by the Directors, the Group intends to maintain a debt-free position to avoid interest burden.

In respect of equity financing, the Directors advised us that rights issue and open offer may (i) incur additional costs, including underwriting commission (i.e. usually a percentage to the aggregated subscription price of underwritten shares) and other professional fees (such as professional fees for the preparation of listing documents, unaudited pro forma financial information on the net tangible assets, indebtedness statements and comfort letter on working capital sufficiency) as compared to the Subscription; and (ii) take a relatively longer timeframe as compared to subscription or placing of new shares.

Furthermore, the Company intends to jointly operate and manage the Subsidiary(ies), which shall be principally engaged in the provision of repairs and other service support of IT products, with the Subscriber. The Subscription helps introduce the Subscriber for strengthening the operation of and facilitating the business collaboration in the Repairing Service Segment. Rights issue, open offer and placing of new shares to independent third parties would not serve the aforesaid purpose.

Based on the above, we concur with the Directors that the Subscription is an appropriate fundraising mean.

#### ***Profit Before Tax Guarantee***

Pursuant to the Subscription Agreement, one of the Second Completion Conditions is that the Profit Before Tax Guarantee is met (may be waived by the Company in its absolute discretion) (the "PG Condition"). This serves as an incentive for the Subscriber to put effort in the joint operation and management of the Subsidiary(ies) with the Company.

#### ***Use of proceeds***

With reference to the Board Letter:

- The gross proceeds from the Subscription are expected to be approximately HK\$28.1 million.
- The net proceeds to be received from the First Subscription are expected to be approximately HK\$7.1 million. The Company intends to use the net proceeds from the First Subscription as to (a) approximately HK\$4.0 million for the expansion of the Sales & Distribution Segment; (b) approximately HK\$2.1 million to enhance the capacity of a repair center in the PRC; and (c) approximately HK\$1.0 million will be invested in establishing an overseas repair center.

- The net proceeds to be received from the Second Subscription are expected to be approximately HK\$20.3 million. The Company intends to use the net proceeds from the Second Subscription as to (a) approximately HK\$12.0 million for the expansion of the Sales & Distribution Segment; (b) approximately HK\$6.0 million to enhance the capacity of a repair center in the PRC; and (c) approximately HK\$2.3 million for further expansion of the overseas repair center established as mentioned above.

Upon our enquiry, the Directors advised us that:

- To enhance competitiveness and attract more customers for the Sales & Distribution Segment, the Group offered more favourable credit period for customers since 1H2024. This requires the Group to deploy more working capital when the sales in the Sales & Distribution Segment grows. With reference to the 2023 Annual Report and the 2024 Interim Report, the Group's cash used in operations was approximately HK\$23 million for FY2023 and approximately HK\$40 million for 1H2024 and the Group's cash and cash equivalents were approximately HK\$62 million as at 30 June 2024.
- Currently, the Repairing Service Segment mainly procures customers in Hong Kong and its repairing process is carried out in an outsourced repair center in the PRC (with a minority of customers procured in Australia whereas the repairing process is carried out in a repair center in Australia). Given the growth of the Repairing Service Segment (i.e. segment revenue grew by approximately 76.91% from FY2022 to FY2023 and approximately 77.50% from 1H2023 to 1H2024) which was mainly attributable to business growth in Hong Kong, enhancing capacity of the aforesaid outsourced repair center in the PRC will support the growth of this segment.
- The Company had been approached by and discussed with potential overseas customers in relation to the provision of repair services by the Group, however, due to the limitation in the current capacity of the Group's repair centers, the aforesaid discussions did not result in any concrete business plans. The Company expects to procure customers in Hong Kong and overseas under the Joint Operation through the collaboration of different areas of repair expertise and the respective business networks of the Group and the Subscriber. Depends on specific repairing service required, repairing process may be carried out in the PRC or overseas. Accordingly, an additional overseas repair center is required.
- As one of the Second Completion Conditions is that the Profit Before Tax Guarantee is met, the Second Completion (should the PG Condition being satisfied and not waived by the Company) may indicated the satisfactory performance of the Joint Operation. Such performance will enhance further growth of the Repairing Service Segment and further capacity of the aforesaid repair centers in the PRC and overseas will be required.



For our due diligence purpose, we obtained the Company's budgeting for the use of net proceeds as mentioned above. We noted that the allocation of the net proceeds of the Subscription was in line with the Group's planned budgets for the expansion of the existing repair center in the PRC and the establishment of an overseas repair center. Accordingly, we do not doubt the sufficiency of the net proceeds for the aforesaid purpose.

Given the above, we are of the view that the use of net proceeds as mentioned above can facilitate the Group's business development.

In light of the above, we consider that although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

#### **Principal terms of the Subscription**

Set out below is the principal terms of the Subscription under the Subscription Agreement, details of which are set out under the section headed "SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE" of the Board Letter.

##### ***Date***

4 October 2024 (after trading hours)

##### ***Issuer***

The Company

##### ***Subscriber***

Hong Kong Kintex Worldwide Limited (the Subscriber)

##### ***Subscription shares***

7,811,261 Shares in aggregate, comprising (i) 2,605,000 Shares, being the First Subscription Shares; and (ii) 5,206,261 Shares, being the Second Subscription Shares.

With reference to the Board Letter, the First Subscription Shares represented approximately 11.1% of the total number of Shares in issue as at the Latest Practicable Date; and the Second Subscription Shares represented approximately 22.2% of the total number of Shares in issue as at the Latest Practicable Date.

Assuming there will be no other change in the total number of Shares in issue from the Latest Practicable Date up to the date of the Completions, the First Subscription Shares represented approximately 10.0% of the total number of Shares in issue as enlarged by the issue of the First Subscription Shares; and the Second Subscription Shares represented approximately 16.7% of the total number of Shares in issue as enlarged by the issue of the Subscription Shares.

***Subscription price***

With reference to the Board Letter, the First Subscription Price of HK\$3.0 per First Subscription Share represents:

- (i) a discount of approximately 9.09% to the closing price of HK\$3.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 2.60% to the closing price of HK\$3.08 per Share as quoted on the Stock Exchange on 4 October 2024 (the “**Last Trading Day**”), being the date of the Subscription Agreement (the “**First Subscription LTD Discount**”);
- (iii) a premium of approximately 0.33% over the average closing price of approximately HK\$2.99 per Share for the last five consecutive trading days immediately preceding the date of the Subscription Agreement (the “**First Subscription 5 Days Premium**”);

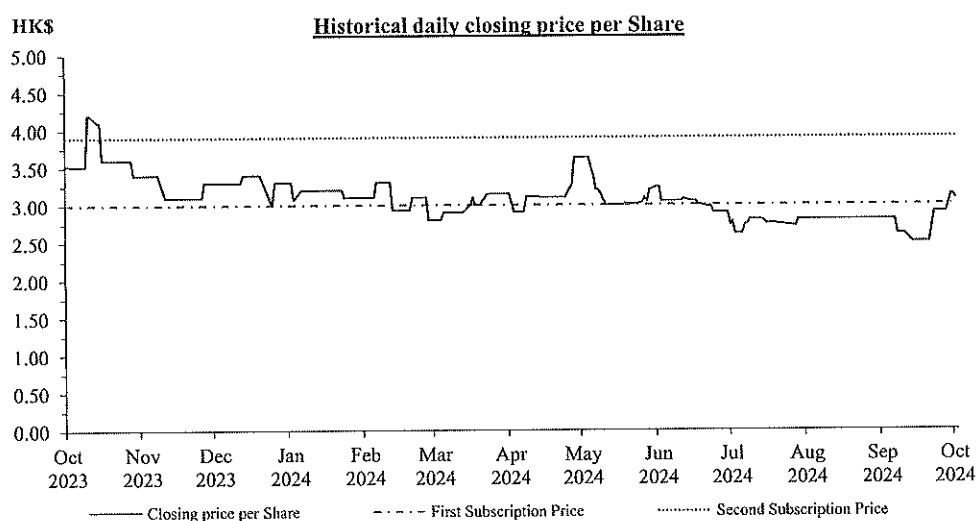
With reference to the Board Letter, the Second Subscription Price of HK\$3.9 per Second Subscription Share represents:

- (i) a premium of approximately 18.18% over the closing price of HK\$3.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 26.62% over the closing price of HK\$3.08 per Share as quoted on the Stock Exchange on 4 October 2024 (the “**Second Subscription LTD Premium**”);
- (iii) a premium of approximately 30.43% over the average closing price of approximately HK\$2.99 per Share for the last five consecutive trading days immediately preceding the date of the Subscription Agreement (the “**Second Subscription 5 Days Premium**”);

With reference to the Board Letter, the Subscription Price was determined after arm’s length negotiations between the Company and Subscriber with reference to, among other things, the prevailing market price of the Shares and the recent performance and prospect of the Group’s business.

### Share price performance

Set out below is a chart showing the movement of the closing prices of Shares during the period from 3 October 2023 up to and including the Last Trading Day (the “Review Period”), being approximately one-year period prior to the Last Trading Day, which as a commonly adopted period for analysis and the duration of such period is sufficient for us to perform a thorough analysis on the historical closing price of Shares. The comparison of the daily closing price of Shares and the Subscription Price is illustrated as follows:



Source: the Stock Exchange's website

During the Review Period, the lowest closing price of Shares as quoted on the Stock Exchange were HK\$2.50 per Share as quoted on for each trading day from 16 September 2024 to 23 September 2024 and the highest closing price of Shares as quoted on the Stock Exchange were HK\$4.20 per Share as quoted on 12 October 2023 and 13 October 2023. Both the First Subscription Price of HK\$3.00 per Share and the Second Subscription Price of HK\$3.90 per Share are within the range of the lowest and highest closing price of Shares.

From the start of the Review Period, the closing prices of Share fluctuated between HK\$3.52 per Share to HK\$3.53 per Share before it increased sharply and reached the highest closing price of HK\$4.20 per Share on 12 October 2023 and 13 October 2023. On 18 October 2023, the closing price of Shares decreased sharply to HK\$3.60 per Share. Thereafter, the closing prices of Shares fluctuated between HK\$2.50 per Share to HK\$3.63 per Share before it reached HK\$3.08 per Share on the Last Trading Day.

*Comparable transactions*

As part of our analysis, we also identified subscription transactions of new ordinary shares under specific mandate for cash consideration during the six-month period from 5 April 2024 up to and including the Last Trading Day, which is sufficient for us to identify sizeable samples of comparable transactions for analysis, with the following criteria: (i) the subscription transactions were not lapsed or terminated up to the Latest Practicable Date; (ii) the subscription transactions do not involve the issuance of A shares, H shares or domestic shares, as announced by companies listed on the Stock Exchange; and (iii) the trading of shares of the listed issuers relating to the subscription transactions were not halted/suspended for over one month (the “**Comparable Transactions**”). We found nine transactions which met the said criteria and they are exhaustive. Shareholders should note that although the businesses, operations, market capitalisation and prospects of the Company are not the same as the subject companies of the Comparable Transactions; and the issuance size of the Subscription is not the same as those of the Comparable Transactions, the Comparable Transactions can demonstrate the recent market practices of subscription transactions under specific mandate conducted by Hong Kong listed companies and thus they are fair and representative for our analysis.

Company name (stock code)	Principal activities	Date of announcement	Market capitalisation as at the date of the relevant subscription agreement (HK\$ million)	Premium/ (discount) of the subscription price over/to the closing price per share on last trading date prior to the entering into of the subscription agreement (%)	Premium/ (discount) of the subscription price over/to the average closing price per share for the five consecutive trading days prior to and including the last trading day prior to the entering into of the subscription agreement (%)	Issuance size (HK\$ million)	Connected transaction? (Y/N)
China Silver Technology Holdings Limited (515)	Broadcasting and production of television content in Hong Kong	19 April 2024	103.6	(16.28)	(16.15)	35.6	N
Television Broadcasts Limited (511)	Electric vehicle charging business in Hong Kong	13 May 2024	1,634.6	(9.93)	(5.35)	67.2	Y
Cornerstone Technologies Holdings Limited (8391)	Provision of interior and exterior building decoration and design services in the PRC	22 May 2024	516.3	12.28	20.75	16.0	Y
Wenye Group Holdings Limited (1802)	Wind power generation in the PRC	7 June 2024	33.9	(3.51)	(14.06)	13.1	N
China Ruifeng Renewable Energy Holdings Limited (527)	Manufacturing and trading of toys and the plantation and sales of agricultural products	21 June 2024	413.9	(21.29)	(24.50)	139.2	Y
Winshine Science Company Limited (209)	Provision of brokerage services for futures, securities and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom	8 July 2024	26.9	(9.09)	(9.09)	4.6	Y
Well Link Securities Holdings Limited (8350)	Manufacture and sale of architectural glass products, including energy-efficient safety glass products and smart glass product in Southern China	2 September 2024	120.8	65.56	67.56	40.0	Y
China Hongguang Holdings Limited (8646)	Manufacturing and trading of pre-stressed high strength concrete piles, ready-mixed concrete, autoclaved sand-lime bricks, aerated concrete products and eco-permeable concrete products in the PRC	4 September 2024	229.5	(42.80)	(34.40)	42.9	Y
Sunway International Holdings Limited (58)	Broadcasting and production of television content in Hong Kong	27 September 2024	9.2	96.08 (Note)	96.08 (Note)	3.6	Y
		Maximum (excluding outlier):		65.56	67.56		
		Minimum (excluding outlier):		(42.80)	(34.40)		
		Average (excluding outlier):		(3.13)	(1.91)		
First Subscription				(2.60)	0.33	7.8	
Second Subscription				26.62	30.43	20.3	

Source: the Stock Exchange's website

Note: The premium of subscription price over closing price per share on the date of the relevant subscription agreement and the average closing price per share for the five consecutive trading days prior to and including the date of the relevant subscription agreement were exceptionally high (more than two standard deviation away from the mean) and were considered as outliers based on the mean and standard deviation outlier detection method.

According to the above table, we noted that the subscription prices of the Comparable Transactions:

- ranged from a discount of approximately 42.80% to a premium of approximately 65.56% (excluding outlier), with average discount of approximately 3.13% to the respective closing prices of the shares on the last trading day prior to the entering into of the agreement in relation to the respective subscription (the “**LTD Discount/Premium Market Range**”);
- ranged from a discount of approximately 34.40% to a premium of approximately 67.56%, with average discount of approximately 1.91% to the respective average closing prices of the shares for the five consecutive trading days prior to and including the last trading day prior to the entering into of the agreement in relation to the respective subscription (the “**5 Days Discount/Premium Market Range**”).

Both of the First Subscription LTD Discount and the First Subscription 5 Days Premium are within the LTD Discount/Premium Market Range and 5 Days Discount/Premium Market Range, respectively.

Both of the Second Subscription LTD Premium and the Second Subscription 5 Days Premium are within the LTD Discount/Premium Market Range and 5 Days Discount/Premium Market Range, respectively.

Having considered the above and that both the First Subscription Price and Second Subscription Price are within the closing price range of Shares during the Review Period, we are of the view that the Subscription Price is fair and reasonable.

#### ***Nomination of Director***

The Subscriber shall have the right to nominate one candidate after the First Completion Date and one additional candidate after the Second Completion Date, to be put forward to the Board, the nomination committee and the remuneration committee of the Company for appointment as a Director (save as independent non-executive Director). The Company undertakes with the Subscriber it shall use its reasonable endeavours to procure a meeting of the Board, nomination committee and remuneration committee of the Company to be held no later than 14 Business Days after receipt of written notice from the Subscriber of the proposed candidate to consider and approve the appointment of such candidate as a Director, subject to the approval by the Board, nomination committee and remuneration committee of the Company and compliance with the applicable laws, the GEM Listing Rules and the articles of association of the Company.

Pursuant to the Company's articles of association (as amended and restated) adopted on 20 May 2022 (the "Articles"):

- Any one or more Shareholder(s) holding not less than one-tenth (10%) of the issued share capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary, to require an extraordinary general meeting to be called by the Board for the relevant resolution specified in such requisition; and the Board shall proceed to convene such meeting within 21 days of such requisition.
- There is no maximum number of Directors unless otherwise determined from time to time by the Shareholders in general meetings of the Company.
- There is no restriction on the number of candidates to be nominated as Directors by way of Shareholders' requisition(s).

As the Subscriber shall be interested in approximately 10.4% of the issued Shares immediately after the First Subscription (on the assumption that there are not changes in the issued Shares between the Latest Practicable Date and the First Completion), we consider the nomination rights under the Subscription Agreement is in line with the shareholders' rights as set out in the Articles. Accordingly, we consider the nomination rights under the Subscription Agreement to be fair and reasonable.

#### ***Completion of the Subscription***

Subject to fulfilment of the First Completion Conditions, the First Completion shall take place at such time and place as agreed by the parties on the First Completion Date.

Subject to fulfilment of the Second Completion Conditions, the Second Completion shall take place at such time and place as agreed by the parties on the Second Completion Date.

Pursuant to the Subscription Agreement, one of the Second Completion Conditions is that the Profit Before Tax Guarantee is met (may be waived by the Company in its absolute discretion) (i.e. the PG Condition). This serves as an incentive for the Subscriber to put effort in the joint operation and management of the Subsidiary(ies) with the Company.

Taking into account the above principal terms of the Subscription (including the Subscription Price), we consider that the terms of the Subscription are fair and reasonable.

**Possible dilution effect on the shareholding interests of Independent Shareholders**

According to the table set out under the section headed "EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" of the Board Letter, assuming there are no other changes in the share capital of the Company between the Latest Practicable Date and the date of the Completions, the shareholding interests held by existing public Shareholders would be diluted by (i) approximately 4.9 percentage points as a result of the First Subscription; and (ii) approximately 12.2 percentage points as a result of the First Subscription and the Second Subscription. It should be noted that the aforesaid dilution effects were calculated based on the shareholding interest of the existing public Shareholders as a result of the Subscription and do not represent the theoretical dilution effect pursuant to Rule 10.44A of the GEM Listing Rules. We consider the said level of dilution to the shareholding interests of other Shareholders as a result of the Subscription to be acceptable.

**RECOMMENDATION**

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Subscription are on normal commercial terms and are fair and reasonable; and (ii) although the Subscription is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Subscription and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
Gram Capital Limited



**Graham Lam**  
*Managing Director*

*Note:* Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.